

HISTORICAL SOCIETY OF WESTERN PENNSYLVANIA  
Pittsburgh, Pennsylvania

Financial Statements  
For the years ended June 30, 2022 and 2021  
and Independent Auditor's Report Thereon



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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees  
Historical Society of Western Pennsylvania  
Pittsburgh, Pennsylvania

**Opinion**

We have audited the accompanying financial statements of the Historical Society of Western Pennsylvania (History Center) (a nonprofit organization), which comprise the statements of financial position as of June 30, 2022 and 2021, and the related statements of activities and changes in net assets, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the History Center as of June 30, 2022 and 2021, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

**Basis for Opinion**

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

**Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the History Center's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

## **Auditor's Responsibility for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's 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 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 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 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 the History Center's 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 financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the History Center's 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.

*Schneider Downs & Co., Inc.*

Pittsburgh, Pennsylvania  
November 3, 2022

HISTORICAL SOCIETY OF WESTERN PENNSYLVANIA

STATEMENTS OF FINANCIAL POSITION

	June 30	
	<u>2022</u>	<u>2021</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents - unrestricted	\$ 2,618,858	\$ 2,555,992
Cash and cash equivalents - restricted	1,963,418	1,019,202
	<u>4,582,276</u>	<u>3,575,194</u>
Grants and pledges receivable	529,342	912,520
Other receivables	135,824	101,987
Prepaid expenses and other current assets	50,774	39,143
Inventory	<u>578,618</u>	<u>341,896</u>
Total Current Assets	5,876,834	4,970,740
LONG-TERM ASSETS		
Investments	26,467,930	31,949,572
Grants and pledges receivable, net	124,520	331,160
Property and equipment, net	<u>30,531,861</u>	<u>28,786,669</u>
Total Assets	<u>\$ 63,001,145</u>	<u>\$ 66,038,141</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 684,008	554,398
Accrued liabilities	173,688	183,213
Deferred revenue	39,889	38,051
Related-party loan	62,500	125,000
Deferred compensation liability	224,493	-
Current portion of long-term debt	<u>292,857</u>	<u>292,857</u>
Total Current Liabilities	1,477,435	1,193,519
LONG-TERM DEBT	4,010,602	1,353,460
PAYCHECK PROTECTION PROGRAM LOAN	1,239,500	1,239,500
GIFT ANNUITY LIABILITY	132,545	127,914
DEFERRED COMPENSATION LIABILITY	<u>-</u>	<u>173,620</u>
Total Liabilities	6,860,082	4,088,013
NET ASSETS		
Without donor restrictions	30,472,603	31,075,944
With donor restrictions	<u>25,668,460</u>	<u>30,874,184</u>
Total Net Assets	<u>56,141,063</u>	<u>61,950,128</u>
Total Liabilities And Net Assets	<u>\$ 63,001,145</u>	<u>\$ 66,038,141</u>

See notes to financial statements.

HISTORICAL SOCIETY OF WESTERN PENNSYLVANIA

STATEMENTS OF ACTIVITIES  
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS OPERATING		
Revenue:		
Gifts and grants	\$ 3,462,590	\$ 4,009,666
Admissions	1,456,020	666,043
Membership dues	326,559	323,813
Event rentals and commissions	950,542	285,527
Museum shop and café sales	896,039	423,782
Rental income	84,707	77,956
Resource revenue	899,390	293,729
In-kind contributions	544,605	667,644
Other income	79,067	62,159
Net investment loss	<u>(169,331)</u>	<u>-</u>
Total Revenue	8,530,188	6,810,319
Net assets released from restrictions	<u>2,937,006</u>	<u>5,139,144</u>
Total Revenue And Gains	11,467,194	11,949,463
Operating expenses:		
Program services	9,435,132	8,513,695
Management and general	1,961,345	1,589,404
Fundraising	<u>736,558</u>	<u>559,135</u>
Total Operating Expenses	<u>12,133,035</u>	<u>10,662,234</u>
Changes In Net Assets Without Donor Restrictions From Operating Activities	(665,841)	1,287,229
NON-OPERATING		
Gain on extinguishment of debt	-	1,239,500
Gain on extinguishment of related-party loan	<u>62,500</u>	<u>-</u>
	62,500	1,239,500
Changes In Net Assets Without Donor Restrictions	(603,341)	2,526,729
CHANGES IN NET ASSETS WITH DONOR RESTRICTIONS		
Gifts and grants	1,441,441	1,568,928
Contributions for endowment	427,839	325,971
Net investment (loss) return	(4,137,998)	6,550,916
Net assets released from restrictions	<u>(2,937,006)</u>	<u>(5,139,144)</u>
(Decrease) Increase In Net Assets With Donor Restrictions	<u>(5,205,724)</u>	<u>3,306,671</u>
(Decrease) Increase In Net Assets	<u><u>\$(5,809,065)</u></u>	<u><u>\$ 5,833,400</u></u>

See notes to financial statements.

HISTORICAL SOCIETY OF WESTERN PENNSYLVANIA

STATEMENTS OF CHANGES IN NET ASSETS  
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
BALANCE, June 30, 2021	\$ 28,549,215	\$ 27,567,513	\$ 56,116,728
2021 Increase in net assets	<u>2,526,729</u>	<u>3,306,671</u>	<u>5,833,400</u>
BALANCE, June 30, 2021	31,075,944	30,874,184	61,950,128
2022 Decrease in net assets	<u>(603,341)</u>	<u>(5,205,724)</u>	<u>(5,809,065)</u>
BALANCE, June 30, 2022	<u>\$ 30,472,603</u>	<u>\$ 25,668,460</u>	<u>\$ 56,141,063</u>

See notes to financial statements.

