



**OBERLIN HISTORICAL AND IMPROVEMENT ORGANIZATION
AND SUBSIDIARIES**

**CONSOLIDATED AUDITED
FINANCIAL STATEMENTS**

**YEARS ENDED
DECEMBER 31, 2021 AND 2020**

OBERLIN HISTORICAL AND IMPROVEMENT ORGANIZATION AND SUBSIDIARIES

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Oberlin Historical and Improvement Organization and Subsidiaries
Oberlin, Ohio

Opinion

We have audited the accompanying consolidated financial statements of Oberlin Historical and Improvement Organization and Subsidiaries (a nonprofit organization), which comprise the consolidated statement of assets, liabilities, and net assets - modified cash basis as of December 31, 2021, and the related consolidated statement of revenue, expenses, and changes in net assets - modified cash basis and functional expenses - modified cash basis for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities, and net assets of Oberlin Historical and Improvement Organization and Subsidiaries as of December 31, 2021, and its support, revenue, and expenses for the year then ended in accordance with the modified cash basis of accounting as described in Note A.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of Oberlin Historical and Improvement Organization and Subsidiaries and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Basis of Accounting

We draw attention to Note A of the financial statements, which describes the basis of accounting. The consolidated financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the modified cash basis of accounting described in Note A, and for determining that the modified cash basis of accounting is an acceptable basis for the preparation of the consolidated financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

INDEPENDENT AUDITORS' REPORT (CONTINUED)

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Oberlin Historical and Improvement Organization and Subsidiaries' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Oberlin Historical and Improvement Organization and Subsidiaries' ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Report on Summarized Comparative Information

We have previously audited the Organization's 2020 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated September 16, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2020, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.



INDEPENDENT AUDITORS' REPORT (CONTINUED)

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating statement of assets, liabilities, and net assets - modified cash basis and consolidating statement of revenue, expenses, and changes in net assets - modified cash basis is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

A handwritten signature in cursive script that reads "Barnes Wendling CPAs".

Sheffield Village, Ohio
October 14, 2022

OBERLIN HISTORICAL AND IMPROVEMENT ORGANIZATION AND SUBSIDIARIES

Consolidated Statements of Assets, Liabilities, and Net Assets - Modified Cash Basis

	December 31,	
	2021	2020
ASSETS		
Cash and cash equivalents	\$ 222,341	\$ 127,672
Property and equipment, net	720,962	753,546
Investments	3,570,189	3,264,110
Beneficial interest in perpetual trust	156,739	146,402
TOTAL ASSETS	<u>\$ 4,670,231</u>	<u>\$ 4,291,730</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Taxes withheld and collected	\$ 202	\$ 193
Security deposits	10,706	10,509
Total Liabilities	10,908	10,702
Net Assets		
Without donor restrictions		
Undesignated	399,728	327,767
Board designated endowment	218,361	194,514
Board designated reserves	16,531	19,991
Investment in property and equipment, net	720,962	753,546
	<u>1,355,582</u>	<u>1,295,818</u>
With donor restrictions		
Purpose restriction	67,582	25,544
Endowments	3,236,159	2,959,666
	<u>3,303,741</u>	<u>2,985,210</u>
Total Net Assets	<u>4,659,323</u>	<u>4,281,028</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 4,670,231</u>	<u>\$ 4,291,730</u>

See Notes to Financial Statements

OBERLIN HISTORICAL AND IMPROVEMENT ORGANIZATION AND SUBSIDIARIES

Consolidated Statements of Revenues, Expenses, and Changes In Net Assets - Modified Cash Basis Year Ended December 31, 2021 with Summarized Financial Information for the Year Ended December 31, 2020

	Year Ended December 31,			
	Without Donor Restriction	With Donor Restriction	2021 Total	2020 Total
REVENUES				
Grants and contributions	\$ 94,310	\$ 122,377	\$ 216,687	\$ 240,968
Special events and fundraising	3,157		3,157	1,001
Membership revenue	19,055		19,055	18,804
Program revenue	7,564		7,564	3,468
Museum store sales	1,994		1,994	1,582
Investment income, net	57,368	371,659	429,027	268,843
Change in funds held in trust	5,984	10,337	16,321	10,052
Rental income	121,055		121,055	113,192
Miscellaneous	4,283		4,283	3,911
Paycheck Protection Program loan forgiveness	47,270		47,270	47,806
Total revenue	<u>362,040</u>	<u>504,373</u>	<u>866,413</u>	<u>709,627</u>
Endowment appropriations	130,575	(130,575)	-0-	-0-
Net assets released from restriction	55,267	(55,267)	-0-	-0-
	<u>547,882</u>	<u>318,531</u>	<u>866,413</u>	<u>709,627</u>
EXPENSES				
Program services	349,225		349,225	328,913
Management and general	113,484		113,484	113,144
Fundraising	25,409		25,409	25,291
Total expenses	<u>488,118</u>	<u>-0-</u>	<u>488,118</u>	<u>467,348</u>
Changes in net assets	59,764	318,531	378,295	242,279
Net assets, beginning of year	<u>1,295,818</u>	<u>2,985,210</u>	<u>4,281,028</u>	<u>4,038,749</u>
NET ASSETS, end of year	<u>\$ 1,355,582</u>	<u>\$ 3,303,741</u>	<u>\$ 4,659,323</u>	<u>\$ 4,281,028</u>

