NEWPORT HISTORICAL SOCIETY

FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2018 AND EIGHTEEN MONTHS ENDED DECEMBER 31, 2017

NEWPORT HISTORICAL SOCIETY
TABLE OF CONTENTS

	Page(s)
Independent Auditor's Report	1-2
Financial Statements	
Statements of Financial Position	3
Statements of Activities	4 - 5
Statements of Functional Expenses	6 -7
Statements of Cash Flows	8
Notes to Financial Statements	9-19

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INDEPENDENT AUDITOR'S REPORT

To The Board of Directors
Newport Historical Society
Newport, Rhode Island

We have audited the accompanying financial statements of the Newport Historical Society (a nonprofit organization), which comprise the statement of financial position as of December 31, 2018 and 2017 and the related statements of activities, cash flows and functional expenses for the period year ended December 31, 2018 and the eighteen months ended December 31, 2017 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 from 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 the 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 the Newport Historical Society as of December 31, 2018 and 2017 and the changes in its net assets and its cash flows for the year ended December 31, 2018 and the eighteen months ended December 31, 2017 in accordance with accounting principles generally accepted in the United States of America.

O'Reilly, Skuncik + Sanfilippo LTD.

O'Reilly, Skuncik & Sanfilippo, Ltd.
February 20, 2020

NEWPORT HISTORICAL SOCIETY
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2018 AND 2017

	2018	2017
Assets		
Cash	$ 66,567	$ 127,225
Accounts Receivable	7,382	18,595
Contribution Receivables, Restricted	53,000	529,122
Prepaid Expenses	19,325	24,018
Inventory	113,957	95,659
Property and Equipment	2,755,913	2,823,073
Investments at fair value	3,903,494	3,870,548
Beneficial Interest in Perpetual Trusts	569,135	633,770
Collections (Note-13)	-	-
Total Assets	$ 7,488,773	$ 8,122,010
Liabilities and Net Assets		
Liabilities		
Accounts Payable	$ 96,515	$ 81,798
Refundable Advance	58,354	-
Accrued Payroll	21,219	23,844
Accrued Vacation	9,382	7,297
Unearned Income	4,000	18,000
Loan Payable bank	53,496	82,500
Total Liabilities	242,966	213,439
Net Assets		
Without Donor Restrictions	3,313,767	3,227,382
With Donor Restrictions	3,932,040	4,681,189
Total Net Assets	7,245,807	7,908,571
Total Liabilities and Net Assets	$ 7,488,773	$ 8,122,010

See accompanying notes to the financial statements.

NEWPORT HISTORICAL SOCIETY
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenue			
Membership Dues	$ 36,583	$ -	$ 36,583
Contributions and Grants	341,994	186,547	528,541
Admissions and Tours	94,115		94,115
Education Sales	204,479		204,479
Reproduction and Other Fees	9,226		9,226
Special Events	129,821		129,821
Net Investment Income	68,297	(243,550)	(175,253)
Beneficial Interest in Perpetual Trusts Gain (Loss)		(64,635)	(64,635)
Net Assets Released from Restrictions	627,511	(627,511)	-
Total Support and Revenue	1,512,026	(749,149)	762,877
Expenses			
Program Services Expenses:			
Education	172,641	-	172,641
Collections	403,916		403,916
Properties	140,608		140,608
Brick Market Museum	278,391		278,391
Total Program Services Expenses	995,556	-	995,556
Supporting Services Expenses			
General and Administrative	336,913		336,913
Fundraising	93,172		93,172
Total Supporting Services Expenses	430,085	-	430,085
Total Expenses	1,425,641	-	1,425,641
Change in Net Assets	86,385	(749,149)	(662,764)
Net Assets, Beginning of Year	3,227,382	4,681,189	7,908,571
Net Assets, End of Year	$ 3,313,767	$ 3,932,040	$ 7,245,807

See accompanying notes to the financial statements.