HISTORICAL SOCIETY OF WESTERN PENNSYLVANIA

STATEMENTS OF FUNCTIONAL EXPENSES  
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

	2022			
	Program Services			
	History Center	Meadowcroft	Fort Pitt	Total
Salaries and benefits	\$ 3,722,565	\$ 236,325	\$214,365	\$ 4,173,255
Occupancy	1,384,419	82,090	43,206	1,509,715
Programs, exhibits and collections	1,249,184	35,572	53,822	1,338,578
Marketing	334,176	33,514	5,950	373,640
Professional fees and administration	309,506	5,820	4,448	319,774
Other fees	226,804	-	-	226,804
Equipment	29,035	15,525	1,288	45,848
Depreciation	1,343,566	100,163	3,789	1,447,518
Total	<u>\$ 8,599,255</u>	<u>\$ 509,009</u>	<u>\$326,868</u>	<u>\$9,435,132</u>

	2021			
	Program Services			
	History Center	Meadowcroft	Fort Pitt	Total
Salaries and benefits	\$ 3,498,493	\$ 221,847	\$218,857	\$ 3,939,197
Occupancy	1,490,805	48,478	42,962	1,582,245
Programs, exhibits and collections	854,558	15,024	23,274	892,856
Marketing	284,872	71,743	393	357,008
Professional fees and administration	101,362	2,257	3,646	107,265
Other fees	210,040	-	-	210,040
Equipment	10,738	715	1,844	13,297
Depreciation	1,328,431	81,254	2,102	1,411,787
Total	<u>\$ 7,779,299</u>	<u>\$ 441,318</u>	<u>\$293,078</u>	<u>\$8,513,695</u>



2022

<u>Management and General</u>	<u>Fundraising</u>	<u>Total Expenses</u>
\$ 1,236,887	\$ 402,340	\$ 5,812,482
98,646	16,429	1,624,790
8,853	288,929	1,636,360
7,724	-	381,364
353,579	19,090	692,443
2,434	-	229,238
253,222	9,770	308,840
-	-	1,447,518
<u>\$1,961,345</u>	<u>\$ 736,558</u>	<u>\$ 12,133,035</u>

2021

<u>Management and General</u>	<u>Fundraising</u>	<u>Total Expenses</u>
\$ 1,079,928	\$ 334,927	\$ 5,354,052
76,741	149	1,659,135
4,397	201,902	1,099,155
5,919	-	362,927
237,282	11,164	355,711
1,880	-	211,920
183,257	10,993	207,547
-	-	1,411,787
<u>\$1,589,404</u>	<u>\$ 559,135</u>	<u>\$ 10,662,234</u>

See notes to financial statements.

HISTORICAL SOCIETY OF WESTERN PENNSYLVANIA

STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
(Decrease) increase in net assets	\$ (5,809,065)	\$ 5,833,400
Adjustments to reconcile (decrease) increase in net assets to net cash provided by operating activities:		
Net investment loss (return)	4,307,329	(6,550,916)
Depreciation	1,447,518	1,411,787
Contributions to endowment	(427,839)	(325,971)
Proceeds from sales of donated stock for operations	66,470	286,225
Contributed property	-	(205,000)
Forgiveness of Paycheck Protection Program loan	-	(1,239,500)
Forgiveness of related-party loan	(62,500)	-
Changes in assets and liabilities:		
Grants and pledges receivable	589,818	683,847
Prepaid expenses, other current assets and other receivables	(45,468)	21,790
Inventory	(236,722)	45,436
Accounts payable and accrued liabilities	120,085	84,340
Deferred compensation liability	50,873	50,690
Deferred revenue and gift annuity liability	6,469	(30,514)
Net Cash Provided By Operating Activities	<u>6,968</u>	<u>65,614</u>
<b>NET CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property and equipment	(242,710)	(342,983)
Purchases of investments	(773,548)	(3,624,517)
Proceeds from sales or maturity of investments	<u>1,618,535</u>	<u>4,631,370</u>
Net Cash Provided By Investing Activities	<u>602,277</u>	<u>663,870</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Principal payments on long-term debt	(292,858)	(292,857)
Proceeds from third-party loan	-	125,000
Payments on revolving credit loan	-	(1,000,000)
Proceeds from Paycheck Protection Program loan	-	1,239,500
Proceeds from sales of donated stock for donor-restricted purposes	262,856	-
Proceeds from contributions restricted for endowment	<u>427,839</u>	<u>325,971</u>
Net Cash Provided By Financing Activities	<u>397,837</u>	<u>397,614</u>
 Increase In Cash And Cash Equivalents	 1,007,082	 1,127,098
<b>CASH AND CASH EQUIVALENTS</b>		
Beginning of year	<u>3,575,194</u>	<u>2,448,096</u>
End of year	<u>\$ 4,582,276</u>	<u>\$ 3,575,194</u>
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>		
Cash paid during the year for interest	<u>\$ 36,000</u>	<u>\$ 48,000</u>

**SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING ACTIVITIES**

During 2022, the History Center financed the purchase of \$2,950,000 of property with long-term debt.

See notes to financial statements.

