



FINANCIAL STATEMENTS

June 30, 2022 and 2021

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
United States Capitol Historical Society  
Washington, D.C.

### **Opinion**

We have audited the financial statements of United States Capitol Historical Society, which comprise the statement of financial position as of June 30, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of United States Capitol Historical Society as of June 30, 2022, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Opinion**

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

### **Adoption of New Accounting Guidance**

As discussed in Note 1 to the financial statements, United States Capitol Historical Society adopted the Financial Accounting Standards Board's Accounting Standards Update (ASU) No. 2016-02, *Leases (Topic 842)*, and all subsequently issued clarifying ASUs and ASU No. 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, as of July 1, 2021. Our opinion is not modified with respect to this matter.

### **Prior Period Financial Statements**

The financial statements of United States Capitol Historical Society as of June 30, 2021, were audited by other auditors whose report dated January 28, 2022, expressed an unmodified opinion on those statements.

### **Responsibilities of Management for the Financial Statements**

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

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

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

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

In performing an audit in accordance with GAAS, we:

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

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

Wegner CPAs, LLP  
Alexandria, Virginia  
October 20, 2022

**UNITED STATES CAPITOL HISTORICAL SOCIETY**  
**STATEMENTS OF FINANCIAL POSITION**  
June 30, 2022 and 2021

|   | <u>2022</u>         | <u>2021</u>         |
|---|---------------------|---------------------|
| <b>ASSETS</b>                           |                     |                     |
| Cash                                    | \$ 1,475,866        | \$ 1,318,544        |
| Investments                             | 1,750,588           | 2,031,436           |
| Accounts receivable, net                | 38,880              | 89,435              |
| Unconditional promises to give          | 150,000             | -                   |
| Inventory                               | 426,867             | 431,139             |
| Prepaid expenses and other assets       | 37,605              | 39,176              |
| Property and equipment, net             | <u>154,930</u>      | <u>146,853</u>      |
| <b>Total assets</b>                     | <u>\$ 4,034,736</u> | <u>\$ 4,056,583</u> |
| <b>LIABILITIES</b>                      |                     |                     |
| Accounts payable and accrued expenses   | \$ 137,332          | \$ 47,892           |
| Accrued payroll                         | 51,205              | 35,746              |
| Financing lease liabilities             | 23,829              | -                   |
| Deferred revenue                        | -                   | 21,184              |
| Paycheck Protection Program loan        | -                   | 508,208             |
| Economic Injury Disaster Loan           | <u>146,006</u>      | <u>149,436</u>      |
| <b>Total liabilities</b>                | 358,372             | 762,466             |
| <b>NET ASSETS</b>                       |                     |                     |
| Without donor restrictions              | 2,887,582           | 2,784,750           |
| With donor restrictions                 | <u>788,782</u>      | <u>509,367</u>      |
| <b>Total net assets</b>                 | <u>3,676,364</u>    | <u>3,294,117</u>    |
| <b>Total liabilities and net assets</b> | <u>\$ 4,034,736</u> | <u>\$ 4,056,583</u> |

See accompanying notes.