NEWPORT HISTORICAL SOCIETY
STATEMENT OF ACTIVITIES
EIGHTEEN MONTHS ENDED DECEMBER 31, 2017

	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenue			
Membership Dues	$ 51,916	$ -	$ 51,916
Contributions and Grants	863,791	1,038,054	1,901,845
Admissions and Tours	148,728		148,728
Education Sales	326,923		326,923
Reproduction and Other Fees	17,574		17,574
Special Events	211,995		211,995
Net Investment Income	211,885	363,620	575,505
Beneficial Interest in Perpetual Trusts Gain (Loss)		75,708	75,708
Net Assets Released from Restrictions	547,723	(547,723)	-
Total Support and Revenue	2,380,535	929,659	3,310,194
Expenses			
Program Services Expenses:			
Education	298,156	-	298,156
Collections	534,900		534,900
Properties	178,485		178,485
Education Sales	462,147		462,147
Total Program Services Expenses	1,473,688	-	1,473,688
Supporting Services Expenses			
General and Administrative	332,378		332,378
Fundraising	202,711		202,711
Total Supporting Services Expenses	535,089	-	535,089
Total Expenses	2,008,777	-	2,008,777
Change in Net Assets	371,758	929,659	1,301,417
Net Assets, Beginning of Year	2,855,624	3,751,530	6,607,154
Net Assets, End of Year	$ 3,227,382	$ 4,681,189	$ 7,908,571

See accompanying notes to the financial statements.

NEWPORT HISTORICAL SOCIETY
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2018

	Education	Collections	Properties	Education Sales	Total Program Services	General and Aministrative	Fund Raising	Total Supporting Services	Total Expenses
Payroll	$ 79,162	$ 200,294	$ 26,224	$ 89,842	$ 395,522	$ 150,078	$ 48,050	$ 198,128	$ 593,650
Payroll Taxes	8,236	16,599	1,822	8,303	34,960	12,591	3,558	16,149	51,109
Health Insurance	3,202	32,873	9,763	5,868	51,706	22,861	-	22,861	74,567
Postage	1,108	638	42	520	2,308	563	3,033	3,596	5,904
Marketing and Development	8,699	-	735	325	9,759	10,039	708	10,747	20,506
Telephone	1,364	2,387	2,654	672	7,077	1,268	1,705	2,973	10,050
Supplies and Materials	62	4,595	5,265	590	10,512	2,151	2,181	4,332	14,844
Insurance	4,392	23,278	5,271	2,196	35,137	7,027	1,757	8,784	43,921
Utilities	2,325	12,786	3,719	14,575	33,405	3,227	2,325	5,552	38,957
Security	267	1,304	4,290	-	5,861	533	267	800	6,661
Repairs and Maintenance	2,896	16,439	16,888	9,052	45,275	7,141	2,841	9,982	55,257
Use of Space	-	-	-	15,550	15,550	-	-	-	15,550
Program Expenses	7,686	7,022	-	-	14,708	-	-	-	14,708
Conservation and Restoration Expenses	-	-	57,731	-	57,731	-	-	-	57,731
Collection Purchases	-	12,800	-	-	12,800	-	-	-	12,800
Summer Interns	15,000	-	-	-	15,000	-	-	-	15,000
Technology and Equipment Expenses	4,909	7,578	2,359	351	15,197	26,160	5,794	31,954	47,151
Printing and Publications	4,388	1,955	-	-	6,343	1,921	3,237	5,158	11,501
Cost of Sales	-	-	-	120,013	120,013	-	-	-	120,013
Professional Fees	17,395	5,000	3,845	0	26,240	32,066	5,828	37,894	64,134
Bank Fees	-	-	-	1,958	1,958	7,797	-	7,797	9,755
Dues and Subscriptions	-	-	-	-	-	587	-	587	587
Professional Development	-	-	-	-	-	3,822	-	3,822	3,822
Meals and Entertainment	733	28	-	-	761	3,833	-	3,833	4,594
Depreciation	10,480	57,639	-	8,065	76,184	26,198	10,480	36,678	112,862
Travel	337	701	-	-	1,038	3,980	-	3,980	5,018
Miscellaneous	-	-	-	511	511	13,070	1,408	14,478	14,989
Total Expenses	$ 172,641	$ 403,916	$ 140,608	$ 278,391	$ 995,556	$ 336,913	$ 93,172	$ 430,085	$ 1,425,641

See accompanying notes to financial statements.