HISTORICAL SOCIETY OF WESTERN PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2022 AND 2021

NOTE 1 - ORGANIZATION

The Historical Society of Western Pennsylvania (History Center), founded in 1879, operating as the Senator John Heinz History Center, which includes the Detre Library and Archives and the Western Pennsylvania Sports Museum, the Fort Pitt Museum (Fort Pitt), and the Meadowcroft Rockshelter and Historic Village, is a Pennsylvania not-for-profit educational institution that engages and inspires large and diverse audiences through programs that enable links to the past, understanding in the present, and guidance for the future by preserving regional history and presenting the American experience with a Western Pennsylvania connection. This work is accomplished in partnership with others through archaeology, archives, artifact collections, broadcast and electronic media, civic engagement, conservation, educational programs, exhibitions, events, library, museums, public outreach, performance, preservation, publications, products, research, technical assistance and virtual programs. In addition, the History Center is a strategic partner with the Smithsonian Institution as an affiliate member. This contractual relationship enables the History Center to gain greater access to Smithsonian collections, exhibits and programs.

The History Center entered into a 10-year agreement with the Commonwealth of Pennsylvania effective April 22, 2010, whereby the History Center is responsible for the management and operations of Fort Pitt. In consideration for the services provided by the History Center, the History Center has the right to retain all revenues generated from operation of Fort Pitt during the agreement's term. The agreement was extended during the 2020 fiscal year, and the History Center entered into a five-year agreement with similar terms during the 2021 fiscal year.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of significant accounting policies consistently applied by management in the preparation of the accompanying financial statements follows:

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Basis of Presentation - The financial statements of the History Center have been prepared on the accrual basis of accounting. Net assets and revenues, expenses and gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the History Center and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions - Net assets that are not subject to donor-imposed restrictions.

Net Assets With Donor Restrictions - Net assets subject to donor-imposed restrictions that may or will be met either by actions of the History Center and/or passage of time, or that are to be maintained in perpetuity by the History Center. Generally, the donors of these assets that are to be maintained in perpetuity permit the History Center to use all or part of the income earned on related investments for general or specific purposes.

HISTORICAL SOCIETY OF WESTERN PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2022 AND 2021

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents - The History Center considers all highly liquid investments with maturities of three months or less at the time of purchase to be cash equivalents. The History Center maintains cash and cash equivalents at a financial institution that may exceed federally insured amounts at times. Restricted cash consists of donor-designated funds that are to be utilized for specific projects or purposes.

Investments - Investments in equity securities with readily determinable fair values and all investments in debt securities are reported at fair value, with realized and unrealized gains and losses included in the statements of activities. Investments received by gift are recorded at market value on the date of donation. Investment securities, in general, are exposed to various risks such as interest rate, credit and overall market volatility. Due to the level of risk associated with certain investment securities, changes in values of investment securities will occur in the near term, and it is reasonably possible that such changes could materially affect the amounts reported in the statements of financial position.

Net investment (loss) return is reported in the statements of activities and consists of interest and dividend income, realized and unrealized gains and losses, less external investment expenses.

Grants and Pledges Receivable - Unconditional promises to give cash and other assets to the History Center are reported at their estimated fair value at the date the promise is received. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of estimated future cash flows. The discounts on those amounts are computed using a risk-free interest rate applicable to the year in which the promise is received. Amortization of the discount is included in contribution revenue. Grants receivable include amounts due from federal and state agencies and are recorded in accordance with the terms of the contracts. Conditional promises to give - that is, those with a measurable performance or other barrier and a right of return - are not recognized until the conditions on which they depend have been met. There were no conditional grants received during the years ended June 30, 2022 or 2021.

The History Center's policy is to provide for future losses on uncollectible grants and pledges based on an evaluation of the underlying grants and pledges and such other factors that, in the History Center's judgment, merit consideration in estimating doubtful accounts. At June 30, 2022 and 2021, no allowance was considered to be necessary.

Inventory - Gift shop inventory is stated at the lower of cost or net realizable value.

Property and Equipment - Property and equipment are recorded at cost when purchased. Property and equipment received by gift are recorded at fair value on the date of donation. The History Center records depreciation of property and equipment using the straight-line method over the estimated useful lives, ranging from five years to 40 years, of the related assets.

Impairment of Long-Lived Assets and Long-Lived Assets to Be Disposed Of - In accordance with the provisions of the Property, Plant and Equipment topic of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC), long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset might not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future undiscounted cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the asset exceeds the fair value, as defined, of the assets. No impairment was recorded for fiscal years ended June 30, 2022 and 2021.

HISTORICAL SOCIETY OF WESTERN PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2022 AND 2021

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Exhibits and Collections - The History Center's collections include its collection of material on Western Pennsylvania history. These items are held for educational, scientific and curatorial purposes. Each of the items is cataloged, preserved and cared for, and activities verifying their existence and assessing their condition are performed continuously.

The collections, which were acquired through contributions and purchases since the History Center's inception, are not recognized as assets in the statements of financial position. Purchases of collection items are recorded as operating expenditures in the year in which the items are acquired. Contributed collection items are not reflected in the financial statements. Proceeds from deaccessions or insurance recoveries are reflected as increases in the statements of activities and changes in net assets with donor restrictions and are used for the acquisition of collections.

Gift Annuity Liability - Revenues and receivables from gift annuities are recognized upon the completion of these contracts and are reported at the present value of the estimated future cash flows with restrictions based on the donors' intent of the future use of the funds. Payments are made to donors or other beneficiaries in accordance with the respective agreements.

The History Center reports gifts of property and equipment as revenue without donor restrictions unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as revenue with donor restrictions. In the absence of explicit donor stipulations about how long those long-lived assets must be maintained, the History Center reports the expirations of the donor restrictions when the donated or acquired long-lived assets are placed in service.