See Notes to Financial Statements

OBERLIN HISTORICAL AND IMPROVEMENT ORGANIZATION AND SUBSIDIARIES

Consolidated Statement of Functional Expenses - Modified Cash Basis Year Ended December 31, 2021 with Summarized Financial Information for the Year Ended December 31, 2020

	Program Services	Management and General	Fundraising	2021 Total	2020 Total
Salaries and benefits	\$ 139,950	\$ 77,042	\$ 17,517	\$ 234,509	\$ 230,409
Payroll taxes	12,001	6,601	1,501	20,103	19,928
	151,951	83,643	19,018	254,612	250,337
Administrative expenses		1,734		1,734	1,875
Dues and subscriptions	2,193	1,236	281	3,710	3,301
Fees and taxes	16,069			16,069	15,915
Insurance	18,246	3,763	856	22,865	22,805
Legal and professional fees	11,604	3,439	782	15,825	16,969
Miscellaneous	1,941	990	225	3,156	4,435
Office supplies and expenses	13,047	7,351	1,671	22,069	20,433
Printing and publications	3,447	1,859	423	5,729	7,321
Programs and projects	14,993			14,993	7,277
Repairs and maintenance	83,788	5,564	1,265	90,617	79,357
Telephone	1,513	853	194	2,560	2,459
Training and seminars	279	157	36	472	826
Total expenses before depreciation and amortization	319,071	110,589	24,751	454,411	433,310
Depreciation and amortization	30,154	2,895	658	33,707	34,038
Total expenses	\$ 349,225	\$ 113,484	\$ 25,409	\$ 488,118	\$ 467,348

See Notes to Financial Statements

OBERLIN HISTORICAL AND IMPROVEMENT ORGANIZATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements Year Ended December 31, 2021 and 2020

NOTE A - NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Oberlin Historical and Improvement Organization is a not for profit entity whose purpose is to preserve and share the City of Oberlin's unique heritage and to make the community a better place to live, learn, work, and visit. Oberlin Historical and Improvement Organization is incorporated under the laws of the State of Ohio and is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code (IRC).

OHC Properties, Inc., a wholly owned for-profit subsidiary of Oberlin Historical and Improvement Organization, acts as a property holding agency for a residential rental property. OHC Properties, Inc. is taxed under the provisions related to C corporations of the IRC.

Vineway, LLC, a wholly owned not for profit subsidiary of Oberlin Historical and Improvement Organization, acts as a property holding agency for commercial rental property at 82-86 South Main Street in Oberlin, Ohio. Vineway, LLC is disregarded entity for income tax purposes.

Basis of Consolidation

The consolidated financial statements include the accounts of Oberlin Historical and Improvement Organization and its wholly owned subsidiaries OHC Properties, Inc. and Vineway, LLC (collectively, the Organization), as described above. All intercompany transactions and balances are eliminated in consolidation.

Basis of Accounting

The Organization's policy is to prepare its consolidated financial statements on the modified cash basis of accounting. Under the modified cash basis, certain revenues are recognized when received rather than when earned or pledged and certain expenses are recognized when paid rather than when the obligation is incurred. The modified cash basis differs from cash basis as a result of the Organization capitalizing and depreciating property and equipment, adjusting investments and beneficial interest in perpetual trusts to fair market value, recording tax withholdings, and security deposits collected pertaining to rental property. Accordingly, the consolidated financial statements are not intended to be presented in conformity with accounting principles generally accepted in the United States of America.

Prior Year Summarized Information

The consolidated financial statements include certain prior-year summarized comparative information in total but not by net asset class or functional classification. Such information does not include sufficient detail to constitute a presentation in conformity with the modified cash basis. Accordingly, such information should be read in conjunction with the Organization's consolidated financial statements for the year ended December 31, 2020, from which the summarized information was derived.