NEWPORT HISTORICAL SOCIETY
STATEMENT OF FUNCTIONAL EXPENSES
EIGHTEEN MONTHS ENDED DECEMBER 31, 2017

	Education	Collections	Properties	Education Sales	Total Program Services	General and Aministrative	Fund Raising	Total Supporting Services	Total Expenses
Payroll	$ 130,345	$ 295,418	$ 40,406	$ 126,065	$ 592,234	$ 163,593	$ 84,647	$ 248,240	$ 840,474
Payroll Taxes	10,083	23,364	3,681	11,812	48,940	18,239	5,661	23,900	72,840
Health Insurance	3,706	40,319	-	10,171	54,196	16,265	6,354	22,619	76,815
Postage	653	615	-	979	2,247	597	4,964	5,561	7,808
Marketing and Development	2,766	400	2,219	4,646	10,031	25,925	12,150	38,075	48,106
Telephone	1,596	2,893	1,306	1,518	7,313	1,595	2,425	4,020	11,333
Supplies and Materials	1,422	1,595	108	2,635	5,760	1,339	1,601	2,940	8,700
Insurance	5,812	30,802	6,974	2,906	46,494	9,298	2,325	11,623	58,117
Utilities	2,024	11,132	10,460	18,473	42,089	5,061	2,024	7,085	49,174
Security	1,799	1,709	3,611	551	7,670	775	834	1,609	9,279
Repairs and Maintenance	3,833	21,151	60,541	0	85,525	9,686	3,768	13,454	98,979
Use of Space	-	-	-	18,000	18,000	-	-	-	18,000
Program Expenses	69,132	4,075	-	-	73,207	-	-	-	73,207
Conservation and Restoration Expenses	-	-	35,052	-	35,052	-	-	-	35,052
Collection Purchases	-	-	-	-	-	-	-	-	-
Summer Interns	24,162	-	-	-	24,162	-	-	-	24,162
Technology and Equipment Expenses	7,820	18,571	3,010	350	29,751	6,283	3,849	10,132	39,883
Printing and Publications	3,381	2,473	404	-	6,258	2,167	10,495	12,662	18,920
Cost of Sales	-	-	-	238,680	238,680	-	-	-	238,680
Professional Fees	9,644	1,885	10,135	-	21,664	6,095	46,216	52,311	73,975
Bank Fees	-	-	-	13,094	13,094	2,842	-	2,842	15,936
Dues and Subscriptions	515	55	-	383	953	1,895	-	1,895	2,848
Professional Development	3,000	1,015		-	4,015	1,514	-	1,514	5,529
Meals and Entertainment	2,013	94	-	62	2,169	5,600	396	5,996	8,165
Depreciation	13,775	75,765	-	11,676	101,216	34,440	13,775	48,215	149,431
Travel	675	369	-	-	1,044	3,723	1,227	4,950	5,994
Miscellaneous	-	1,200	578	146	1,924	15,446	-	15,446	17,370
Total Expenses	$ 298,156	$ 534,900	$ 178,485	$ 462,147	$ 1,473,688	$ 332,378	$ 202,711	$ 535,089	$ 2,008,777

See accompanying notes to the financial statements.

NEWPORT HISTORICAL SOCIETY
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2018 AND
EIGHTEEN MONTHS ENDED DECEMBER 31, 2017

	2018	2017
Cash Flows From Operating Activities		
Change in Net Assets	$ (662,764)	$ 1,301,417
Adjustments to Reconcile Change in Net Assets to Net Cash and Cash Equivalents Used by Operating Activities:		
Depreciation	112,862	149,431
Net Realized and Unrealized Losses (Gains) on Investments	273,219	(445,508)
Net Loss(Gain) on Beneficial Interest in Trusts	64,635	(75,708)
Contributions Restricted for Long-Term Investment	(600,000)	(534,217)
Change in Assets and Liabilities:		
Decrease (Increase) in Accounts Recievable	11,213	(8,401)
Decrease (Increase) in Contribution Receivables	476,122	(419,692)
Decrease (Increase) in Inventory	(18,298)	54,147
Decrease (Increase) in Prepaid Expenses	4,693	(4,952)
Increase (Decrease) in Accounts Payable and Accrued Expenses	14,177	(49,423)
Increase (Decrease) in Deferred Revenue	(14,000)	(45,377)
Increase (Decrease) in Refundable Advance	58,354	-
Net Cash Provided by (Used by) Operating Activities	(279,787)	(78,283)
Cash Flows From Investing Activities		
Proceeds from Sale of Investments	1,166,089	1,272,684
Purchase of Investments	(1,472,256)	(1,695,668)
Purchases of Property and Equipment	(45,702)	(14,310)
Net Cash Used by Investing Activities	(351,869)	(437,294)
Cash Flows From Financing Activities		
Proceeds from Bank Loan	20,000	82,500
Payments on bank Loan	(49,004)	-
Contributions Restricted for Long-Term Investment	600,000	534,217
Net Cash Provided by Investing Activities	570,996	616,717
Net Increase in Cash	(60,660)	101,140
Cash, Beginning of Year	127,225	26,085
Cash, End of Year	$ 66,565	$ 127,225