Contributed Services - Certain individuals and companies have made contributions of products and services to develop the History Center's programs and assist in its support. Contributed services are recognized if the services received (a) create or enhance long-lived assets, or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. To the extent quantifiable by the contributor of goods or services, management recorded the fair value of goods and services provided when received as contribution revenue and related expense in the accompanying statements of activities. As of June 30, 2022 and 2021, such total value provided by contributors was approximately \$545,000 and \$668,000, respectively, of which the History Center received \$205,000 of contributed property during the fiscal year ended June 30, 2021, and approximately \$221,000 and \$134,000 of contributed advertising services during the fiscal years ended June 30, 2022 and 2021, respectively, from a company of which a Board of Trustees (Board) member is a member of management. (See Note 6 regarding contributed rent.)

Revenue Recognition - The History Center recognizes revenue within the following categories:

Contributions - The History Center reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or the purpose of the restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and are reported in the statements of activities as net assets released from restrictions.

HISTORICAL SOCIETY OF WESTERN PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2022 AND 2021

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Membership - Membership revenue is recognized in the year received. This method reasonably approximates the earnings process for membership revenue.

Event Rentals and Commissions - The History Center rents portions of its facility for historic life events, corporate events and other functions. When food and beverages are provided by its outside caterer, a commission is paid to the History Center. Event rentals and commissions revenues are recorded in the period the services are rendered.

Rental Income - A nine-story building on Penn Avenue provides museum-quality storage for the History Center's collections as well as providing a source of rental income from similar institutions needing artifact storage. Rental income is recorded on a monthly basis over the terms of the rental agreements.

Resource Revenue - The History Center entered into an agreement allowing gas well drilling on approximately 275 acres of property it owns in Washington County. As of June 30, 2022 and 2021, 177 acres are included in drilling plots, with royalties paid based on gas production of the wells. In 2018, the History Center entered into another lease for 20 acres of property in Allegheny County on which the History Center was granted mineral and gas rights. During the year ended June 30, 2019, drilling began on the Allegheny County property. Resource revenue is recorded when received.

Revenue reported on the statements of activities was derived from contracts with customers (i.e., membership support). The History Center includes admissions, memberships dues and other activities, such as event rentals and commissions, History Center shop and café sales, rental income and resource revenue, as revenue. Revenues from gifts and grants, endowment contributions and investment income are not derived from contracts with customers and do not qualify for inclusion under Topic 606.

*Disaggregation of Revenue*

The History Center generates revenue from individual contracts with members that includes membership fees. The provisions of Topic 606 are applied by the History Center on an individual contract basis. As a practical expedient, the History Center applies this Topic to a portfolio of contracts with similar characteristics for the membership fee revenue stream. The History Center expects that the effects of applying this guidance to the portfolios would not significantly differ from applying the guidance to the individual contracts within the portfolio. However, the benefits of membership revenue are recognized over time as the benefits are consumed over time. Payments for membership fees are voluntary in nature and can be renewed annually at the request of the member.

Admissions revenue is presented separately on the statements of activities under its own caption and is derived from ticket sales upon admission to priced exhibits. Admissions revenue is recognized at a point in time because the customers simultaneously receive and consume the benefits provided by the History Center upon payment for admissions, which is when the History Center satisfies its performance obligation.

Museum shop and café sales are presented separately on the statements of activities. These sales are recognized at a point in time and are derived from providing food and beverage sales in the café and History Center store goods.

HISTORICAL SOCIETY OF WESTERN PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2022 AND 2021

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

*Remaining Performance Obligations*

The History Center applies the practical expedient in FASB ASC 606-10-50-14 and, therefore, does not disclose further information about remaining performance obligations that have original expected durations of one year or less. There was revenue recognized during the years ended June 30, 2022 and 2021, respectively, from performance obligations that were satisfied or partially satisfied in prior periods. This includes membership revenue, since it is recognized over time and contracts span fiscal years.

*Significant Judgments*

The timing and the satisfaction of performance obligations were determined through careful analysis of the timing of which control of goods or services are transferred to members/customers. Membership revenue is recognized over time, as benefits are consumed as the History Center performs over the life of each contract. All other performance obligations are satisfied at a point in time, as customers simultaneously receive and consume the benefits provided by the History Center's performance upon payment.

Income Taxes - The History Center is exempt from federal income tax under Section 501(c)(3) of the U.S. Internal Revenue Code (IRC). Accordingly, no federal or state income taxes have been provided.

The History Center follows the Income Taxes topic of the ASC that requires a recognition threshold and measurement principles for financial statement disclosures of tax positions taken or expected to be taken on a tax return. The History Center has assessed the tax positions it has taken or expects to take in its tax returns, and, as a result, no liability for uncertain tax positions has been recorded; further, the History Center has no unrecognized tax benefits. The History Center is no longer subject to examination of its tax returns for years before 2019.

Advertising - Expenditures for advertising are charged to expense the first time the advertising takes place.

Recently Adopted Accounting Pronouncement - During September 2020, the FASB issued ASU No. 2020-07 related to Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets. Entities that receive contributed nonfinancial assets would be impacted by this standard. Nonfinancial assets include fixed assets (such as land, buildings and equipment), use of fixed assets or utilities, materials and supplies, intangible assets, services and unconditional promises of those assets. The objective of ASU 2020-07 is to improve financial reporting by providing new presentation and disclosure requirements on contributed nonfinancial assets. Entities will be required to create separate line items on the statement of activities to include contributed nonfinancial items, separated from contributions of cash and other financial assets. ASU 2020-07 is effective for fiscal years beginning after June 15, 2021, and interim periods with annual periods beginning after June 15, 2022. Early adoption is permitted. The History Center adopted the provisions of ASU 2020-07 with no significant impact to its financial statements or related disclosures.