OBERLIN HISTORICAL AND IMPROVEMENT ORGANIZATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements Year Ended December 31, 2021 and 2020

NOTE A - NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation

Consolidated financial statement presentation follows the recommendation of the Financial Accounting Standards Board. The Organization is required to report information regarding its consolidated revenues and expenses according to two classes of net assets:

Net Assets without Donor Restrictions

Net assets not restricted by donors or for which restrictions have expired. Net assets without donor restrictions include board designated net assets, which include reserves and endowment, and net investment in property and equipment. For further details on the board designated endowment, see Note G.

Net Assets with Donor Restrictions

Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates resources be maintained in perpetuity. For composition of net assets with donor restriction, see Note F. For further details on the endowment funds, see Note G.

Cash and Cash Equivalents

The Organization considers all highly liquid debt instruments purchased with maturities of three months or fewer to be cash equivalents. Cash and cash equivalents exclude any cash or cash equivalents maintained in a professional investment account. The Organization's cash balances may exceed the insured limits from time to time.

Property and Equipment

All capitalized property and equipment is stated at cost. The policy of the Organization is to capitalize buildings and improvements greater than \$5,000, excluding the historic buildings held by Oberlin Historical and Improvement Organization, and furniture and equipment greater than \$1,000, with a useful life of more than one year. The Organization does not capitalize historic buildings in accordance with the Organization's collections policy. Expenditures for maintenance and repairs are charged to expense when incurred. Depreciation is computed as follows:

<u>Category</u>	<u>Depreciation Method</u>	<u>Estimated Useful Life</u>
Buildings and improvements	Straight-line	15 - 40 Years
Furniture and equipment	Straight-line	5 - 7 Years

OBERLIN HISTORICAL AND IMPROVEMENT ORGANIZATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements Year Ended December 31, 2021 and 2020

NOTE A - NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Collections

The primary focus of the collections, including historic buildings, artifacts, and archival materials, is to maintain, exhibit, interpret, and engage visitors. Collections acquired either through purchase or donations are not capitalized. Purchases of collection items are recorded as decreases in net assets without donor restrictions if purchased with unrestricted funds and as decreases in net assets with donor restrictions if purchased with donor-restricted funds. Contributions of collection items are not recognized in the consolidated statements of revenues, expenses, and changes in net assets - modified cash basis. Proceeds from deaccessions or insurance recoveries are reflected on the consolidated statements of revenues, expenses, and changes in net assets - modified cash basis based on the absence or existence and nature of donor-imposed restrictions.

Deaccessioning must be done in accordance with the Organization's Collections Management Policy. Disposal of collections through sale, trade or research activities is solely for the advancement of the museum's mission. Proceeds from the sale of collections are to be used for the acquisition and direct care of collections. Funds used for the direct care of the collections must enhance the life, usefulness or quality of the collection. This includes conservation services, materials for long term storage of collections, and treatment (preservation, rehabilitation or restoration) of interpreted structures identified as part of the collection. Direct care does not include institutional operating expenses or facilities maintenance. Any financial proceeds resulting from disposal will be tracked separately to ensure proper use of the funds. During the years ended December 31, 2021 and 2020, the Organization did not deaccession of any collections for proceeds.

Investments

Investments in money market funds, equity securities and mutual funds, and fixed income mutual funds are stated at fair value as determined using quoted market prices. Fair value measurements are described in Note D.

Investment income includes realized and unrealized gains and losses, and interest and dividends, net of fees reported in the changes in net assets in the accompanying consolidated statements of revenues, expenses, and changes in net assets - modified cash basis.

Perpetual Trusts

The Organization is the designated beneficiary of a perpetual trust held by a community foundation. Under the terms of the trust, the Organization has the irrevocable right to receive a percentage of the perpetual trust's annual earnings in perpetuity which is estimated to approximate the present value of the expected future distributions from the trust. Perpetual trusts are described in Note E.

OBERLIN HISTORICAL AND IMPROVEMENT ORGANIZATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements Year Ended December 31, 2021 and 2020

NOTE A - NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Grants, Contributions, and Membership Revenue

Grants, contributions, and membership revenue are recognized as revenue when received. Grants and contributions without donor-imposed restrictions and contributions with donor-imposed time or purpose restrictions met in the same period as the gift are reported as support without donor restriction. Other restricted gifts are reported as restricted support in net assets with donor restriction.

Program Revenue

Program revenues primarily consist of admission charges, education programs, and facility tours to visitors of the Organization. Program revenue is recognized when received.

Rental Income

Rental income related to tenant leases is recognized when received. Tenant chargebacks and common area maintenance are recognized in the period received. The Organization recognizes a gain or loss on the sale of real estate assets when the criteria for an asset to be derecognized are met, which include when (i) a contract exists and (ii) the buyer obtains control.

