

**POCUMTUCK VALLEY MEMORIAL
ASSOCIATION**

**FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT**

YEARS ENDED JUNE 30, 2019 AND 2018

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

CONTENTS

	<u>Page No.</u>
INDEPENDENT AUDITOR'S REPORT	1
FINANCIAL STATEMENTS	
Statements of Financial Position	3
Statements of Activities	4
Statements of Functional Expenses	5
Statements of Cash Flows	6
Notes to Financial Statements	7
 INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS	 17

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, 2019 and the related statements of activities, functional expenses and cash flows for the year 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, 2019, and the changes in its net assets and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited Pocumtuck Valley Memorial Association's 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 10, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 17, 2019, 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 17, 2019

POCUMTUCK VALLEY MEMORIAL ASSOCIATION
STATEMENTS OF FINANCIAL POSITION
June 30, 2019
(With Comparative Totals for June 30, 2018)

	2019	2018
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 3,186	\$ 9,039
Prepaid expenses	24,218	23,872
Inventories	35,758	36,250
Grants receivable	20,831	30,641
Total Current Assets	83,993	99,802
PROPERTY AND EQUIPMENT		
Property and Equipment, net	1,138,553	1,141,923
OTHER ASSETS		
Investments - Without Donor Restrictions	1,026,624	1,158,057
Investments - With Donor Restrictions	116,697	116,697
Collections	185,452	185,452
Total Other Assets	1,328,773	1,460,206
TOTAL ASSETS	\$ 2,551,319	\$ 2,701,931
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Overdrafts	\$ 15,106	\$ 23,862
Accounts payable	20,380	94,101
Accrued liabilities	102,161	137,530
Deferred revenue	125,860	187,920
Line of Credit	164,139	23,223
Current portion of long-term debt	29,240	466,636
Total Current Liabilities	456,886	466,636
Mortgage note payable, net of current portion	475,790	467,673
Total Liabilities	932,676	934,309
NET ASSETS		
Without Donor Restrictions	1,498,842	1,647,821
With Donor Restrictions	119,801	119,801
Total Net Assets	1,618,643	1,767,622
TOTAL LIABILITIES AND NET ASSETS	\$ 2,551,319	\$ 2,701,931

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, 2019
(With Comparative Totals for the Year Ended June 30, 2018)

	2019	2018
CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS:		
REVENUES, GAINS AND OTHER SUPPORT		
CONTRIBUTIONS & GRANTS	\$ 272,392	\$ 417,226
ADMISSIONS & FEES	364,816	370,127
MERCHANDISE & CONCESSION SALES	6,383	7,050
INVESTMENT INCOME	69,699	65,722
UNREALIZED GAIN (LOSS) ON INVESTMENTS	3,547	(17,729)
REALIZED GAINS ON INVESTMENTS	5,980	7,668
OTHER REVENUE	11,682	5,900
TOTAL REVENUES AND GAINS WITHOUT DONOR RESTRICTIONS	734,499	855,964
NET ASSETS RELEASED FROM RESTRICTIONS	32,360	12,003
TOTAL REVENUES, GAINS AND OTHER SUPPORT WITHOUT DONOR RESTRICTIONS	766,859	867,967
OPERATING EXPENSES		
PROGRAM SERVICES	327,732	429,239
MANAGEMENT & GENERAL	312,480	307,654
FUNDRAISING, MEMBERSHIP & DEVELOPMENT	275,770	278,058
TOTAL OPERATING EXPENSES	915,982	1,014,951
DECREASE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	(149,123)	(146,984)
CHANGES IN NET ASSETS WITH DONOR RESTRICTIONS:		
CONTRIBUTIONS	32,504	12,143
NET ASSETS RELEASED FROM RESTRICTIONS	(32,360)	(12,003)
INCREASE (DECREASE) IN NET ASSETS WITH DONOR RESTRICTIONS	144	140
DECREASE IN TOTAL NET ASSETS	(148,979)	(146,844)
NET ASSETS AT BEGINNING OF YEAR	1,767,622	1,892,858
PRIOR PERIOD ADJUSTMENT		21,608
NET ASSETS, AS RESTATED	1,767,622	1,914,466
NET ASSETS AT END OF YEAR	\$ 1,618,643	\$ 1,767,622