HISTORICAL SOCIETY OF WESTERN PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2022 AND 2021

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recently Issued Accounting Pronouncements - In February 2016, the FASB issued ASU No. 2016-02, Leases (Topic 842) (ASU 2016-02), which sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract (i.e., lessees and lessors). The new standard requires lessees to apply a dual approach, classifying leases as either finance or operating leases based on the principle of whether or not the lease is effectively a financed purchase by the lessee. This classification will determine whether lease expense is recognized based on an effective interest method or on a straight-line basis over the term of the lease. A lessee is also required to record a right-of-use asset and a lease liability for all leases with a term of greater than 12 months regardless of their classification. Leases with a term of 12 months or less will be accounted for similar to existing guidance for operating leases today. The new standard requires lessors to account for leases using an approach that is substantially equivalent to existing guidance for sales-type leases, direct financing leases and operating leases. ASU 2016-02 supersedes the previous leases standard, Leases (Topic 840). ASU No. 2020-05 further delayed the effective date of ASU 2016-02 to fiscal years beginning after December 15, 2021. Early adoption is permitted. The History Center is assessing the impact that this standard will have on its financial statements and related disclosures.

Management has evaluated subsequent events through November 3, 2022, the date on which the financial statements were available to be issued.

NOTE 3 - FINANCIAL ASSETS AND LIQUIDITY RESERVES

The History Center's cash flows have seasonal variations during the year attributable to timing of exhibits, admissions, contributions, memberships and event rentals. To manage liquidity, the History Center maintains a line of credit that is drawn upon as needed. In addition, expenditures are managed to match the seasonal variation in cash flows.

At June 30, financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year, comprise the following:

	<u>2022</u>	<u>2021</u>
Cash and cash equivalents - unrestricted	\$ 2,618,858	\$ 2,555,992
Grants and pledges receivable	385,342	372,785
Other receivables	135,824	101,987
Endowment spending appropriation	<u>1,221,817</u>	<u>1,163,347</u>
Total Financial Assets Available Within One Year	<u>\$ 4,361,841</u>	<u>\$ 4,194,111</u>

The History Center is supported by contributions with and without donor restrictions. Since a donor's restriction requires resources to be used in a particular manner, or in a future period, the History Center must maintain sufficient resources to meet those responsibilities to its donors. As part of the History Center's liquidity management, it has a policy to segregate restricted cash and equivalents to be available as expenditures and other obligations become due. The History Center also maintains a line of credit to assist with its cash needs, with \$1,000,000 fully available as of June 30, 2022.



HISTORICAL SOCIETY OF WESTERN PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2022 AND 2021

NOTE 3 - FINANCIAL ASSETS AND LIQUIDITY RESERVES (Continued)

The History Center's endowment funds consist of donor-restricted endowments. Income from donor-restricted endowments is restricted for specific purposes with the exception of the spending appropriation available for general use. The History Center's endowment funds are subject to a board-elected spending rate between 2% and 7%. This percentage is applied to a 36-month average market value of the investments at the prior year-end as described in Note 9.

NOTE 4 - GRANTS AND PLEDGES RECEIVABLE

The majority of the History Center's grants and pledges receivable are due from state and local governments, corporations and private foundations. Pledges receivable include approximately \$100,000 and \$209,000 from Board members as of June 30, 2022 and 2021, respectively.

Scheduled collections of grants and pledges receivable, net of unamortized discount (2% in 2022 and 2021) are as follows:

	<u>2022</u>	<u>2021</u>
In one year or less	\$ 529,342	\$ 912,520
Between one year and five years	45,000	265,000
More than five years	<u>100,000</u>	<u>100,000</u>
	674,342	1,277,520
Less - Unamortized discount	<u>20,480</u>	<u>33,840</u>
	<u>\$ 653,862</u>	<u>\$ 1,243,680</u>

HISTORICAL SOCIETY OF WESTERN PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2022 AND 2021

NOTE 5 - INVESTMENTS AND FAIR VALUE MEASUREMENT

Investments, at fair value, at June 30 consist of the following:

	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 3,041,646	\$ 4,193,600
U.S. government obligations	1,361,784	1,554,492
U.S. corporate obligations	1,697,224	1,927,223
International corporate obligations	24,971	26,621
Marketable equity securities	18,740,022	22,423,174
International equity securities	1,198,729	1,603,000
Municipal and other obligations	303,554	221,462
Equity trust/partnership	<u>100,000</u>	<u>-</u>
	<u>\$ 26,467,930</u>	<u>\$ 31,949,572</u>

The History Center follows the ASC topic Fair Value Measurement, which defines fair value, establishes a framework for its measurement and expands disclosures about fair value measurement.

This topic defines fair value as the price that would be received to sell an asset or paid to transfer a liability (i.e., exit price) in an orderly transaction between market participants at the measurement date. This topic requires disclosures that categorize assets and liabilities measured at fair value into three different levels, depending on the assumptions (i.e., inputs) used in the valuation. Level 1 provides the most reliable measure of fair value, while Level 3 generally requires significant management judgment. Financial assets and liabilities are classified in their entirety based on the lowest level of input significant to the fair value measurement. The fair value hierarchy is defined as follows:

Level 1 - Valuations are based on unadjusted quoted prices in an active market for identical assets or liabilities.

Level 2 - Valuations are based on quoted prices for similar assets or liabilities in active markets, or quoted prices in markets that are not active for which significant inputs are observable, either directly or indirectly.

Level 3 - Valuations are based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement. Inputs reflect management's best estimate of what market participants would use in valuing the asset or liability at the measurement date.