**UNITED STATES CAPITOL HISTORICAL SOCIETY**  
**STATEMENTS OF ACTIVITIES**  
Years Ended June 30, 2022 and 2021

|  | 2022                          |                            |                     | 2021                          |                            |                     |
|--|-------------------------------|----------------------------|---------------------|-------------------------------|----------------------------|---------------------|
|  | Without Donor<br>Restrictions | With Donor<br>Restrictions | Total               | Without Donor<br>Restrictions | With Donor<br>Restrictions | Total               |
| <b>SUPPORT AND REVENUE</b>                   |                               |                            |                     |                               |                            |                     |
| Sales of merchandise                         | \$ 1,286,381                  | \$ -                       | \$ 1,286,381        | \$ 1,039,391                  | \$ -                       | \$ 1,039,391        |
| Royalties                                    | 982                           | -                          | 982                 | 1,208                         | -                          | 1,208               |
| Other revenue                                | 3,825                         | -                          | 3,825               | 6,546                         | -                          | 6,546               |
| Contract revenue                             | -                             | -                          | -                   | 24,900                        | -                          | 24,900              |
| Contributions                                | 876,866                       | 781,154                    | 1,658,020           | 882,734                       | 663,399                    | 1,546,133           |
| In-kind contributions                        | 143,397                       | -                          | 143,397             | -                             | -                          | -                   |
| Paycheck Protection Program loan forgiveness | 508,208                       | -                          | 508,208             | -                             | -                          | -                   |
| Investment return, net                       | (280,016)                     | -                          | (280,016)           | 379,337                       | -                          | 379,337             |
| <b>Total support and revenue</b>             | <b>2,539,643</b>              | <b>781,154</b>             | <b>3,320,797</b>    | <b>2,334,116</b>              | <b>663,399</b>             | <b>2,997,515</b>    |
| <b>EXPENSES</b>                              |                               |                            |                     |                               |                            |                     |
| Program Services                             |                               |                            |                     |                               |                            |                     |
| Educational Events and Publications          | 1,038,742                     | -                          | 1,038,742           | 1,126,783                     | -                          | 1,126,783           |
| Retail Operations                            | 1,114,772                     | -                          | 1,114,772           | 813,338                       | -                          | 813,338             |
| Membership                                   | 159,313                       | -                          | 159,313             | 181,368                       | -                          | 181,368             |
| <b>Total program services</b>                | <b>2,312,827</b>              | <b>-</b>                   | <b>2,312,827</b>    | <b>2,121,489</b>              | <b>-</b>                   | <b>2,121,489</b>    |
| Supporting Activities                        |                               |                            |                     |                               |                            |                     |
| Management and General                       | 401,634                       | -                          | 401,634             | 303,672                       | -                          | 303,672             |
| Fundraising                                  | 224,089                       | -                          | 224,089             | 101,918                       | -                          | 101,918             |
| <b>Total expenses</b>                        | <b>2,938,550</b>              | <b>-</b>                   | <b>2,938,550</b>    | <b>2,527,079</b>              | <b>-</b>                   | <b>2,527,079</b>    |
| <b>NET ASSETS RELEASED FROM RESTRICTION</b>  |                               |                            |                     |                               |                            |                     |
| Satisfaction of purpose restrictions         | 501,739                       | (501,739)                  | -                   | 626,669                       | (626,669)                  | -                   |
| <b>Change in net assets</b>                  | <b>102,832</b>                | <b>279,415</b>             | <b>382,247</b>      | <b>433,706</b>                | <b>36,730</b>              | <b>470,436</b>      |
| Net assets at beginning of year              | 2,784,750                     | 509,367                    | 3,294,117           | 2,351,044                     | 472,637                    | 2,823,681           |
| <b>Net assets at end of year</b>             | <b>\$ 2,887,582</b>           | <b>\$ 788,782</b>          | <b>\$ 3,676,364</b> | <b>\$ 2,784,750</b>           | <b>\$ 509,367</b>          | <b>\$ 3,294,117</b> |

See accompanying notes.

**UNITED STATES CAPITOL HISTORICAL SOCIETY**  
**STATEMENTS OF FUNCTIONAL EXPENSES**  
Years Ended June 30, 2022 and 2021