Functional Expenses

The consolidated financial statements report certain categories of expenses attributed to more than one program or supporting function. Expenses identified with a specific program or supporting function are recorded directly according to their natural and functional expense classification. Certain expenses relate to more than one function and require allocation on a reasonable basis consistently applied. The expenses allocated include salaries and benefits, payroll taxes, dues and subscriptions, insurance, legal and professional fees, miscellaneous, office supplies and expenses, printing and publications, telephone, training and seminars, and depreciation and amortization.

Paycheck Protection Program Loan

On March 27, 2020, the President signed the Coronavirus Aid, Relief, and Economic Security Act (the CARES Act or the Act), under the Act the Organization applied for and received loans under the Paycheck Protection Program (PPP). The Organization received \$47,806 and \$47,270 on May 5, 2020 and February 23, 2021, respectively. The loans bore interest at 1%. The Organization elected to account for the Paycheck Protection Program Loans using the debt model. Under this method of accounting the Organization recorded the loans from its bank as long term debt with accrued interest until such time as the loan was formally forgiven, at which time the Organization recorded the debt forgiveness as PPP Loan Forgiveness. As such, \$47,270 and \$47,806 has been recognized as PPP Loan Forgiveness income for the years ended December 31, 2021 and 2020, respectively.

OBERLIN HISTORICAL AND IMPROVEMENT ORGANIZATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements Year Ended December 31, 2021 and 2020

NOTE A - NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions affecting certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Subsequent Events

The Organization has evaluated subsequent events through October 14, 2022, the date which the consolidated financial statements were available to be issued.

Reclassifications

Certain amounts in the 2020 consolidated financial statements have been reclassified to conform to the 2021 reporting presentation. These reclassifications did not have an effect on previously reported assets, liabilities, net assets, or changes in net assets.

NOTE B - LIQUIDITY AND AVAILABILITY

The Organization regularly monitors the availability of resources required to meet its operating needs while striving to maximize the investment of its available funds. The Organization has a goal to maintain financial assets on hand to meet 120 days of operating expenses, which are approximately \$152,000. For purposes of analyzing resources available to meet general expenditures over a twelve-month period, the Organization considers all expenditures related to its ongoing programs and support services to be general expenditures during the year.

The Organization manages its liquidity and reserves following two guiding principles: operating within a prudent range of financial soundness and stability and maintaining adequate liquid assets to fund near-term operating needs. The Organization's board of directors has designated a portion of its resources without donor restriction as a board designated endowment fund and as board designated reserves. With board approval, these funds could be used for operational needs, in accordance with the Organization's Endowment Management Policy. Should unbudgeted withdrawals be made from either the investment fund or endowment funds, the board must approve a specific amount and set a timeline to review this action and its impact on the financial health of the Organization.

OBERLIN HISTORICAL AND IMPROVEMENT ORGANIZATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements Year Ended December 31, 2021 and 2020

NOTE B - LIQUIDITY AND AVAILABILITY (CONTINUED)

The table below presents financial assets available for general expenditures within one year:

	Year Ended December 31,	
	2021	2020
Cash and cash equivalents	\$ 149,784	\$ 97,137
Investments	260,851	241,332
Budgeted annual distributions from endowment funds	138,775	128,225
Financial assets available to meet the cash needs for general expenditures within one year	\$ 549,410	\$ 466,694

NOTE C - PROPERTY AND EQUIPMENT

Property and equipment consist of the following as of December 31, 2021:

	Year Ended December 31,	
	2021	2020
Land	\$ 151,000	\$ 151,000
Building and building improvements	1,061,541	1,061,541
Furniture and equipment	27,271	26,148
	1,239,812	1,238,689
Less accumulated depreciation	518,850	485,143
	\$ 720,962	\$ 753,546

Depreciation and amortization expense was \$33,707 and \$34,038 for the year ended December 31, 2021 and 2020, respectively.

NOTE D - FAIR VALUE MEASUREMENTS

Financial and nonfinancial assets and liabilities are required to be re-measured on an annual basis. Fair value is the price received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (exit price) and establishes a fair value hierarchy based upon the inputs used to measure fair value.

OBERLIN HISTORICAL AND IMPROVEMENT ORGANIZATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements Year Ended December 31, 2021 and 2020

NOTE D - FAIR VALUE MEASUREMENTS (CONTINUED)

The three levels of the fair value hierarchy are as follows:

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices in active markets accessible at the measurement date for identical unrestricted assets or liabilities (for example, exchange quoted prices).