See accompanying notes to financial statements.

Note 1 – Nature of Activities

The Newport Historical Society is a Rhode Island not-for-profit organization whose primary mission is to collect and preserve artifacts, photographs and documents related to the history of Newport County its unique contribution to our national narrative. The mission of the Newport Historical Society is also to chronicle and interpret this history for a broad audience, so that knowledge of our past will contribute to a deeper understanding of the present and better preparation for the future. The Society maintains a library, museum, research facility and an active program of public history activities.

Note 2 - Summary of Significant Accounting Policies

Basis of Accounting

The Society prepares its financial statements in accordance with generally accepted accounting principles and prepares its financial statements the accrual basis of accounting. Accordingly, revenues are recognized when earned, and expenses are recognized when incurred.

Basis of Presentation

The Society is required to report information regarding its financial position and activities according to two classes of net assets: with and without donor restrictions.

Contributions

Contributions of cash and other assets received without donor stipulations are reported as revenue and net assets without donor restrictions. Contributions received with a donor stipulation that limits their use are reported as revenue and net assets with donor restrictions. When a donor stipulated time restriction ends or purpose restriction is meet, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Contributions of assets other than cash are recorded at their estimated fair value at the date of donation.

Unconditional contributions expected to be collected in future years are initially reported at fair value determined using the discounted present value of estimated future cash flows.

Conditional promises to give are not recognized until they become unconditional; that is, when the conditions on which they depend are substantially met. Unconditional contributions expected to be collected within one year are reported at their net realizable value. Unconditional contributions to be received after one year are recorded at the present value of future cash flows. An allowance for uncollectible promises is provided based on management's evaluation of potential uncollectible promises receivable at year end.

Accounts Receivable

Accounts receivable are stated at unpaid balances, less an allowance for doubtful accounts. An allowance for uncollectible amounts is provided based on management's evaluation of potential uncollectible receivables at year end.

Property and Equipment

Property and equipment is stated at cost if purchased or at estimated fair value if donated. Acquisitions of property and equipment in excess of $1,000 are capitalized. Depreciation is provided over the estimated

useful lives of the respective assets using straight-line method, with a half a year's depreciation in the year of acquisition and disposal, over the estimated useful life of the related asset ranging from five to thirty years. Expenses for repairs and maintenance are charged to expenses as incurred.

Inventory

Inventory totaling $113,957 at December 31, 2018 and $95,659 and December 31, 2017 is valued at the lower of cost or market and is composed of items held for resale in the Society's museum store.

Collections

Collection items consist of buildings, documents, artifacts, fine arts and crafts and photographs and are held for public exhibition, education, or research. Each item is cataloged, preserved, and cared for, and kept unencumbered, and activities verifying their existence and assessing their condition are performed continuously. Collection items acquired either through purchase or donation are not capitalized. All purchases of collection items and repairs or improvements to collections are recorded as decreases in net assets without donor restrictions if purchased or repaired with assets without donor restrictions and as decreases in net assets with donor restrictions if purchased or repaired with donor-restricted assets.

Investments

Investments in equity securities with readily determinable fair values and all investments debt securities are reported at their respective fair values in the statement of financial position. Unrealized and realized gains and losses are included as part of investment income in the change of net assets. Interest and dividend income, net of advisory fees, also are reported as part of investment income.