|                      | Program Services                    |                     |                   | Supporting Activities  |                   | Total               |
|----------------------|-------------------------------------|---------------------|-------------------|------------------------|-------------------|---------------------|
|                      | Educational Events and Publications | Retail Operations   | Membership        | Management and General | Fundraising       |                     |
| <u>2022</u>          |                                     |                     |                   |                        |                   |                     |
| Personnel            | \$ 376,868                          | \$ 195,163          | \$ 92,848         | \$ 146,973             | \$ 46,209         | \$ 858,061          |
| Professional fees    | 51,160                              | 25,704              | 10,800            | 190,717                | 145,797           | 424,178             |
| Office expenses      | 53,299                              | 96,666              | 18,792            | 8,491                  | 15,271            | 192,519             |
| Event expenses       | 8,084                               | -                   | -                 | -                      | -                 | 8,084               |
| Insurance            | 9,145                               | 16,586              | 3,224             | 1,457                  | 2,620             | 33,032              |
| Occupancy            | 115,139                             | 80,301              | 28,305            | 36,315                 | 12,174            | 272,234             |
| Advertising          | 4,869                               | 15,322              | 1,949             | 440                    | 295               | 22,875              |
| Travel               | 8,212                               | 510                 | -                 | 97                     | -                 | 8,819               |
| Interest             | 644                                 | 585                 | 206               | 3,459                  | 283               | 5,177               |
| Depreciation         | 2,445                               | 2,221               | 783               | 13,142                 | 1,076             | 19,667              |
| Miscellaneous        | 6,009                               | 18,909              | 2,406             | 543                    | 364               | 28,231              |
| Cost of goods sold   | -                                   | 662,805             | -                 | -                      | -                 | 662,805             |
| Portrait expenses    | 402,868                             | -                   | -                 | -                      | -                 | 402,868             |
| Total expenses       | <u>\$ 1,038,742</u>                 | <u>\$ 1,114,772</u> | <u>\$ 159,313</u> | <u>\$ 401,634</u>      | <u>\$ 224,089</u> | <u>\$ 2,938,550</u> |
|                      | Program Services                    |                     |                   | Supporting Activities  |                   |                     |
|                      | Educational Events and Publications | Retail Operations   | Membership        | Management and General | Fundraising       | Total               |
| <u>2021</u>          |                                     |                     |                   |                        |                   |                     |
| Personnel            | \$ 387,022                          | \$ 176,555          | \$ 130,721        | \$ 105,305             | \$ 58,523         | \$ 858,126          |
| Professional fees    | 169,570                             | 25,387              | 9,299             | 95,502                 | 9,175             | 308,933             |
| Office expenses      | 17,207                              | 90,166              | 5,387             | 33,736                 | 11,013            | 157,509             |
| Event expenses       | 4,765                               | -                   | -                 | -                      | 819               | 5,584               |
| Insurance            | 10,881                              | 6,770               | 2,684             | 28,592                 | 2,302             | 51,229              |
| Occupancy            | 127,453                             | 67,252              | 31,553            | 25,064                 | 16,865            | 268,187             |
| Bad debt expense     | -                                   | -                   | -                 | 3,560                  | -                 | 3,560               |
| Advertising          | 481                                 | 8,577               | 238               | 69                     | 870               | 10,235              |
| Depreciation         | 4,465                               | 2,778               | 1,102             | 11,733                 | 945               | 21,023              |
| Miscellaneous        | 778                                 | 13,869              | 384               | 111                    | 1,406             | 16,548              |
| Publication expenses | 10,229                              | 1,550               | -                 | -                      | -                 | 11,779              |
| Cost of goods sold   | -                                   | 420,434             | -                 | -                      | -                 | 420,434             |
| Portrait expenses    | 393,932                             | -                   | -                 | -                      | -                 | 393,932             |
| Total expenses       | <u>\$ 1,126,783</u>                 | <u>\$ 813,338</u>   | <u>\$ 181,368</u> | <u>\$ 303,672</u>      | <u>\$ 101,918</u> | <u>\$ 2,527,079</u> |

See accompanying notes.

**UNITED STATES CAPITOL HISTORICAL SOCIETY**  
**STATEMENTS OF CASH FLOWS**  
Years Ended June 30, 2022 and 2021

|  | <u>2022</u>                | <u>2021</u>                |
|--|----------------------------|----------------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>  |                            |                            |
| Change in net assets   | \$ 382,247                 | \$ 470,436                 |
| Adjustments to reconcile change in net assets<br>to net cash flows from operating activities |                            |                            |
| Depreciation   | 19,667                     | 21,023                     |
| Bad debt expense   | -                          | 3,560                      |
| Net realized and unrealized (gain) loss on investments                                       | 393,073                    | (332,212)                  |
| Forgiveness of Paycheck Protection Program loan  | (508,208)                  | -                          |
| (Increase) decrease in assets  |                            |                            |
| Accounts receivable  | 50,555                     | (92,822)                   |
| Unconditional promises to give   | (150,000)                  | -                          |
| Inventory  | 4,272                      | (32,166)                   |
| Prepaid expenses and other assets  | 1,571                      | 14,798                     |
| Increase (decrease) in liabilities   |                            |                            |
| Accounts payable and accrued expenses  | 89,440                     | (31,780)                   |
| Accrued payroll  | 15,459                     | (121,647)                  |
| Deferred revenue   | (21,184)                   | (1,382)                    |
| Refundable advances  | -                          | 15,786                     |
| <b>Net cash flows from operating activities</b>  | <u>276,892</u>             | <u>(86,406)</u>            |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>  |                            |                            |
| Proceeds from sales of investments   | -                          | 771,539                    |
| Purchases of and interest and dividends retained in investments                              | (112,225)                  | (318,264)                  |
| <b>Net cash flows from investing activities</b>  | <u>(112,225)</u>           | <u>453,275</u>             |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>  |                            |                            |
| Proceeds from Paycheck Protection Program loan   | -                          | 225,103                    |
| Principal payments on Economic Injury Disaster Loan  | (3,430)                    | (564)                      |
| Principal payments on finance lease liabilities  | (3,915)                    | -                          |
| <b>Net cash flows from financing activities</b>  | <u>(7,345)</u>             | <u>224,539</u>             |
| <b>Change in cash</b>  | 157,322                    | 591,408                    |
| Cash at beginning of year  | <u>1,318,544</u>           | <u>727,136</u>             |
| <b>Cash at end of year</b>   | <u><u>\$ 1,475,866</u></u> | <u><u>\$ 1,318,544</u></u> |
| <b>SUPPLEMENTAL DISCLOSURE</b>   |                            |                            |
| Cash paid for interest   | \$ 5,177                   | \$ 717                     |
| Noncash investing and financing transactions   |                            |                            |
| Right-of-use assets obtained in exchange for lease obligations                               | 27,745                     | -                          |