Level 2 - Inputs to the valuation methodology are observable inputs, other than Level 1 prices, such as quoted prices for similar assets or liabilities in active markets, quoted prices in markets not sufficiently active to qualify as Level 1, other observable inputs, or inputs corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 - Inputs to the valuation methodology are significant to the fair value measurement and unobservable (for example, supported by little or no market activity).

Financial assets and liabilities are classified in their entirety based on the lowest level of input significant to the fair value measurement. The Organization's assessment of the significance of a particular input to the fair value measurement requires judgment and may affect the valuation of fair value assets and liabilities and their placement within the fair value hierarchy levels.

The Organization's investments accounted at fair value as of December 31, 2021 are summarized below:

Description	Level 1	Level 3	Total
Money market	\$ 231,594		\$ 231,594
Equity securities and mutual funds	1,562,824		1,562,824
Exchange traded funds	789,897		789,897
Alternative investments	11,096		11,096
Fixed income mutual funds	974,778		974,778
Total investments	<u>\$ 3,570,189</u>	<u>\$ -0-</u>	<u>\$ 3,570,189</u>
Other assets measured at fair value on a recurring basis:			
Beneficial interest in perpetual trusts (see Note E)		<u>\$ 156,739</u>	<u>\$ 156,739</u>

OBERLIN HISTORICAL AND IMPROVEMENT ORGANIZATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements Year Ended December 31, 2021 and 2020

NOTE D - FAIR VALUE MEASUREMENTS (CONTINUED)

The Organization's investments accounted at fair value as of December 31, 2020 are summarized below:

Description	Level 1	Level 3	Total
Money market	\$ 237,499		\$ 237,499
Equity securities and mutual funds	2,027,834		2,027,834
Fixed income mutual funds	998,777		998,777
Total investments	<u>\$ 3,264,110</u>	<u>\$ -0-</u>	<u>\$ 3,264,110</u>
Other assets measured at fair value on a recurring basis:			
Beneficial interest in perpetual trusts (see Note E)		<u>\$ 146,402</u>	<u>\$ 146,402</u>

The following is a description of the valuation methodologies used for assets measured at fair value as of December 31, 2021 and 2020. There have been no changes in the methodologies used as of December 31, 2021 and 2020.

Money market funds, equity securities and mutual funds, exchange traded funds, alternative investments, and fixed income mutual funds are valued using quoted market prices at the net asset value of shares held by the Organization at year end.

The beneficial interest in perpetual trusts is valued at the fair value of the assets contributed to the trusts, which is estimated to approximate the present value of expected future distributions from the trusts.

The methods described above may produce a fair value calculation not indicative of net realizable value or reflective of future fair values. Furthermore, while the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement as of the reporting date.

OBERLIN HISTORICAL AND IMPROVEMENT ORGANIZATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements Year Ended December 31, 2021 and 2020

NOTE D - FAIR VALUE MEASUREMENTS (CONTINUED)

The following is a reconciliation of assets measured using Level 3 inputs:

Balance at January 1, 2020	\$ 142,442
Withdrawals	(6,092)
Gain on beneficial interest in perpetual trust	<u>10,052</u>
Balance at December 31, 2020	146,402
Withdrawals	(5,984)
Gain on beneficial interest in perpetual trust	<u>16,321</u>
Balance at December 31, 2021	<u>\$ 156,739</u>

NOTE E - BENEFICIAL INTEREST IN PERPETUAL TRUST

Beneficial interest in perpetual trust consists of an irrevocable trust (the O.H.I.O Endowment Fund) established by the Organization with donations with donor restrictions. The perpetual trust is held by the Community Foundation of Greater Lorain County (Foundation). Under the terms of the trust, the Organization has the irrevocable right to receive a certain percentage of the income earned on the trust assets in perpetuity. For the years ended December 31, 2021 and 2020, income of \$5,984 and \$6,092, respectively, was received from these investments and included in the change in funds held in trust on the consolidated statements of revenues, expenses, and changes in net assets. The value of the Organization's interest totaled \$156,739 and \$146,402 as of December 31, 2021 and 2020. Fair value measurements are described in Note D. The change in value of the perpetual trusts is recognized in the consolidated statements of revenues, expenses, and changes in net assets - modified cash basis.

At December 31, 2021, the Organization was an income beneficiary of the Executive Director Fund held at the Foundation. The Executive Director Fund is not recognized as an asset on the consolidated statements of assets, liabilities, and net assets - modified cash basis, because the Foundation holds variance power over the Executive Director Fund. The Organization receives annual distributions of income subject to the Foundation's variance power. Distributions from the Executive Director Fund were \$15,253 and \$15,529, respectively, during the years ended December 31, 2021 and 2020 and were included in grants and contributions on the consolidated statements of revenues, expenses and changes in net assets - modified cash basis.