The Society maintains a pooled investment account for all individual funds not requiring a separate account by a donor. Investment income and realized and unrealized gains and losses from securities in the pooled investment account are allocated to the individual endowments based on the relationship of the fair value interest of each individual endowment fund to the total fair value of the pooled investments.

Fair Value of Financial Instruments

The carrying amounts recorded in the statement of financial position for cash, accounts receivable, accounts payable and accrued expenses approximate their respective fair values.

Cash and Cash Equivalents

The Society considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents unless the investments are held for meeting restrictions for purchase of property and equipment or endowment. Cash and cash equivalents set aside for long-term investment purposes have been classified as investments.

Income Taxes

Newport Historical Society is a tax-exempt organization as described in Section 501(c)(3) of the Internal Revenue Code, and is not classified as a private foundation. The Society does engage in the sale of certain merchandise which has been determined to be income from unrelated business activity. The Society calculates federal and state income taxes on this unrelated income in accordance with Internal Revenue Code regulations, and the taxes related to these activities are minimal for the periods ended December 31, 2018 and December 31, 2017. The Society believes that it has appropriate support for any tax positions taken and as such, does not have any uncertain tax positions that are material to the financial statements. The Society's federal Exempt Organization Income Tax Returns (Form 990T and 990) for the periods ended December 31, 2018, 2017 and June 30, 2017 are subject to examination by the Internal Revenue Service, generally for three years after they were filed.

Expense Allocation

The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities and statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. When possible, expenses are directly identified to particular programs and supporting services. Certain categories of expenses are attributable to more than one program or supporting activity. These expenses include depreciation and occupancy costs, which are allocated based on use of space, as well as personnel costs, office expenses, information technology, insurance and others, which are allocated on the basis of estimates of time and usage.

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 certain amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Subsequent Events

Management has evaluated subsequent events through February 20, 2020 the date which the financial statements were available to be issued.

Fair Value Measurements

Authoritative guidance relating to fair value establishes a framework for measuring fair value, and establishes a fair value hierarchy which prioritizes the inputs to valuation techniques. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A fair value measurement assumes that the transaction to sell the asset or transfer the liability occurs in the principal market for the asset or liability or, in the absence of a principal market, the most advantageous market. Valuation techniques that are consistent with the market, income or cost approach are used to measure fair value.

The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value into three broad levels:

Level 1 inputs are quoted prices in active markets for identical assets or liabilities the Society has the ability to access.

Level 2 inputs are observable prices for the asset or liability that are based on inputs not quoted in active markets, but which are corroborated by market data, either directly or indirectly.

Level 3 inputs are unobservable that are used when little or no market data is available.

Note 3 - Endowment Funds

The Society's endowment consists of various funds established for various purposes. Its endowment includes both donor-restricted endowment funds and funds designated by the board of trustees to function as endowments. As required by GAAP, net assets associated with endowment funds, including funds designated by the board of trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Society is subject to the State Prudent Management of Institutional Funds Act (SPMIFA) and, thus, classifies amounts in its donor-restricted endowment funds as net assets with donor restrictions because

those net assets are time restricted until the board of trustees appropriates such amounts for expenditure. Some of those net assets also are subject to purpose restrictions that must be met before reclassifying those net assets to net assets without donor restrictions. The board of trustees of the Society has interpreted SPMIFA as not requiring the maintenance of purchasing power of the original amount contributed to the endowment fund, unless a donor stipulates the contrary. As a result of this interpretation, when reviewing its donor-restricted endowment funds, the Society considers a fund to be underwater if the fair value of the fund is less than the sum (a) the original value of initial and subsequent gift amounts donated to the fund gifts donated to the permanent endowment and (b) accumulations to the fund that are required to be maintained in perpetuity in accordance with the direction of the applicable donor gift instrument.

The Society has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding for operations while seeking to maintain the purchasing power of the endowment assets. The Society's spending and investment policies work together to achieve this objective.

Investment Return Objectives, Risk Parameters and Strategies: The assets of the endowment funds are to be invested with the same care, skill and diligence that a prudent person would exercise in investing institutional endowment funds. The primary objective is to achieve a reasonable total return on the assets, while limiting the risk exposure to ensure the preservation of capital. Endowment assets are invested in an asset mix, which consists of corporate stock, bonds, equity and bond mutual funds and cash. The Society will strive to preserve principal by prudently selecting quality instruments, by diversifying the portfolio across the various sectors and by periodically reviewing the portfolio holdings, in consultation with the Society's investment manager, to reflect a prudent response to current market conditions.