See accompanying notes.



**UNITED STATES CAPITOL HISTORICAL SOCIETY**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2022 and 2021

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NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**Nature of Activities**

United States Capitol Historical Society (Society) is a nonprofit organization, incorporated under the laws of the District of Columbia, which operates under Congressional Charter dated October 20, 1978, giving it the authority to preserve and improve the Capitol; to research, publish, and create items, medals and material of historical interest; and to cooperate with Congressional committees and federal agencies in the work of the Society and the distribution of its products.

**Accounts Receivable**

Accounts receivable consist primarily of amounts owed from customers related to merchandise sales. Accounts receivable are presented at the gross amount due to the Society, less an allowance for uncollectible accounts. The Society's management periodically reviews the status of all accounts receivable balances for collectability. Each receivable balance is assessed based on management's knowledge of the customer, the Society's relationship with the customer, and the age of the receivable balance. As a result of these reviews, customer balances deemed to be uncollectible are charged directly to bad debt expense and an allowance is recorded. At June 30, 2022 and 2021, the allowance for doubtful accounts totaled \$3,921 and \$3,956, respectively.

**Promises to Give**

Unconditional promises to give are recognized as revenue in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional. At June 30, 2022, \$75,000 of unconditional promises to give are collectible within one year and \$75,000 of unconditional promises to give are collectible in one to five years. No present value discount has been applied to unconditional promises to give collectible in one to five years as applying the discount is immaterial to the financial statements.

**Investments**

Investments in equity securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statements of financial position. Unrealized and realized gains and losses are included in the statements of activities in the period in which such changes occur. Interest and dividends are recorded when earned.

Investment securities, in general, are exposed to various risks, such as interest rates, credit, and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of investment securities will occur in the near term and that such change could materially affect the amounts reported in the statements of financial position.

**UNITED STATES CAPITOL HISTORICAL SOCIETY**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2022 and 2021

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NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

**Inventory**

The Society's inventory consists of calendars, publications and other items for sale, which stimulate interest in the history of Congress and the United States Capitol. Inventory is recorded at the lower of cost or net realizable value and is valued using the first in, first out method.

**Property and Equipment**

The Society capitalizes all expenditures for property and equipment in excess of \$500 with expected useful lives greater than one year. Purchases of property and equipment are carried at cost. Depreciation of property and equipment is computed using the straight-line method over the estimated useful lives of the assets, ranging from three to thirty-nine years. Leasehold improvements are amortized over the lesser of the remaining life of the office lease or the estimated useful life of the improvements.

**Leases**

The Society leases office space, a copier and a postage machine. The Society determines if an arrangement is a lease at inception. Finance leases are included in property and equipment, and financing lease liabilities on the statements of financial position. The Society's office lease, as described in Note 9, is on a month-to-month basis and as such, has not been recorded as an operating lease right-of-use (ROU) asset.