HISTORICAL SOCIETY OF WESTERN PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2022 AND 2021

NOTE 5 - INVESTMENTS AND FAIR VALUE MEASUREMENT (Continued)

The valuation of the History Center's investments according to the fair value hierarchy as of June 30 is as follows:

	2022			
	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	\$ 3,041,646	-	-	\$ 3,041,646
U.S. government obligations	1,361,784	-	-	1,361,784
U.S. corporate obligations	-	\$ 1,697,224	-	1,697,224
International corporate obligations	-	24,971	-	24,971
Marketable equity securities	18,740,022	-	-	18,740,022
International equity securities	1,198,729	-	-	1,198,729
Municipal and other obligations	-	303,554	-	303,554
Equity trust/partnership	-	-	\$ 100,000	100,000
	<u>24,342,181</u>	<u>2,025,749</u>	<u>100,000</u>	<u>26,467,930</u>
Total Investments At Fair Value	\$ <u>24,342,181</u>	\$ <u>2,025,749</u>	\$ <u>100,000</u>	\$ <u>26,467,930</u>
	2021			
	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	\$ 4,193,600	-	-	\$ 4,193,600
U.S. government obligations	1,554,492	-	-	1,554,492
U.S. corporate obligations	-	\$ 1,927,223	-	1,927,223
International corporate obligations	-	26,621	-	26,621
Marketable equity securities	22,423,174	-	-	22,423,174
International equity securities	1,603,000	-	-	1,603,000
Municipal and other obligations	-	221,462	-	221,462
	<u>29,774,266</u>	<u>2,175,306</u>	<u>-</u>	<u>31,949,572</u>
Total Investments At Fair Value	\$ <u>29,774,266</u>	\$ <u>2,175,306</u>	<u>-</u>	\$ <u>31,949,572</u>

HISTORICAL SOCIETY OF WESTERN PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2022 AND 2021

NOTE 6 - PROPERTY AND EQUIPMENT

Property and equipment at June 30 consist of the following:

	<u>2022</u>	<u>2021</u>
Building	\$ 60,307,879	\$ 57,342,838
Furniture, fixtures and equipment	5,346,547	5,227,113
Vehicles	<u>50,956</u>	<u>50,956</u>
	65,705,382	62,620,907
Less - Accumulated depreciation	<u>35,452,376</u>	<u>34,004,858</u>
	30,253,006	28,616,049
Construction in progress	<u>278,855</u>	<u>170,620</u>
	<u>\$ 30,531,861</u>	<u>\$ 28,786,669</u>

In 1991, the History Center executed a lease agreement with the Sports and Exhibition Authority for its primary facility. The lease was for an initial term of 25 years and provides for renewal options for three additional 25-year periods. The lease was renewed in September 2015 for another 25-year period commencing October 22, 2016. Rental payments under the lease agreement are \$1 per year. The History Center has recorded an in-kind contribution and rent expense of approximately \$324,000 for the years ended June 30, 2022 and 2021 for the lease. The History Center is responsible for all operating costs and repairs and maintenance, including taxes, assessments, water and sewer rents and all other governmental charges or levies.

NOTE 7 - BORROWING ARRANGEMENTS

Borrowings at June 30 consist of the following:

	<u>2022</u>	<u>2021</u>
Open-end mortgage loan	\$ 2,950,000	-
Term loan	1,293,459	\$ 1,586,317
Economic development agency loan	<u>60,000</u>	<u>60,000</u>
	4,303,459	1,646,317
Less - Current portion of borrowings	<u>292,857</u>	<u>292,857</u>
	<u>\$ 4,010,602</u>	<u>\$ 1,353,460</u>

The History Center has a Loan and Security Agreement (Agreement) with a bank, comprised of a term loan and a revolving credit loan. The Agreement is secured by any and all revenues, and substantially all assets of the History Center.

HISTORICAL SOCIETY OF WESTERN PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2022 AND 2021

NOTE 7 - BORROWING ARRANGEMENTS (Continued)

The term loan permits maximum borrowings of \$2,050,000 and has a maturity date of November 15, 2026. Principal payments of approximately \$24,400 are due monthly. Interest is charged at the Bloomberg Short-Term Bank Yield Index (BSBY) (1.61% at June 30, 2022) plus 2.25%.

The revolving credit loan permits maximum borrowings of \$1,000,000 and has a maturity date of January 31, 2022. Interest is charged at BSBY (1.61% at June 30, 2022) plus 2.00%.

Borrowings under the Agreement require the History Center to meet certain nonfinancial and financial covenants, with which the History Center was in compliance at June 30, 2022. There were no current borrowings as of June 30, 2022.

In October 2014, the History Center entered into a \$60,000 interest-free loan agreement with an economic development agency for physical improvements to the façade of a building. Principal payments on the loan agreement shall be deferred, and no interest shall be charged or accrued until such time as the building is sold or transferred. The loan is secured by a third lien position perfected security interest in the building.

In June 2022, the History Center entered into a \$2,950,000 open-end mortgage and security agreement and has a maturity date of December 31, 2023. Interest is charged at the daily BSBY (1.61% at June 30, 2022).