Spending Policy: The Endowment Fund will be managed to mitigate the effects of short-term volatility in financial markets. Following are the annual spending goals: Annual draw from the endowment will be the lower of 5% of the three-year average of the Fund's market value. This limitation, however, shall not apply to any amounts established for unrestricted purposes as to the use of both principal and interest. It is the goal of the Society to grow or at least maintain the purchasing power of the fund, taking inflationary factors into account.

The following table summarizes the endowment net asset composition as of December 31, 2018.

	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated endowment funds	$ 878,310	$ -	$ 878,310
Donor-restricted endowment funds			
Original donor restricted amounts		2,182,314	2,182,314
Donor-restricted gift amount – Scholar program	-	830,419	830,419
Accumulated investment gains	-	12,451	12,451
Total	$ 878,310	$ 3,025,184	$ 3,903,494

Changes in endowment net assets for the year ended December 31, 2018 are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment assets, January 1, 2018	$ 540,018	$ 3,330,530	$ 3,870,548
Contributions	400,000		400,000
Investment Return, net	-34,689	-162,365	-197,054
Appropriation of endowment assets for expenditure	-27,019	-142,981	-170,000
Endowment assets, December 31, 2018	$ 878,310	$ 3,025,184	$ 3,903,494

The following table summarizes the endowment net asset composition as of December 31, 2017.

	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated endowment funds	$ 540,018	$ -	$ 540,018
Donor-restricted endowment funds			
Original donor-restricted gift amount		2,182,314	
Donor-restricted gift amount- Scholars program	-	929,582	3,111,896
Accumulated investment gains	-	218,634	218,634
Total	$ 540,018	$ 3,330,530	$ 3,870,548

Changes in endowment net assets for the eighteen months ended as of December 31, 2017 are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment assets, July 1, 2016	$ -	$ 3,001,757	$ 3,001,757
Contributions	540,018	37,500	577,518
Investment Return, net		544,273	544,273
Appropriation of endowment assets for expenditure		-253,000	-253,000
Endowment assets, December 31, 2017	$ 540,018	$ 3,330,530	$ 3,870,548

Note 4 - Fair value of Investments and Perpetual Trusts

The Society's investments and perpetual trusts have been recorded at fair value in the financial statements. The following represents the Society's fair value hierarchy for its investments and perpetual trusts measured at fair value on a recurring basis at December 31, 2018.

December 31, 2018	Total	Level 1	Level 2
Money Market Funds	$ 416,964	$ 416,964	$ -
Marketable Equity Securities			
Consumer Discretionary	123,947	123,947	
Consumer Staples	93,571	93,571	
Energy	55,485	55,485	
Financials	161,008	161,008	
Health Care	171,687	171,687	
Industrials	91,365	91,365	
Information Technology	229,161	229,161	
Materials	33,369	33,369	
Telecommunication	105,580	105,580	
Utilities	23,090	23,090	
	1,088,263	1,088,263	
Marketable Equity Mutual Funds			
US Equity Mutual Funds	965,674	965,674	
Fixed Income Mutual Funds	763,608	763,608	
International Equity Mutual Funds	247,658	247,658	
	1,976,940	1,976,940	-
US Fixed Income			
Federal Home Loan Bonds	421,326		421,326
Total Investments	$ 3,903,493	$ 3,482,167	$ 421,326
Perpetual Trusts	$ 569,135	$ 155,455	$ 413,680

The Society reports investments at fair value on a recurring basis. These investments are classified as levels 1 and 2 within the fair value hierarchy.

Investments in Level 1 include investments owned and listed on a National Securities Exchange, are valued at the last recorded sales price as of the financial statement reporting date, or in the absence of recorded sales, at the last quoted bid price reported as of the financial statement reporting date.

Investments in Level 2 consist of shares in common trust funds held by the trustee and are valued based on the third party portfolio manager of the trust.

The following represents the Society's fair value hierarchy for its investments and perpetual trusts measured at fair value on a recurring basis at December 31, 2017.