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, 2019
(With Comparative Totals for the Year Ended June 30, 2018)

	2019		2018
CASH FLOWS FROM OPERATING ACTIVITIES			
Increase in net assets	\$ (148,979)	\$	(146,844)
Adjustments to rec. decrease in net assets to net cash used by operating activities:			
Depreciation	43,774		42,158
Unrealized (gains) losses on investments	(3,547)		17,729
(Increase) decrease in operating assets:			
Grants receivable	9,810		39,198
Inventories	492		1,764
Prepaid expenses	(346)		(4,664)
Increase (decrease) in operating assets:			
Accounts payable	(3,482)		(20,323)
Accrued liabilities	8,060		(33,278)
Deferred revenue	(11,670)		11,860
	(105,888)		(92,400)
Net Cash Used By Operating Activities			
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of investments	139,960		143,771
Purchase of investments	(216,230)		(163,507)
Withdrawal of investments	211,249		59,833
Purchase of fixed assets	(40,404)		(17,397)
Purchase of collections			(2,489)
	94,575		20,211
Net Cash Provided By Investing Activities			
CASH FLOWS FROM FINANCING ACTIVITIES			
Borrowing on line of credit/notes payable	497,708		596,667
Repayment on line of credit/notes payable	(507,354)		(525,545)
	(9,646)		71,122
Net Cash Provided (Used) By Financing Activities			
NET DECREASE IN CASH AND CASH EQUIVALENTS	(20,959)		(1,067)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	9,039		10,106
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ (11,920)	\$	9,039

Supplemental Information for Noncash Investing and Financing:
Interest paid for the years ended June 30, 2019 and 2018 was \$34,757 and \$28,862, 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, 2019
(With Comparative Totals for the Year Ended June 30, 2018)