A summary of the principal payments due for the fiscal years ending June 30 is as follows:

<u>Fiscal Year</u> <u>Ending June 30</u>	<u>Amount</u>
2023	\$ 293,000
2024	3,243,000
2025	293,000
2026	293,000
2027	122,000
Thereafter	<u>60,000</u>
	\$ <u>4,304,000</u>

NOTE 8 - PAYCHECK PROTECTION PROGRAM LOANS

On April 10, 2020, the History Center entered into a term note with a bank, with a principal amount of \$1,239,500 pursuant to the Paycheck Protection Program (PPP I Loan) under the Coronavirus Aid, Relief and Economic Security Act (the CARES Act). The PPP I Loan is evidenced by a promissory note, which bears interest at a fixed annual rate of 1.00%, with the first six months of interest deferred. The PPP I Loan may be accelerated upon the occurrence of an event of default. The PPP I Loan was unsecured and guaranteed by the United States Small Business Administration. On June 28, 2021, the History Center received full forgiveness for the PPP Loan from the SBA and recorded it as gain on extinguishment of debt on the statement of activities for the year ended June 30, 2021.

HISTORICAL SOCIETY OF WESTERN PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2022 AND 2021

NOTE 8 - PAYCHECK PROTECTION PROGRAM LOANS (Continued)

On March 29, 2021, the History Center entered into another term loan with a principal amount of \$1,239,500 pursuant to the PPP under the CARES Act (PPP II Loan). The PPP II Loan is evidenced by a promissory note, which bears interest at a fixed annual rate of 1.00%, with the first six months of interest deferred. The PPP II Loan may be accelerated upon the occurrence of an event of default. The PPP II Loan is unsecured and guaranteed by the United States Small Business Administration. The History Center applied for full forgiveness of the PPP II Loan, with the amount that may be forgiven equal to the sum of payroll costs, covered rent obligations and other operating costs, and covered utility payments incurred by the History Center during the 24-week period beginning upon receipt of PPP II Loan funds, calculated in accordance with the terms of the CARES Act. The History Center has recorded the PPP II Loan as long-term debt on the accompanying statement of financial position as of June 30, 2022 and 2021. On October 3, 2022, the History Center received full forgiveness for the PPP II Loan from the SBA and will record it as gain on extinguishment of debt on the statement of activities for the year ended June 30, 2023.

NOTE 9 - ENDOWMENT

The History Center's endowment consists of various investment funds established primarily for support of its mission. Its endowment includes donor-restricted endowment funds. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law - The History Center has elected to be governed by the Commonwealth of Pennsylvania's Act 141 (Act 141), which permits election of a total return policy that allows a nonprofit to choose to treat a percentage of the average market value of the endowment's donor-restricted investments as income each year. However, the long-term preservation of the real value of the assets must be taken into consideration when the History Center elects the amount. In accordance with Act 141, the spending rate elected must be between 2% and 7%. This percentage is applied to a 36-month average market value of the investments at the prior year-end. The History Center used a spending rate of 6.6% and 6.9% for the years ended June 30, 2022 and 2021, respectively. The History Center classifies as donor-restricted net assets the original value of gifts donated to be maintained in perpetuity. Earnings on these gifts are accumulated in net assets with donor restrictions. As required by Act 141, the History Center has adopted a written investment policy, of which a section specifically relates to the endowment fund.

The History Center considers the following factors in making a determination to set a spending rate:

1. Protecting the corpus of the endowment fund.
2. Preserving the spending power of the assets.
3. Obtaining maximum investment return with reasonable risk and operational consideration.
4. Complying with applicable laws.

HISTORICAL SOCIETY OF WESTERN PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2022 AND 2021

NOTE 9 - ENDOWMENT (Continued)

The following represents the change in donor-restricted endowment investments for the years ended June 30:

	<u>Donor-restricted</u>	<u>Board Designated</u>	<u>Total</u>
Endowment net assets, June 30, 2020:			
Beginning of year	\$ 23,691,734	-	\$ 23,691,734
Investment return:			
Investment income	399,314	-	399,314
Net realized loss	518,286	-	518,286
Net unrealized appreciation	5,633,316	-	5,633,316
Contributions	325,971	-	325,971
Appropriation of endowment assets for expenditures	(1,127,856)	-	(1,127,856)
Appropriation of endowment assets for term loan	<u>(375,310)</u>	<u>-</u>	<u>(375,310)</u>
Balance as of June 30, 2021	29,065,455	-	29,065,455
Investment return:			
Investment income	613,257	\$ 6,200	619,457
Net realized gain	375,687	5,092	380,779
Net unrealized depreciation	(5,126,942)	(180,623)	(5,307,565)
Contributions	427,839	1,063,081	1,490,920
Appropriation of endowment assets for expenditures	(1,163,347)	-	(1,163,347)
Appropriation of endowment assets for term loan	<u>(341,202)</u>	<u>-</u>	<u>(341,202)</u>
Endowment net assets, June 30, 2022	<u>\$ 23,850,747</u>	<u>\$ 893,750</u>	<u>\$ 24,403,295</u>

Return Objectives and Risk Parameters - The History Center has adopted investment and spending policies for endowment assets that attempt to provide a reasonable level of funding to programs supported by its endowment while seeking to enhance the purchasing power of the fund's corpus by striving for long-term growth. Endowment assets include those assets of donor-restricted funds that the History Center must hold in perpetuity or for a donor-specified period. Under this policy, as approved by the Board, the endowment assets are invested in a manner that is intended to produce results that exceed the price.

Strategies Employed for Achieving Objectives - To satisfy its long-term rate-of-return objectives, the History Center 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 History Center targets a diversified asset allocation to achieve its long-term return objectives within prudent risk constraints. Investment advisors, at the discretion of the Investment Committee of the Board, are given guidelines to the percentage that can be committed to a particular investment or investment category.