	Total	Level 1	Level 2
Money Market Funds	$ 160,889	$ 160,889	$ -
Marketable Equity Securities			
Consumer Discretionary	153,211	153,211	
Consumer Staples	94,362	94,362	
Energy	89,206	89,206	
Financials	160,364	160,364	
Health Care	168,072	168,072	
Industrials	118,666	118,666	
Information Technology	265,776	265,776	
Materials	32,021	32,021	
Telecommunication	29,245	29,245	
Utilities	23,986	23,986	
	1,134,909	1,134,909	-
Marketable Equity Mutual Funds			
US Equity Mutual Funds	1,190,244	1,190,244	
Fixed Income Mutual Funds	819,661	819,661	
International Equity Mutual Funds	267,409	267,409	
	2,277,314	2,277,314	-
US Fixed Income			
Federal Home Loan Bonds	297,436	-	297,436
Total Investments	$ 3,870,548	$ 3,573,112	$ 297,436
Perpetual Trusts	$ 633,770	$ 190,801	$ 442,969

Note 5 - Net Investment Income

Net investment income consisted of the following for the year ended December 31, 2018 and eighteen months ended December 31, 2017.

	2018	2017
Interest and Dividend Income	$ 100,798	$ 131,946
Interest and Dividends from Perpetual Trusts	21,797	31,200
Net Realized Gains and (Losses)	85,103	112,544
Net Unrealized Gains and (Losses)	(358,322)	332,964
Investment Fees	(24,629)	(33,149)
Total Net Investment Income	$ (175,253)	$ 575,505

Note 6 – Classification of Net assets

Net assets as of December 31, 2018 and 2017 with donor restriction are restricted for the following purposes or periods.,

	2018	2017
Subject to expenditures for specified purpose:		
Friends Meeting House	$ 26,226	$ 8,367
Revolution House	11,125	73,356
Collection Records Survey Project		49,024
Conservation and Programs	27,920	39,798
Publication of Educational Book	101,280	10,220
Restricted for long term investment	171,169	536,122
	337,720	716,887
Subject to terms of the perpetual trust agreement - time restriction		
Beneficial interest in charitable trusts held by others	569,135	633,770
Subject to the Society's endowment spending policy and appropriation:		
Investment in perpetuity which, once appropriated, is expendable		
Any activities of the organization	2,194,766	2,400,949
Scholars program	830,419	929,583
	3,025,185	3,330,532
Total	$ 3,932,040	$ 4,681,189

Net assets as of December 31, 2018 and 2017 without donor restriction consists of the following.

	2018	2017
Board designated endowment fund	$ 878,310	$ 540,018
Unrestricted	2,435,457	2,687,364
	$ 3,313,767	$ 3,227,382

Note 7 - Contributions Receivable

Contributions receivable as of December 31, 2018 and 2017 are net assets with donor restrictions. Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Those expected to be collected in future years are recorded at the present value of estimated future cash flows using a discount rate of 4%. Management expects the entire amount will be collected.

Contributions receivable at December 31, 2018 and 2017 consisted of:

	2018	2017
Receivable in less than one year	$ 53,000	$ 529,122
Receivable in one to five years	-	-
Total	53,000	529,122
Discount to Present Value	-	-
Net Contributions Receivable	$ 53,000	$ 529,122

Note 8 – Due to Endowment Account

As of December 31, 2018 the Society had received $171,169 of donor restricted contributions for investment in the board designated endowment fund that were not transferred by December 31, 2018 to the investment account.

Note 9 – Refundable Advance

In November 2016 the Society received a $1,000,000 challenge grant. The donor will match dollar for dollar contributions received in cash or pledges for additions to the Society's board designated endowment. The grant will be paid over a period of five years, from December 31, 2017 to December 31, 2021. Amounts received in advance of meeting the matching conditions of the grant are recorded as a refundable advance and will subsequently be recognized as contribution revenue when donor conditions are met.
As of December 31, 2018 the refundable advance totaled $58,354

Note 10 - Property and Equipment

Property and equipment consists of the following as of December 31, 2018 and 2017:

	2018	2017
Land	$ 30,000	$ 30,000
Buildings and Improvements	3,034,871	3,034,871
Leasehold Improvement	46,079	46,079
Equipment	186,677	169,420
Website	39,445	11,000
	3,337,072	3,291,370
Less: Accumulated Depreciation	581,149	468,297
	$ 2,755,913	$ 2,823,073

Depreciation expense totaled $112,862 for the year ended December 31, 2018 and $149,431 for the eighteen months ended December 31, 2017.