OBERLIN HISTORICAL AND IMPROVEMENT ORGANIZATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements Year Ended December 31, 2021 and 2020

NOTE E - BENEFICIAL INTEREST IN PERPETUAL TRUST (CONTINUED)

At December 31, 2021 and 2020, the Organization was an income beneficiary of the Oberlin Heritage Center/O.H.I.O History Education Fund held at the Foundation. The Oberlin Heritage Center/O.H.I.O History Education Fund is not recognized as an asset on the consolidated statements of assets, liabilities, and net assets - modified cash basis, because the Foundation holds variance power over the Oberlin Heritage Center/O.H.I.O History Education Fund. The Organization receives annual distributions of income subject to the Foundation's variance power. Distributions from the Oberlin Heritage Center/O.H.I.O History Education Fund were \$7,115 and \$7,242 during the years ended December 31, 2021 and 2020, respectively, and are included in grants and contributions on the consolidated statements of revenues, expenses, and changes in net assets - modified cash basis.

NOTE F - NET ASSETS

Net assets without donor restrictions are comprised of undesignated and board designated amounts for the following:

	December 31,	
	2021	2020
Undesignated	\$ 399,728	\$ 327,767
Board designated and reserved:		
Board designated endowment for heritage preservation	218,361	194,514
Collection fund	2,707	2,830
Children's scholarship fund	322	322
Site improvements	1,946	1,839
Technology	11,556	15,000
Investment in property and equipment, net	720,962	753,546
	<u>\$ 1,355,582</u>	<u>\$ 1,295,818</u>

OBERLIN HISTORICAL AND IMPROVEMENT ORGANIZATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements Year Ended December 31, 2021 and 2020

NOTE F - NET ASSETS (CONTINUED)

Net assets with donor restrictions are restricted for the following:

	December 31,	
	2021	2020
Purpose restriction:		
Educational programs	\$ 20,567	\$ 24,708
Sustainable reserves	-0-	674
Collections	1,500	-0-
Jewett House ramp	20,515	-0-
Passage of time	25,000	162
	67,582	25,544
Endowment:		
Executive director salary and related expenses	1,467,848	1,351,895
History educators' salary and related expenses	892,548	815,615
Heritage preservation	662,053	593,693
General operations	56,971	52,061
Beneficial interest in perpetual trust	156,739	146,402
	3,236,159	2,959,666
	\$ 3,303,741	\$ 2,985,210

NOTE G - ENDOWMENTS

The Organization's endowment includes both donor-restricted endowment funds and funds designated by the board of directors. Net assets associated with endowment funds, including funds designated by the board of directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Organization has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the original donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as net assets with donor restriction in perpetuity (a) the original value of the gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in net assets with donor restriction in perpetuity is classified as net assets with donor restriction having purpose restriction until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence described by UPMIFA.

OBERLIN HISTORICAL AND IMPROVEMENT ORGANIZATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements Year Ended December 31, 2021 and 2020

NOTE G - ENDOWMENTS (CONTINUED)

Investment Return Objectives and Risk Parameters

The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include assets of donor restricted funds the Organization must hold in perpetuity or for a donor-specified period. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner intended to produce results that exceed the price and yield results over a three-five year period of the S&P 500 Index, EAFE + EMF Index, and the Barclays U.S. Intermediate Index while assuming a moderate level of investment risk. Actual returns in any given year may vary from this amount.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate of return objectives, the Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Organization targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives with prudent risk constraints.

Spending Policy

In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds; (2) the purposes of the donor-restricted endowment funds; (3) general economic conditions; (4) the possible effect of inflation and deflation; (5) the expected total return from income and the appreciation of investments; (6) other resources of the Organization; and (7) the Organization's investment policies. The Organization has a policy of appropriating for distribution on an annual basis, a percentage of the endowment fund's average fair value of the prior 12 calendar quarter rolling average as approved by the board of directors. In establishing this policy, the Organization considered the long-term expected return on its investment assets, the nature and duration of the individual endowment funds, many of which must be maintained in perpetuity because of donor-restrictions, and the possible effects of inflation. The Organization expects the current spending policy to allow its endowment to grow annually. This is consistent with the Organization's objective to preserve the fair value of the endowment assets as well as to provide additional real growth through new gifts and investment return. All withdrawals or transfers to other funds are subject to approval by the board of directors.

At certain times, donor-restricted endowment funds may have fair values less than the amount required to be maintained by donors or by law (underwater endowments). We have interpreted UPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law. At December 31, 2021 and 2020, a fund with an original gift value of \$156,778, fair values of \$156,739 and \$146,402, respectively, and deficiencies of \$39 and \$10,376, respectively, were reported in net assets with donor restrictions.

