

**POCUMTUCK VALLEY MEMORIAL
ASSOCIATION**

**FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT**

YEARS ENDED JUNE 30, 2018 AND 2017

**POCUMTUCK VALLEY MEMORIAL ASSOCIATION
FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITOR'S REPORTS**

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Independent Auditor's Report

To the Board of Directors of
Pocumtuck Valley Memorial Association

We have audited the accompanying financial statements of Pocumtuck Valley Memorial Association (a Massachusetts corporation, not for profit) which comprise the statement of financial position as of June 30, 2018 and 2017, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Pocumtuck Valley Memorial Association as of June 30, 2018 and 2017, and the changes in its net assets and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 24, 2018, on our consideration of Pocumtuck Valley Memorial Association's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Pocumtuck Valley Memorial Association's internal control over financial reporting and compliance.

Chicopee, MA
October 10, 2018

POCUMTUCK VALLEY MEMORIAL ASSOCIATION
STATEMENTS OF FINANCIAL POSITION
June 30, 2018
(With Comparative Totals for June 30, 2017)

	2018	2017
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 9,039	\$ 10,106
Prepaid expenses	23,872	19,208
Inventories	36,250	38,014
Grants receivable	30,641	69,839
Total Current Assets	99,802	137,167
PROPERTY AND EQUIPMENT		
Property and Equipment, net	1,141,923	1,166,684
OTHER ASSETS		
Due From PVMA Capital Investments		183,794
Investments	1,274,754	1,310,976
Collections	185,452	182,963
Total Other Assets	1,460,206	1,677,733
TOTAL ASSETS	\$ 2,701,931	\$ 2,981,584
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 23,862	\$ 44,185
Accrued liabilities	94,101	127,383
Due to PVMA Capital Investments		183,794
Deferred revenue	137,530	125,670
Line of Credit	187,920	94,828
Current portion of long-term debt	23,223	22,271
Total Current Liabilities	466,636	598,131
Mortgage note payable, net of current portion	467,673	490,595
Total Liabilities	934,309	1,088,726
NET ASSETS		
UNRESTRICTED		
ART COLLECTIONS AND LIBRARY ACCESSIONS	182,963	182,963
BOARD DESIGNATED	611,655	614,267
UNDESIGNATED	598,785	715,686
TOTAL UNRESTRICTED	1,393,403	1,512,916
TEMPORARILY RESTRICTED	257,522	263,245
PERMANENTLY RESTRICTED	116,697	116,697
Total Net Assets	1,767,622	1,892,858
TOTAL LIABILITIES AND NET ASSETS	\$ 2,701,931	\$ 2,981,584

See accompanying notes to financial statements
See Independent Accountant's Audit Report

POCUMTUCK VALLEY MEMORIAL ASSOCIATION
STATEMENTS OF ACTIVITIES
For The Year Ended June 30, 2018
(With Comparative Totals for the Year Ended June 30, 2017)

	2018	2017
UNRESTRICTED NET ASSETS		
REVENUES, GAINS AND OTHER SUPPORT		
CONTRIBUTIONS & GRANTS	\$ 417,226	\$ 710,409
ADMISSIONS & FEES	370,127	373,758
MERCHANDISE & CONCESSION SALES	7,050	9,414
INVESTMENT INCOME	65,722	43,528
UNREALIZED GAIN (LOSS) ON INVESTMENTS	(17,729)	55,689
REALIZED GAINS ON INVESTMENTS	7,668	2,837
OTHER REVENUE	5,899	6,007
TOTAL REVENUES AND GAINS	855,963	1,201,642
NET ASSETS RELEASED FROM RESTRICTIONS	17,867	53,518
TOTAL UNRESTRICTED REVENUES	873,830	1,255,160
OPERATING EXPENSES		
PROGRAM SERVICES	429,239	683,215
MANAGEMENT & GENERAL	307,654	270,780
FUNDRAISING, MEMBERSHIP & DEVELOPMENT	278,058	271,602
TOTAL OPERATING EXPENSES	1,014,951	1,225,597
UNRESTRICTED OPERATING INCOME	(141,121)	29,563
TEMPORARILY RESTRICTED NET ASSETS		
CONTRIBUTIONS	12,143	26,018
NET ASSETS RELEASED FROM RESTRICTIONS	(17,867)	(53,518)
INCREASE (DECREASE) IN TEMPORARILY RESTRICTED NET ASSETS	(5,724)	(27,500)
CHANGE IN NET ASSETS	(146,845)	2,063
NET ASSETS AT BEGINNING OF YEAR	1,892,858	1,890,795
PRIOR PERIOD ADJUSTMENT	21,608	
NET ASSETS, AS RESTATED	1,914,466	1,890,795
NET ASSETS AT END OF YEAR	\$ 1,767,621	\$ 1,892,858