Note 11 - Loan Payable Bank

Bank loan represents a $100,000 line of credit, due on demand, with BankNewport. At December 31, 2018 and 2017 the Company had an outstanding balance of $53,496 and 82,500 respectively. Interest expense totaled $6,016 for 2018 and $4,519 for the eighteen months ended December 31, 2017. The interest rate was 7.5% at December 31, 2018.

Note 12 - Liquidity and Available Resources

The following reflects the society's financial assets as of the statement of financial position date, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the statement of financial position date. Amounts not available include amounts set aside for long-term investing in the board designated endowment fund that could be drawn upon if the governing board approves that action. However, amounts already appropriated from either the donor-restricted endowment or the board restricted endowment for general expenditure within one year of the balance sheet date have not been subtracted as unavailable.

Financial assets at December 31, 2018	$	4,599,578
Less those assets unavailable for general expenditure within one year, due to		
Donor-imposed restrictions		
Restricted by donor with time or purpose restriction		(179,003)
Subject to appropriation and satisfaction of donor restrictions		(2,858,973)
Investments held in perpetual trust		(569,135)
Board designation		
Board designated endowment fund, for long-term investing		(834,069)
Financial assets available to meet cash needs for general operating Expenditures within one year.	$	158,398

The Society has a committed line of credit in the amount of $100,000, which it could draw upon in the event of an unanticipated liquidity need. The Society could also make a draw from its board designated endowment fund.

Note 13 - Collections

The Society's collection items consist of books, manuscripts, museum exhibits and various historic properties that are held for public exhibition, education or research and are protected, kept unencumbered, cared for and preserved. The collection is used by researchers, historians and others who are interested in studying the history of Newport County and the nation. The society employs staff to ensure that the collection is protected and preserved. The Society's policy is that the proceeds from the sale of any deaccessioned collection items will be used be used to purchase additional collections or for the direct care of collections. The society interprets direct care to include all actions that contribute to the preservation of collection items, individually or in aggregate, and preserving their usefulness to scholars and the public. This includes all facets of collections management, conservation, and professional development or training for collections staff.

Note 14 - Donated Services

While a number of volunteers have donated substantial time to the Society, no amounts have been recognized in the statement of activities for donated services since the criteria for recognition under Statement of Financial Accounting Standards No. 116 have not been met.

Note 15 - Employee Benefits

The Society entered into an agreement with TIAA and CREF which maintains a tax deferred annuity plan to permit the employees of the Society to elect individually to participate in the plan. The participants elect to allocate to the plan a specified amount which reduces their basic monthly salary. The Society does not contribute to the plan.

Note 16 - Educational Sales

Educational sales are as follows for the year ended December 31, 2018 and eighteen months ended December 31, 2017:

	2018	2017
Sales Less Discounts and Returns	$ 204,479	$ 326,923
Less Cost of Sales	120,013	238,680
Gross Margin	$ 84,466	$ 88,243

Note 17 - Concentration of Cash

The Society maintains its checking and savings accounts in one local bank and the balances are insured by the Federal Deposit Insurance Corporation. At various times of the year the Society had cash balances in excess of the insured amount.

Note 18 - Beneficial Interest in Perpetual Trusts

The Society is the beneficial interest in "The Great Meeting House" trust which is managed by the Mellon Trust in Pittsburgh, Pennsylvania. The Society received $20,000 from the trust during the year ended December 31, 2018 and $30,000 during the eighteen months ended December 31, 2017 which can only be used for the care and maintenance of Friends Meeting House. The fair value of the trust at December 31, 2018 and 2017 was $272,555 and $321,928 respectively.

The Society is the beneficial interest in Joseph A Blaine trust which is managed by U.S. Trust. The Society received $1,797 from the trust during the year ended December 31, 2018 and $1,200 during the eighteen months ended December 31, 2017 which can be used for collection purposes. The fair value of the trust at December 31, 2018 and 2017 was $296,580 and $311,842 respectively.