OBERLIN HISTORICAL AND IMPROVEMENT ORGANIZATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements Year Ended December 31, 2021 and 2020

NOTE G - ENDOWMENTS (CONTINUED)

Endowment net asset composition by type of fund as of December 31, 2021:

	Without Donor Restriction	With Donor Restriction	Total
Board designated	\$ 218,361		\$ 218,361
Donor-restricted:			
Original donor restricted gifts		\$ 2,347,089	2,347,089
Accumulated investment gains		889,070	889,070
	<u>\$ 218,361</u>	<u>\$ 3,236,159</u>	<u>\$ 3,454,520</u>

Changes in endowment net assets for the year ended December 31, 2021 is as follows:

	Without Donor Restriction	With Donor Restriction	Total
Endowment net assets, beginning of year	\$ 194,514	\$ 2,959,666	\$ 3,154,180
Investment income, net	23,847	371,659	395,506
Change in value of perpetual trust		10,337	10,337
Contributions		25,072	25,072
Appropriation of endowment assets for expenditure		(130,575)	(130,575)
Endowment net assets, end of year	<u>\$ 218,361</u>	<u>\$ 3,236,159</u>	<u>\$ 3,454,520</u>

Endowment net asset composition by type of fund as of December 31, 2020:

	Without Donor Restriction	With Donor Restriction	Total
Board designated	\$ 194,514		\$ 194,514
Donor-restricted:			
Original donor restricted gifts		\$ 2,322,017	2,322,017
Accumulated investment gains		637,649	637,649
	<u>\$ 194,514</u>	<u>\$ 2,959,666</u>	<u>\$ 3,154,180</u>

OBERLIN HISTORICAL AND IMPROVEMENT ORGANIZATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements Year Ended December 31, 2021 and 2020

NOTE G - ENDOWMENTS (CONTINUED)

Changes in endowment net assets for the year ended December 31, 2020 is as follows:

	Without Donor Restriction	With Donor Restriction	Total
Endowment net assets, beginning of year	\$ 159,731	\$ 2,824,405	\$ 2,984,136
Investment income, net	14,783	230,423	245,206
Change in value of perpetual trust		3,960	3,960
Contributions	20,000	25,478	45,478
Appropriation of endowment assets for expenditure		(124,600)	(124,600)
Endowment net assets, end of year	\$ 194,514	\$ 2,959,666	\$ 3,154,180

NOTE H - RETIREMENT PLAN

The Organization maintains a 403(b) plan (Plan), which provides retirement benefits for all eligible employees. The Organization matches 50% of the employee's contributions up to 5% of the employee's total compensation. The contributions to the plan for the years ended December 31, 2021 and 2020 were \$5,454 and \$5,505, respectively.

NOTE I - OPERATING LEASES

The Organization leases office equipment under non-cancelable operating leases expiring at various dates through March 2026. Rent expense related to those leases was \$8,529 and \$7,812 for the years ended December 31, 2021 and 2020, respectively. The minimum future lease payments due under the non-cancelable operating leases having initial or remaining terms in excess of one year are as follows:

Years Ending December 31,	Amount
2022	\$ 7,200
2023	2,664
2024	1,152
2025	1,152
2026	288
	\$ 12,456

OBERLIN HISTORICAL AND IMPROVEMENT ORGANIZATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements Year Ended December 31, 2021 and 2020

NOTE J - RENTAL INCOME UNDER OPERATING LEASES

The Organization's rental income is principally obtained from tenants through rental payments as provided for under non-cancelable operating leases with terms renewing either annually or monthly. OHC Properties, Inc. leases housing space to various tenants for terms of one year or less. Vineway, LLC leases building space to three tenants under lease agreements expiring on various dates through October 2025. The tenant leases typically provide for fixed base rent. Minimum future rentals from non-cancelable operating leases are as follows:

Years Ending December 31,	Amount
2022	\$ 81,324
2023	63,924
2024	46,524
2025	21,290
	<u>\$ 213,062</u>

NOTE K - INCOME TAXES

Oberlin Historical and Improvement Organization is exempt from Federal income tax under Internal Revenue Code Section 501(c)(3) and is classified as an educational and charitable organization that is not a "Private Foundation" as defined in Section 509(a) of the IRC. OHC Properties, Inc. has elected under IRC to be taxed as a C corporation. OHC Properties, Inc. pays federal and local corporate taxes on its taxable income. Vineway, LLC, a wholly owned subsidiary of Oberlin Historical and Improvement Organization, is a disregarded entity for tax purposes. Therefore, all activity of Vineway, LLC is reported on the tax return of Oberlin Historical and Improvement Organization. Because the activity of Vineway, LLC is within the tax exempt purpose of Oberlin Historical and Improvement Organization, the activity is considered tax exempt. OHC Properties, Inc. had federal net operating losses (NOL) of \$26,374 and \$23,742 as of December 31, 2021 and 2020, respectively.