See accompanying notes to financial statements
See Independent Accountant's Audit Report

POCUMTUCK VALLEY MEMORIAL ASSOCIATION
STATEMENTS OF CASH FLOWS
For The Year Ended June 30, 2018
(With Comparative Totals for the Year Ended June 30, 2017)

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in net assets	\$ (146,845)	\$ 2,063
Adjustments to rec. decrease in net assets to net cash used by operating activities:		
Depreciation	42,158	41,462
Unrealized (gains) losses on investments	17,729	(55,689)
(Increase) decrease in operating assets:		
Grants receivable	39,198	(5,015)
Inventories	1,764	1,479
Prepaid expenses	(4,664)	(3,386)
Increase (decrease) in operating assets:		
Accounts payable	(20,323)	14,051
Accrued liabilities	(33,277)	(649)
Deferred revenue	11,860	4,018
	(92,400)	(1,666)
Net Cash Used By Operating Activities		
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of investments	143,771	33,282
Purchase of investments	(163,507)	(275,812)
Withdrawal of investments	59,833	30,913
Purchase of improvements	(17,397)	
Purchase of collections	(2,489)	(3,431)
	20,211	(215,048)
Net Cash Used By Investing Activities		
CASH FLOWS FROM FINANCING ACTIVITIES		
Borrowing on line of credit/notes payable	596,667	642,351
Repayment on line of credit/notes payable	(525,545)	(608,314)
	71,122	34,037
Net Cash Provided By Financing Activities		
NET INCREASE IN CASH AND CASH EQUIVALENTS	(1,067)	(182,677)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	10,106	192,783
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 9,039	\$ 10,106

Supplemental Information for Noncash Investing and Financing:
Interest paid for the years ended June 30, 2018 and 2017 was \$28,862 and \$25,692, respectively.

See accompanying notes to financial statements
See Independent Accountant's Audit Report

POCUMTUCK VALLEY MEMORIAL ASSOCIATION
STATEMENT OF FUNCTIONAL EXPENSES
For The Year Ended June 30, 2018
(With Comparative Totals for the Year Ended June 30, 2017)

	For the Year Ended June 30, 2018									
	(PROGRAM) Museum Memorial	(PROGRAM) Indian House	(PROGRAM) Cultural	(PROGRAM) Education	(PROGRAM) Steve Alves Project	Program TOTAL	Management & General	Fundraising Expense	2018 Total	2017 Total
Salaries	\$26,514	\$4,943	\$3,902	\$92,530		\$127,889	\$99,334	\$66,150	\$293,373	\$315,410
Payroll taxes	4,072	500	406	9,047		14,025	9,703	6,562	30,290	28,975
Employee benefits	4,589	195	90	3,598		8,472	2,809	302	11,583	16,969
Total salaries and related expenses	<u>35,175</u>	<u>5,638</u>	<u>4,398</u>	<u>105,175</u>		<u>150,386</u>	<u>111,846</u>	<u>73,014</u>	<u>335,246</u>	<u>361,354</u>
Advertising	1,203		317	9,361		10,881	1,019	39,834	51,734	46,220
Bank Charges	324			565	113	1,002	1,888	4,312	7,202	6,213
Stipends				78,130		78,130			78,130	86,400
Computer and Web Expenses				53,526		53,526	34,295	9,067	96,888	112,484
Consultants	635		4,330			4,965		5,775	10,740	38,115
Merchandise				1,246		1,246			1,246	649
Development Expense	321		15	215		551	2,112	397	3,060	20,144
Exhibit Expenses				4,991		4,991		9,095	14,086	19,839
Fundraising							2,889		2,889	2,677
Insurance							23,278		23,278	23,924
Interest expense							28,862		28,862	25,692
Office Supplies	1,160	256	308	3,914		5,638	1,530	2,561	9,729	10,709
Permits / licenses / fees	202	50	363			615	733	627	1,975	1,757
Postage	376		220	1,689		2,285	3,834	9,877	15,996	16,449
Printing	508			9,298		9,806	5,927	16,806	32,539	31,470
Professional fees	2,421	144	520	12,127		15,212	7,407	6,472	29,091	116,849
Refreshments	109			659		768	504	629	1,901	1,899
Refunds			150	24		174		6,265	6,439	11,006
Rent Expense	250			2,825		3,075	3,517	69,451	76,043	72,252
Repairs and maintenance	17,913	3,975		394		22,282	7,515	431	30,228	33,456
In kind services				55		55	6,570		6,625	11,072
Equipment										3,756
Miscellaneous										1,080
Library expenses										1,021
Teacher expenses				156		156			156	5,561
Steve Alves expenses					18,500	18,500			18,500	48,312
Telephone	2,084	1,012	66	7,736		10,898	10,218	3,923	25,039	22,039
Travel Expense	42		138	8,866		9,046	258	5,988	15,292	9,526
Utilities	3,047	3,192	1,121	16,688		24,048	10,615	13,067	47,730	39,327
Workers Compensation insurance	270	30	3	700		1,003	679	467	2,149	2,883
Total expenses before depreciation	<u>66,040</u>	<u>14,297</u>	<u>11,949</u>	<u>318,340</u>	<u>18,613</u>	<u>429,239</u>	<u>265,496</u>	<u>278,058</u>	<u>972,793</u>	<u>1,184,135</u>
Depreciation							<u>42,158</u>		<u>42,158</u>	<u>41,462</u>
Total expenses	<u>\$66,040</u>	<u>\$14,297</u>	<u>\$11,949</u>	<u>\$318,340</u>	<u>\$18,613</u>	<u>\$429,239</u>	<u>\$307,654</u>	<u>\$278,058</u>	<u>\$1,014,951</u>	<u>\$1,225,597</u>