HISTORICAL SOCIETY OF WESTERN PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2022 AND 2021

NOTE 9 - ENDOWMENT (Continued)

Spending Policy and Investment Objectives Related to Spending Policy - In accordance with Act 141, the History Center considers interest and dividend income and realized and unrealized gains from net assets with donor restrictions as amounts that must be added to net assets with donor restrictions until such time as the Board allocates such amounts for spending. The Board's practice is to allocate 4.85% of the market value of the investments after the expenses of managing the endowment for spending. Beginning in 2006, the Board approved an additional 2% draw, when donor terms permit, for the specific purpose of repaying the term loan outstanding. In 2022 and 2021, the spendable return totaled approximately \$1,505,000 and \$1,503,000, respectively. The amount is recognized as net assets released from restrictions in the statements of activities. This practice occurs if such total incomes in the current year or accumulated in prior years are sufficient to allow the Board-authorized distribution. When such gains are allocated for spending, the related net assets are released from restriction.

From time to time, certain donor-restricted endowment funds may have fair values less than the amount required to be maintained by donors or by the law (underwater endowments). The History Center has interpreted Act 141 to permit spending from underwater endowments in accordance with prudent measures required under law. At June 30, 2022, invested funds with original gift values of \$29,276,052, fair values of \$23,509,545 and deficiencies of \$5,766,507 were reported in net assets with donor restrictions. At June 30, 2021, funds with original gift values of \$28,848,213, fair values of \$29,065,455 and deficiencies of \$217,242 were reported in net assets with donor restrictions.

The History Center believes that this spending policy is consistent with the Commonwealth of Pennsylvania's guidelines and with the History Center's objective to maintain the purchasing power of the endowment assets held in perpetuity, as well as to provide additional real growth through new gifts and investment return.

NOTE 10 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions at June 30 are available for the following purposes:

	<u>2021</u>	<u>Additions</u>	<u>Expenditures</u>	<u>2022</u>
Research and educational programs	\$ 1,637,508	\$ 1,240,650	\$ 1,231,666	\$ 1,646,492
Fort Pitt operations	-	200,791	200,791	-
Endowment funds*	<u>29,236,676</u>	<u>(3,710,159)</u>	<u>1,504,549</u>	<u>24,021,968</u>
	<u>\$ 30,874,184</u>	<u>\$ (2,268,718)</u>	<u>\$ 2,937,006</u>	<u>\$ 25,668,460</u>



HISTORICAL SOCIETY OF WESTERN PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2022 AND 2021

NOTE 10 - NET ASSETS WITH DONOR RESTRICTIONS (Continued)

	<u>2020</u>	<u>Additions</u>	<u>Expenditures</u>	<u>2021</u>
Research and educational programs	\$ 3,704,559	\$ 1,368,852	\$ 3,435,903	\$ 1,637,508
Fort Pitt operations	-	200,076	200,076	-
Endowment funds*	<u>23,862,954</u>	<u>6,876,887</u>	<u>1,503,165</u>	<u>29,236,676</u>
	<u>\$ 27,567,513</u>	<u>\$ 8,445,815</u>	<u>\$ 5,139,144</u>	<u>\$ 30,874,184</u>

\* Endowment funds including outstanding pledges receivable and assets restricted in perpetuity to investments, the income of which is generally expendable to support programs/exhibits/publications and/or general support of the History Center, the Hillman Gallery, Italian-American history, and the From Slavery to Freedom Exhibit.

NOTE 11 - BENEFIT PLANS

Effective January 1, 2018, the History Center entered into a deferred compensation agreement with one of its key executives. The agreement states that the executive shall receive a lump sum of \$250,000 upon completing five years of service commencing January 1, 2018 and ending December 31, 2022. In accordance the FASB Topic 720, the cost of the deferred compensation is accrued over the course of the participant's service. Compensation expense incurred relating to this contract was approximately \$50,000 for the years ended June 30, 2022 and 2021.

The History Center sponsors a defined contribution retirement plan established in accordance with Section 403(b) of the IRC covering all eligible employees. The History Center matches up to 3% of eligible employees' compensation. Total expense to the History Center was approximately \$67,000 and \$63,000 for the years ended June 30, 2022 and 2021, respectively.

NOTE 12 - RELATED-PARTY TRANSACTIONS

The History Center engages in transactions in the normal course of business with companies whose executives are members of the Board. The History Center's conflict-of-interest policy requires that all potential conflicts be disclosed and that the interested person does not participate in the final decision and does not vote on this issue.

Certain members of the Board have made unconditional promises to give to the History Center. (See Note 4.)

During the year ended 2021, the History Center entered into a note agreement with a Board member in the amount of \$125,000 to facilitate the acquisition of certain property. Half of this loan was forgiven in the year ended 2022.

HISTORICAL SOCIETY OF WESTERN PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2022 AND 2021

NOTE 12 - RELATED-PARTY TRANSACTIONS (Continued)

The History Center is one of 15 designated institutions named as beneficiaries of The Dietrich Foundation (the Foundation) created by William S. Dietrich II pursuant to an Amended and Restated Declaration of Trust dated August 23, 2011. The Foundation is expected to make annual distributions that will be allocated among the prespecified supported organizations. As of June 30, 2022, the History Center's distribution share was approximately 1%. The distributions to the History Center have been recorded as gifts and grants with donor restrictions and held in the endowment fund. Distributions of approximately \$426,000 and \$322,000 were received in fiscal years 2022 and 2021, respectively.

NOTE 13 - FUNCTIONAL EXPENSES

Expenses are summarized and categorized based upon their functional classification as either program or supporting expenses. Specific expenses that are readily identifiable to a single program or activity are charged directly to that function. Certain categories of expenses are attributable to more than one program or supporting function and are allocated on a reasonable basis that is consistently applied. The expenses that are allocated include salaries and benefits, marketing, and professional fees and administration, which are allocated on the basis of time and effort.