ROU assets represent the Society's right to use an underlying asset for the lease term and lease liabilities represent the Society's obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. As most of the Society's leases do not provide an implicit rate, it uses a risk-free rate based on the information available at commencement date in determining the present value of lease payments. The operating lease ROU asset also includes any lease payments made and excludes lease incentives. The Society's lease terms may include options to extend or terminate the lease when it is reasonably certain that the Society will exercise that option. Lease expense for lease payments is recognized on a straight-line basis over the lease term. The Society's lease agreements do not contain any material residual value guarantees or material restrictive covenants.

**Revenue Recognition**

The Society's earned revenue consists of sales of merchandise, including calendars, publications and other items for sale, as well as royalties. The revenue from these sales are recognized in the period in which the merchandise is delivered to the customer. Royalty income is recognized during the period to which the underlying sales relate. Amounts received in advance from these sources are recorded as deferred revenue.

**Income Tax Status**

The Society is exempt from federal income tax under section 501(c)(3) of the Internal Revenue Code.

**UNITED STATES CAPITOL HISTORICAL SOCIETY**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2022 and 2021

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NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

**Contributions**

Contributions received are recorded as increases in net assets without donor restrictions and net assets with donor restrictions depending on the existence of any donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), 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.

**Donated Services**

Donated services are recognized as contributions if the services create or enhance nonfinancial assets or they require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Volunteers also supported the Society's program services and fundraising campaigns throughout the year that are not recognized as contributions in the financial statements since the recognition criteria were not met.

**Expense Allocation**

The financial statements report certain categories of expenses that are attributable to more than one program service or supporting activity. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include personnel, professional fees, office expenses, insurance, occupancy, advertising, interest, depreciation, and miscellaneous expense, which are allocated on the basis of estimates of time and effort.

**Estimates**

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Adoption of New Accounting Guidance**

On September 17, 2020, the Financial Accounting Standards Board issued Accounting Standards Update (ASU) No. 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The intent of this Update is to improve transparency in the reporting of contributed nonfinancial assets (also known as gifts-in-kind) received by not-for-profit entities. The Update requires a not-for-profit entity to present contributed nonfinancial assets as a separate line item in the statements of activities, apart from contributions of cash and other financial assets. The Update also requires enhanced disclosures about the valuation of contributed nonfinancial assets and their use in programs and other activities, including any donor-imposed restrictions on such use. The Society adopted the requirements of this Update effective July 1, 2021. The changes required by this Update have been applied retrospectively to all periods presented.

**UNITED STATES CAPITOL HISTORICAL SOCIETY**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2022 and 2021

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NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

In February 2016, FASB issued ASU 2016-02, *Leases* (Topic 842), which applies a right-of-use (ROU) model that requires a lessee to record, for all leases with a lease term of more than 12 months, an asset representing its right to use the underlying asset and a liability to make lease payments. For leases with a term of 12 months or less, a practical expedient is available whereby a lessee may elect, by class of underlying asset, not to recognize an ROU asset or lease liability. The Update also requires lessees and lessors provide certain qualitative and quantitative disclosures to enable users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases. The Society adopted the requirements of this Update effective July 1, 2021.

**Date of Management’s Review**

Management has evaluated subsequent events through October 20, 2022, the date which the financial statements were available to be issued.

**Reclassifications**

Certain amounts in the prior year financial statements have been reclassified for comparative purposes to conform with the presentation in the current year financial statements.

NOTE 2 – CONCENTRATIONS OF CREDIT RISK

The Society maintains its cash balances in financial institutions located in Washington, D.C. The balances are insured by the Federal Deposit Insurance Corporation up to \$250,000. At times during the year, the Society’s cash balances exceed the FDIC Insurance amount. Management believes the risk in these stipulations to be minimal.

NOTE 3 – INVESTMENTS

Investments are comprised of the following:

|                    | 2022         | 2021         |
|--------------------|--------------|--------------|
| Money market funds | \$ 408       | \$ 411       |
| Mutual funds       | 1,750,180    | 2,031,025    |
| Investments        | \$ 1,750,588 | \$ 2,031,436 |

Fair values of mutual funds are valued at the closing price reported on the active market on which the funds are traded and are considered Level 1 fair value measurements.