OBERLIN HISTORICAL AND IMPROVEMENT ORGANIZATION AND SUBSIDIARIES

Consolidating Statement of Assets, Liabilities, and Net Assets - Modified Cash Basis December 31, 2021

	Oberlin Historical and Improvement Organization	OHC Properties, Inc.	Vineway, LLC	Eliminations	Total
ASSETS					
Cash and cash equivalents	\$ 149,113	\$ 48,760	\$ 24,468		\$ 222,341
Notes receivable - related party	2,829			(\$ 2,829)	-0-
Property and equipment, net	146,396	92,012	482,554		720,962
Investments in subsidiary	634,140			(634,140)	-0-
Investments	3,570,189				3,570,189
Beneficial interest in perpetual trust	156,739				156,739
TOTAL ASSETS	<u>\$ 4,659,406</u>	<u>\$ 140,772</u>	<u>\$ 507,022</u>	<u>(\$ 636,969)</u>	<u>\$ 4,670,231</u>
LIABILITIES AND NET ASSETS					
Liabilities					
Note payable - related party			\$ 2,829	(\$ 2,829)	\$ -0-
Taxes withheld and collected	\$ 83	\$ 119			202
Security deposits		3,742	6,964		10,706
TOTAL LIABILITIES	83	3,861	9,793	(2,829)	10,908
Net Assets					
Without donor restrictions	1,355,582		497,229	(497,229)	1,355,582
With donor restrictions	3,303,741			-0-	3,303,741
Shareholder's equity		136,911		(136,911)	-0-
TOTAL NET ASSETS	<u>4,659,323</u>	<u>136,911</u>	<u>497,229</u>	<u>(634,140)</u>	<u>4,659,323</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 4,659,406</u>	<u>\$ 140,772</u>	<u>\$ 507,022</u>	<u>(\$ 636,969)</u>	<u>\$ 4,670,231</u>

See Independent Auditors' Report

OBERLIN HISTORICAL AND IMPROVEMENT ORGANIZATION AND SUBSIDIARIES

Consolidating Statement of Revenues, Expenses, and Changes in Net Assets - Modified Cash Basis Year Ended December 31, 2021

	Oberlin Historical and Improvement Organization			OHC Properties, Inc.		Vineway, LLC	Eliminations	Total		
	Without Donor Restriction	With Donor Restriction	Total	Without Donor Restriction	Without Donor Restriction	Without Donor Restriction		With Donor Restriction	Total	
REVENUES										
Grants and contributions	\$ 94,310	\$ 122,377	\$ 216,687					\$ 94,310	\$ 122,377	\$ 216,687
Special events and fundraising	3,157		3,157					3,157		3,157
Membership revenue	19,055		19,055					19,055		19,055
Program revenue	7,564		7,564					7,564		7,564
Museum store sales	1,994		1,994					1,994		1,994
Investment income, net	57,368	371,659	429,027					57,368	371,659	429,027
Change in funds held in trust	5,984	10,337	16,321					5,984	10,337	16,321
Rental income			-0-	\$ 37,707	\$ 83,348			121,055		121,055
Miscellaneous	29,156		29,156	79	548	(\$ 25,500)		4,283		4,283
Paycheck Protection Program loan forgiveness	47,270		47,270					47,270		47,270
Loss on subsidiaries	(13,566)		(13,566)				13,566			-0-
Total revenue	252,292	504,373	756,665	37,786	83,896	(11,934)		362,040	504,373	866,413
Endowment appropriations	130,575	(130,575)	-0-					130,575	(130,575)	-0-
Net assets released from restriction	55,267	(55,267)	-0-					55,267	(55,267)	-0-
	438,134	318,531	756,665	37,786	83,896	(11,934)		547,882	318,531	866,413
EXPENSES										
Program services	239,477		239,477	44,525	90,723	(25,500)		349,225		349,225
Management and general	113,484		113,484					113,484		113,484
Fundraising	25,409		25,409					25,409		25,409
Total expenses	378,370	-0-	378,370	44,525	90,723	(25,500)		488,118	-0-	488,118
Changes in net assets/shareholder's equity	\$ 59,764	\$ 318,531	\$ 378,295	(\$ 6,739)	(\$ 6,827)	\$ 13,566		\$ 59,764	\$ 318,531	\$ 378,295

See Independent Auditors' Report