See accompanying notes to financial statements
See Independent Accountant's Audit Report

POCUMTUCK VALLEY MEMORIAL ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
Years Ended June 30, 2018 and 2017

1. *Nature of Organization*

The Pocumtuck Valley Memorial Association is a private, non-profit organization concerned with the history and historical development of the Connecticut and Deerfield River Valleys, with primary emphasis on Deerfield, Massachusetts. The collections, the museum and library owned and operated by the Association are to be considered tools for research and scholarship by those wishing to have access to information in this area.

2. *Summary of Significant Accounting Policies*

The accounting policies of the Association conform to accounting principles generally accepted in the United States as applicable to governmental units. The following is a summary of the Association's significant accounting policies:

a) *Financial Reporting Entity*

The Pocumtuck Valley Memorial Association is a non-profit organization that reports under Financial Accounting Standards Board (FASB) accounting standards, including the *FASB Topic, Financial Reporting for Non-Profit Organizations*.

b) *Financial Statement Presentation*

Net assets and revenue, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Association and changes therein are classified and reported as follows:

Unrestricted – Net assets that are not subject to donor-imposed restrictions. Unrestricted net assets may be designated for specific purposes by action of the council.

Temporarily Restricted – Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Council and/or the passage of time. When a restriction expires or the purpose set by the donor is satisfied, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Permanently Restricted – Net assets subject to donor-imposed restrictions that they be maintained permanently by the Association. Generally, the donors of these assets permit the Association to use all or part of the income earned for general or specific purposes.

c) *Basis of Accounting*

The accrual method of accounting is used for preparing the financial statements of the Association. Accordingly, revenue is recognized when earned and capital assets and expenditures are recorded when received and incurred, respectively. Grants and contributions are recognized when all eligible requirements are met.

d) *Deferred Revenue*

Revenue is recognized when earned, however funds received that are not earned as of year-end are recorded as a liability under deferred revenue.

POCUMTUCK VALLEY MEMORIAL ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
Years Ended June 30, 2018 and 2017

2. Summary of Significant Accounting Policies - Continued

e) *Tax Status*

The Association is a not-for-profit organization exempt from Federal income taxes under the Internal Revenue Code Section 501(C)(3). In addition, the Association qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization that is not a private foundation under Section 509(a)(2). The Organization follows the accounting interpretation regarding accounting for uncertainty in income taxes which prescribes how an entity should measure, recognize, present and disclose positions that it has taken or expects to take on its tax or information returns.