	For the Year Ended June 30, 2019									
	(PROGRAM) Museum Memorial	(PROGRAM) Indian House	(PROGRAM) Cultural	(PROGRAM) Education	(PROGRAM) Steve Alves Project	Program TOTAL	Management & General	Fundraising Expense	2019 Total	2018 Total
Salaries	\$27,889	\$4,035	\$2,408	\$90,050		\$124,382	\$93,383	\$60,813	\$278,578	\$293,373
Payroll taxes	2,695	382	216	9,156		12,449	9,485	5,747	27,681	30,290
Employee benefits	4,098	150	43	4,853		9,144	2,775	139	12,058	11,583
Total salaries and related expenses	<u>34,682</u>	<u>4,567</u>	<u>2,667</u>	<u>104,059</u>		<u>145,975</u>	<u>105,643</u>	<u>66,699</u>	<u>318,317</u>	<u>335,246</u>
Advertising	3,193		149	509		3,851	861	37,491	42,203	51,734
Bank Charges	538			720	215	1,473	2,175	4,322	7,970	7,202
Stipends						0			-	78,130
Computer and Web Expenses	134		876	11,365		12,375	5,616	8,895	26,886	96,888
Consultants	647		3,305	8,733		12,685		1,207	13,892	10,740
Merchandise				570		570			570	1,246
Development Expense	397			3,977		4,374	23,628	414	28,416	3,060
Exhibit Expenses			4,065	6,073		10,138		4,600	14,738	14,086
Fundraising							1,547		1,547	2,889
Insurance							24,423		24,423	23,278
Interest expense							34,757		34,757	28,862
Office Supplies	1,017		118	2,428		3,563	5,400	4,575	13,538	9,729
Permits / licenses / fees	75		367			442	325	410	1,177	1,975
Postage	547		100	1,787		2,434	5,239	10,556	18,229	15,996
Printing	476		159	5,597		6,232	5,676	16,066	27,974	32,539
Professional fees	2,786	144	706	8,835		12,471	13,697	7,841	34,009	29,091
Refreshments			421	507		928	169	1,328	2,425	1,901
Refunds						0	90	7,835	7,925	6,439
Rent Expense		775	225	12,262		13,262	80	70,778	84,120	76,043
Repairs and maintenance	11,288	15,639		10,584		37,511	12,810	8,698	59,019	30,228
In kind services		2,750				2,750	8,664		11,414	6,625
Teacher expenses				1,582		1,582			1,582	156
Steve Alves expenses					19,400	19,400			19,400	18,500
Telephone	2,077	981	81	26		3,165	5,482	3,929	12,576	25,039
Travel Expense			2,821	1,466		4,287	204	4,231	8,722	15,292
Utilities	4,435	4,058	1,337	17,589		27,419	10,893	15,478	53,790	47,730
Workers Compensation insurance	261	32	1	551		845	1,327	417	2,589	2,149
Total expenses before depreciation	<u>62,553</u>	<u>28,946</u>	<u>17,398</u>	<u>199,220</u>	<u>19,615</u>	<u>327,732</u>	<u>268,706</u>	<u>275,770</u>	<u>872,208</u>	<u>972,793</u>
Depreciation							43,774		43,774	42,158
Total expenses	<u>\$62,553</u>	<u>\$28,946</u>	<u>\$17,398</u>	<u>\$199,220</u>	<u>\$19,615</u>	<u>\$327,732</u>	<u>\$312,480</u>	<u>\$275,770</u>	<u>\$915,982</u>	<u>\$1,014,951</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, 2019 and 2018

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:

Without Donor Restrictions – Net assets that are not subject to donor-imposed restrictions. Without Donor Restrictions net assets may be designated for specific purposes by action of the council.

With Donor Restrictions – 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, 2019 and 2018

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 2015 through 2018. 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 without donor restrictions unless specifically restricted by the donor.

POCUMTUCK VALLEY MEMORIAL ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
Years Ended June 30, 2019 and 2018

2. Summary of Significant Accounting Policies - Continued

- j) *Recognition of Donor Restrictions* – All donor restricted support is reported as an increase in With Donor Restrictions 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, 2019 and 2018, 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, 2019 and 2018

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, 2019 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, 2018, 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, 2019 are as follows:

<i>Capital Assets</i>	<i>Balance June 30, 2018</i>	<i>Additions</i>	<i>Deletions</i>	<i>Balance June 30, 2019</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	896,805			896,805
Equipment	<u>91,348</u>	<u>40,404</u>	<u> </u>	<u>131,752</u>
Total Capital Assets	<u>2,036,352</u>	<u> </u>	<u> </u>	<u>2,076,756</u>
Less accumulated depreciation	<u>(894,429)</u>	<u> </u>	<u> </u>	<u>(938,203)</u>
Capital Assets, net	<u>\$1,141,923</u>	<u>\$ 40,404</u>	<u>\$ -0-</u>	<u>\$1,138,553</u>

POCUMTUCK VALLEY MEMORIAL ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
Years Ended June 30, 2019 and 2018

4. Grants Receivable

Accounts and grants receivable at June 30, 2019 and 2018 are as follows:

	<u>2019</u>	<u>2018</u>
NEH	\$ 12,431	\$ -0-
Other	<u>8,400</u>	<u>30,641</u>
Total	<u>\$ 20,831</u>	<u>\$ 30,641</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, 2019 and 2018:

	<u>Cost</u>	<u>Fair Value</u>
2019:		
Mutual Funds	\$ 928,512	\$1,050,012
Stocks, Options and Securities	40,548	82,714
Cash and Cash Equivalents	<u>10,595</u>	<u>10,595</u>
	<u>\$ 979,655</u>	<u>\$1,143,321</u>
2018:		
Mutual Funds	\$ 1,001,399	\$ 1,134,306
Stocks and Options	71,691	108,369
Cash and Cash Equivalents	<u>32,079</u>	<u>32,079</u>
	<u>\$ 1,105,169</u>	<u>\$1,274,754</u>
Change in net unrealized gain (loss)		\$ 3,547
Net realized gain (loss)		<u>5,980</u>
Net gain (loss) on investments		<u>\$ 9,527</u>

6. 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, 2019 and 2018 was \$164,139 and \$187,920, respectively.

POCUMTUCK VALLEY MEMORIAL ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
Years Ended June 30, 2019 and 2018

7. Mortgage Payable

	<u>2019</u>	<u>2018</u>
4.25% note payable to Greenfield Savings Bank, due in monthly installments of \$4,019 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.	\$469,508	\$490,896
5.50% note payable to Greenfield Savings Bank, due in monthly installments of \$767 including interest, through October 2023.	<u>35,522</u>	<u>-0-</u>
Total Long-Term Debt	\$505,030	\$490,896
Less amounts due within one year	<u>29,240</u>	<u>23,223</u>
Total Long-Term Debt	<u>\$475,790</u>	<u>\$467,673</u>

Year Ending	<u>Amount</u>
<u>June 30,</u>	
2020	29,240
2021	30,946
2022	32,753
2023	34,665
2024	30,581
Thereafter	<u>346,845</u>
Total	<u>\$ 505,030</u>

8. 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, 2019 and 2018 was \$84,632 and \$77,481, 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, 2019 and 2018

9. *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 with donor restrictions 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 with donor restrictions net assets. Investment income earned on with donor restrictions net assets that the donor has requested the earnings be used for a specific purpose or time period is classified as without donor restrictions net assets 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 with donor restrictions endowment funds:

- The duration and preservation of the fund
- The purposes of Association and the with donor restrictions 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, 2019 and 2018

9. 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, 2019:

	Without Donor Restrictions Board Designated	Without Donor Restrictions	With Donor Restrictions	Total
Museum		\$ 29,244	\$ 20,000	\$ 49,244
Sheldon Memorial		29,244	20,000	49,244
Indian House		29,103	44,197	73,300
Warren Fund		-0-	35,604	35,604
Flynt Fund	<u>466,208</u>	<u>-0-</u>	<u>-0-</u>	<u>466,208</u>
	<u>\$ 466,208</u>	<u>\$ 87,591</u>	<u>\$ 119,801</u>	<u>\$ 673,600</u>

The changes in Endowment Fund are summarized below:

	Without Donor Restrictions Board Designated	Without Donor Restrictions	With Donor Restrictions	Total
Beginning of the Year	\$611,655	\$ 83,211	\$119,801	\$814,667
Transfers	(152,500)			(152,500)
Investment return - Income	<u>7,053</u>	<u>4,380</u>	<u>-0-</u>	<u>11,433</u>
End of the Year	<u>\$466,208</u>	<u>\$ 87,591</u>	<u>\$119,801</u>	<u>\$673,600</u>

POCUMTUCK VALLEY MEMORIAL ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
Years Ended June 30, 2019 and 2018

10. 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.

11. Advertising

The Association expenses advertising costs as incurred. Advertising expense for the years ended June 30, 2019 and 2018 was \$42,203 and \$51,734.

POCUMTUCK VALLEY MEMORIAL ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
Years Ended June 30, 2019 and 2018

12. 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, 2019 and 2018 was \$84,120 and \$72,889, respectively.

13. Subsequent Events

The Association has evaluated subsequent events through October 17, 2019, which is the date the financial statements were available to be issued. No material subsequent events have occurred since June 30, 2019 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, 2019, 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 17, 2019.

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 17, 2019