Pocumtuck Valley Memorial Association believes that in the event of an examination by taxing authorities, its tax positions taken in previously filed information returns and as reflected in its financial statements, with regard to issues affecting its tax-exempt status, unrelated business income, and related matters, would prevail based upon the technical merits of such positions. Therefore, Pocumtuck Valley Memorial Association has concluded that no tax benefits or liabilities are required to be recognized. Pocumtuck Valley Memorial Associations open tax periods are 2014 through 2017. Penalties and interest, if any, assessed by taxing authorities will be included in expenses.

f) *Accounting for Uncertainty in Income Taxes* – The Organization’s current accounting policy is to record liabilities for uncertain tax positions when a liability is probable and can be reasonably estimated. Management is not aware of any violation of its tax status as an organization exempt from income taxes, and is not aware of any exposure to unrelated business income tax.

g) *Donated Services* – A substantial number of volunteers donate significant amounts of time and services in the Association’s program operations and in its annual fund-raising campaign. However, such contributed services do not meet the criteria for recognition under generally accepted accounting principles.

h) *Inventories* – Inventories including books, crafts and related items, are carried at the lower of cost or market. Craft items donated to the Museum Shop by Craft Fair artisans are valued at 50% of the artisans’ posted retail prices.

i) *Contributions* – Gifts are recorded at their fair value at the time the contribution is made. All contributions are considered available for unrestricted use unless specifically restricted by the donor.

POCUMTUCK VALLEY MEMORIAL ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
Years Ended June 30, 2018 and 2017

2. Summary of Significant Accounting Policies - Continued

- j) *Recognition of Donor Restrictions* – All donor restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction is satisfied, temporarily restricted net assets are reclassified to unrestricted net assets.
- k) *Cash and Cash Equivalents*
For the purpose of the *Statement of Net Assets* and the *Statement of Cash Flows*, the Association considers all short-term investments with an original maturity of three months or less to be cash equivalents.
- l) *Accounts Receivable*
Accounts receivables are presented net of the allowance for doubtful accounts. Management's periodic evaluation of the adequacy of the allowance is based on its past experience. Accounts receivable are written off when deemed uncollectible. At June 30, 2018 and 2017, no allowance for doubtful accounts has been recorded, as management considers all accounts receivable to be fully collectible.
- m) *Operating Revenue and Expenses*
Operating revenue and expenses generally result from providing educational and instructional services in connection with the Association's principal ongoing operations. The principal operating revenues include federal and state grants. Operating expenses include educational costs, administrative expenses and depreciation on capital assets. All other revenue and expenses not meeting this definition are reported as non-operating revenues and expenses.
- n) *Capital Assets*
Capital assets are stated at cost less accumulated depreciation or fair value at date of donation if the asset was gifted. All capital assets are depreciated using the straight-line method over the estimated useful lives of the related assets.
- o) *Use of Estimates*
In preparing financial statements in conformity with accounting principles generally accepted in the United States of America, management makes estimates and assumptions affecting the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements, as well as the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

POCUMTUCK VALLEY MEMORIAL ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
Years Ended June 30, 2018 and 2017

2. Summary of Significant Accounting Policies - Continued

p) *Fair Value of Financial Instruments*

The Association's financial instruments, none of which are held for trading purposes, include cash, cash equivalents, accounts receivable, grants receivable, accounts payable, accrued expenses and mortgage payable. For cash, cash equivalents, accounts receivable, accounts payable accrued expenses and loans payable, the carrying amounts approximate fair value at June 30, 2018 because of the short term maturity of these items. Investments are reflected at their estimated fair values.

q) *Comparative Totals*

The basic financial statements include certain prior year summarized comparative information in total but not at the level of detail required for a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Association's financial statements for the year ended June 30, 2017, from which the summarized information was derived.

r) *Investments* – Investments are reported at fair values based on quoted market prices. Interest, dividends, and realized/unrealized gains and losses are included in investment income.

s) *Collections* – Collection items consist of historical objects and documents that are held for educational and curatorial purposes. Objects purchased and donated are capitalized. If purchased, the cost is capitalized; and if donated, the fair value of the object is capitalized.

3. Capital Assets

Changes in capital assets during the year ended June 30, 2018 are as follows:

<i>Capital Assets</i>	<i>Balance June 30, 2017</i>	<i>Additions</i>	<i>Deletions</i>	<i>Balance June 30, 2018</i>
Land	\$ 132,700	\$	\$	\$ 132,700
Land Improvements	12,945			12,945
Buildings:				
Acropolis	583,049			583,049
Memorial Hall	302,205			302,205
Indian House	14,500			14,500
Red Cottage	2,800			2,800
Building Improvements	879,409	17,397		896,806
Equipment	<u>91,348</u>	<u> </u>	<u> </u>	<u>91,348</u>
Total Capital Assets	<u>2,018,955</u>	<u>17,397</u>	<u> </u>	<u>2,036,352</u>
Less accumulated depreciation	<u>(852,271)</u>	<u> </u>	<u> </u>	<u>(894,429)</u>
Capital Assets, net	<u>\$1,166,684</u>	<u>\$17,397</u>	<u>\$ -0-</u>	<u>\$1,141,923</u>

**POCUMTUCK VALLEY MEMORIAL ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
Years Ended June 30, 2018 and 2017**

4. Grants Receivable

Accounts and grants receivable at June 30, 2018 and 2017 are as follows:

	<u>2018</u>	<u>2017</u>
NEH	\$ -0-	\$ 32,141
IMLS	-0-	17,575
Other	<u>30,641</u>	<u>20,123</u>
Total	<u>\$ 30,641</u>	<u>\$ 69,839</u>

5. Investments

Investments are carried at their current fair value. The following summarizes the relationship between the cost and fair values as presented in the financial statements as of June 30, 2018 and 2017:

	<u>Cost</u>	<u>Fair Value</u>
2018:		
Mutual Funds	\$ 1,001,399	\$ 1,134,306
Stocks, Options and Securities	71,691	108,369
Cash and Cash Equivalents	32,079	32,079
	<u>\$ 1,105,169</u>	<u>\$ 1,274,754</u>
2017:		
Mutual Funds	\$ 911,023	\$ 1,033,587
Stocks and Options	216,685	266,104
Cash and Cash Equivalents	11,285	11,285
	<u>\$ 1,138,993</u>	<u>\$ 1,310,976</u>
Change in net unrealized gain (loss)		\$ (17,729)
Net realized gain (loss)		<u>7,668</u>
Net gain (loss) on investments		<u>\$ (10,061)</u>

6. Due To/From PVMA Capital Investments

The Association's Board of Directors voted to reclassify amounts previously borrowed from the Capital Investment Account to cover operating costs from due to/from PVMA Capital Investments to permanent transfers to operations, resulting in the elimination of due to/from PVMA Capital Investments in the amount of \$183,794.

**POCUMTUCK VALLEY MEMORIAL ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
Years Ended June 30, 2018 and 2017**

7. Net Assets

Temporarily Restricted Net Assets are summarized below:

<i>Purpose Restrictions:</i>	<u>2018</u>
Fuller Gift	\$ 7,241
David Proper Library	125,053
Pewter Metal	90,027
R. Barrett – monument restoration	1,000
Masha Arms	<u>34,200</u>

Total Temporarily Restricted Net Assets \$257,521

8. Line of Credit / Short Term Borrowing

The Association has a \$200,000 line of credit agreement with the bank. Amounts borrowed are subject to an interest rate of 5%. The line matures March 3, 2033. Amounts borrowed as of June 30, 2018 and 2017 was \$187,920 and \$94,828, respectively.

9. Mortgage Payable

4.25% note payable to Greenfield Savings Bank, due in monthly installments of \$3,636 including interest. The interest rate will be adjusted every five years. This note is secured by a first mortgage and security agreement, a first collateral assignment of rents and leases and all assets and personal property.

<u>2018</u>	<u>2017</u>
<u>\$490,896</u>	<u>\$512,866</u>

Year Ending	<u>Amount</u>
<u>June 30,</u>	
2019	23,223
2020	24,229
2021	25,279
2022	26,375
2023	27,518
Thereafter	<u>364,272</u>
Total	<u>\$ 490,896</u>

10. Accrued Sick and Vacation Pay

Accrued sick and vacation pay represents amounts accrued prior to December 12, 2002. The board revised the policy on December 12, 2002, no longer allowing sick and vacation pay to be carried to subsequent years. Amounts are reduced as used. Accrued sick and vacation pay as of June 30, 2018 and 2017 was \$77,481 and \$127,633, respectively. Upon resignation or retirement, accumulated vacation time is reimbursed to the employee; accumulated sick time is only reimbursed to the employee at 20% of the accumulated value at retirement.

POCUMTUCK VALLEY MEMORIAL ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
Years Ended June 30, 2018 and 2017

11. Endowment Funds

The Association's endowment consists of six individual funds established for a variety of purposes. Its endowment includes both donor-restricted endowment funds and funds designated by the Board of Directors to function as endowments. As required by generally accepted accounting principles, 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.

Interpretation of relevant law

The Board of Trustees has interpreted the Massachusetts 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 donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, The Association classifies the original value of the gift as permanently restricted net assets. Investment income earned on permanently restricted net assets that the donor has requested the earnings be used for a specific purpose or time period is classified as a temporarily restricted net asset until those amounts are appropriated for expenditure by the Association in a manner consistent with the standard of prudence prescribed by UPMIFA.

In accordance with UPMIFA, the Association considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purposes of Association and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the Association
- The investment policies of the Association

Return objectives and risk parameters

The Association has adopted investment and spending policies for endowment assets that attempt to provide a dependable source of supplemental operating funds. Given the relationship between risk and return, a fundamental step in determining the investment policy for the Endowment Funds is the determination of an appropriate risk tolerance. After taking into consideration such factors as corporate financial stability, uncertainty of cash flows in and out of the Endowment Funds over the

POCUMTUCK VALLEY MEMORIAL ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
Years Ended June 30, 2018 and 2017

11. Endowment Funds - Continued

long term, and capital market volatility, the Board believes a conservative risk strategy is prudent. Under this policy, as approved by the Board of Trustees, the goal is to have stable returns over the long term, with a reduced potential of negative returns in any given year. The association expects its endowment funds, overtime, to provide an average rate of return of approximately four percent annually. 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 Association 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).

Spending policy and how the investment objectives relate to spending policy

The Association does not have a spending policy. Investment returns are used to provide a steady flow of cash to be used for operations as needed.

Summary of Endowment Funds

The Association's endowment funds consist of the following at June 30, 2018:

	<u>Board Designated</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Museum		\$ 27,832	\$ 20,000	\$ 47,832
Sheldon Memorial		27,832	20,000	47,832
Indian House		27,691	44,197	71,888
Warren Fund		2,960	32,500	35,460
Flynt Fund	<u>611,655</u>	<u>-0-</u>	<u>-0-</u>	<u>611,655</u>
	<u>\$ 611,655</u>	<u>\$ 86,315</u>	<u>\$ 116,697</u>	<u>\$ 814,667</u>

The changes in Endowment Fund are summarized below:

	<u>Board Designated</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment Net Assets:				
Beginning of the Year	\$614,267	\$ 82,049	\$116,697	\$813,013
Investment return - Income	<u>(2,612)</u>	<u>4,266</u>	<u>-0-</u>	<u>1,654</u>
Endowment Net Assets:				
End of the Year	<u>\$611,655</u>	<u>\$ 86,315</u>	<u>\$116,697</u>	<u>\$814,667</u>

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12. Fair Value Measurement

FASB Topic, Fair Value Measurements, establishes a framework for measuring value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in the active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under this topic are described as follows.

Basis of Fair Value Measurement

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the plan has the ability to access.

Level 2 Inputs to the valuation methodology include

- a. Quoted prices for similar assets or liabilities in active markets;
- b. Quoted prices for identical or similar assets or liabilities in inactive markets;
- c. Inputs other than quoted prices that are observable for the assets or liability;
- d. Inputs that are derived principally from or corroborated by observable markets by correlation or other means;

If the assets or liabilities have a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Prices or valuations that require inputs that are both significant to the fair value measurement and unobservable.

The assets or liability's fair value within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs and minimize the use of unobservable inputs.

All assets and liabilities of the Pocumtuck Valley Memorial Association are measured at Level 1.

13. Advertising

The Association expenses advertising costs as incurred. Advertising expense for the years ended June 30, 2018 and 2017 was \$51,734 and \$46,220.

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14. Rent Expense

The Association rents space and equipment during the year to support craft fairs which are held throughout the year. Total rent expense for the years ended June 30, 2018 and 2017 was \$72,889 and \$72,252, respectively.

15. Prior Period Adjustment

The Association has made an adjustment to accrued sick time due to the retirement of an employee. Upon retirement the Association compensates the employee 20% of accumulated sick time. The adjustment results in an increase to Unrestricted Net Assets in the amount of \$21,608.

16. Subsequent Events

The Association has evaluated subsequent events through October 10, 2018, which is the date the financial statements were available to be issued. No material subsequent events have occurred since June 30, 2018 that require recognition or disclosure in these financial statements.

**REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON
AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the Board of Directors of
Pocumtuck Valley Memorial Association

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Pocumtuck Valley Memorial Association (a nonprofit organization), which comprise the statement of financial position as of June 30, 2018, and the related statements of activities, functional expenses, and cash flows for the seven months then ended, and the related notes to the financial statements, and have issued our report thereon dated October 24, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Pocumtuck Valley Memorial Association's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Pocumtuck Valley Memorial Association's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Pocumtuck Valley Memorial Association's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statements amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Chicopee, MA
October 10, 2018