**UNITED STATES CAPITOL HISTORICAL SOCIETY**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2022 and 2021

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**NOTE 4 – PAYCHECK PROTECTION PROGRAM LOAN**

The Society has received loans totaling \$508,208 under the Paycheck Protection Program (PPP) established by the Coronavirus Aid, Relief, and Economic Security (CARES) Act and administered by the U.S. Small Business Administration (SBA). During the year ended June 30, 2022, the Society received preliminary forgiveness of both of its PPP loans. The Society must retain PPP documentation in its files for six years after the date the loan is forgiven or repaid in full and permit authorized representatives of SBA to access such files upon request. SBA may review any loan at any time at its discretion. Therefore, SBA may review the Society’s good-faith certification concerning the necessity of its loan request, whether the Society calculated the loan amount correctly, whether the Society used loan proceeds for the allowable uses specified in the CARES Act, and whether the Society is entitled to loan forgiveness in the amount claimed on its application. If SBA determines the Society was ineligible for the loan or for forgiveness in whole or in part, SBA will seek repayment of the outstanding loan balance.

**NOTE 5 – PROPERTY AND EQUIPMENT**

Property and equipment is comprised of the following:

|                                   | 2022       | 2021       |
|-----------------------------------|------------|------------|
| Warehouse                         | \$ 208,787 | \$ 208,787 |
| Computer equipment                | 212,377    | 212,377    |
| Furniture                         | 131,641    | 131,641    |
| Office equipment                  | 120,705    | 120,705    |
| Website development costs         | 48,709     | 48,709     |
| Leasehold improvements            | 38,448     | 38,448     |
| Finance leases right-of-use asset | 27,745     | -          |
| Vehicle                           | 24,945     | 24,945     |
| Software                          | 15,835     | 15,835     |
| Less accumulated depreciation     | (674,262)  | (654,594)  |
| Property and equipment, net       | \$ 154,930 | \$ 146,853 |

**NOTE 6 – ECONOMIC INJURY DISASTER LOAN**

During the year ended June 30, 2020, the Society applied for and received a \$150,000 Economic Injury Disaster Loan (EIDL). The loan carries an interest rate of 2.75% per annum and a 30-year maturity. Future minimum payments on the EIDL for the years ending June 30 are as follows:

|            |  |            |
|------------|--|------------|
|            |  | \$ 3,542   |
| 2023       |  | 3,640      |
| 2024       |  | 3,742      |
| 2025       |  | 3,846      |
| 2026       |  | 3,953      |
| 2027       |  | 127,283    |
| Thereafter |  | 127,283    |
|            |  | \$ 146,006 |

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**NOTE 7 – RETIREMENT PLAN**

The Society maintains a 403(b) retirement plan for all employees who have completed at least one year of service and have attained at least 18 years of age. The plan is currently funded and requires biweekly contributions equal to 5% of the participating employees' compensation. Retirement expense for the years ended June 30, 2022 and 2021 was \$34,893 and \$39,705, respectively.

**NOTE 8 – NET ASSETS WITH DONOR RESTRICTIONS**

Net assets with donor restrictions are comprised of the following:

|                                    | <u>2022</u>       | <u>2021</u>       |
|------------------------------------|-------------------|-------------------|
| Program funds:                     |                   |                   |
| APA - Curriculum                   | \$ 1,350          | \$ 1,350          |
| Brown Internship                   | 328               | 328               |
| Capitol Fellowship                 | 11,350            | 11,350            |
| Capitol Stories                    | 19,310            | 19,310            |
| Essay Contest                      | 7,381             | 7,381             |
| Masons Programs                    | 6,062             | 6,062             |
| Performing Arts Fellowship         | 5,000             | 5,000             |
| Pritchard                          | 36,641            | 36,641            |
| Resident Scholar                   | 2,124             | 2,124             |
| Schwengel Book                     | 10,000            | 10,000            |
| Symposium                          | 57,602            | -                 |
| Tree Brochure                      | 2,000             | 2,000             |
| UPS (Transport Slavery Exhibit)    | 445               | 445               |
| We the People                      | 26,157            | 61,395            |
| Women's Tour                       | 15,000            | 15,000            |
| Youth Forum                        | 4,000             | 4,000             |
| Subsequent years' operations       | 150,000           | -                 |
| Portrait Funds                     | <u>434,032</u>    | <u>326,981</u>    |
| Net assets with donor restrictions | <u>\$ 788,782</u> | <u>\$ 509,367</u> |

**NOTE 9 – LEASES**

The Society had a non-cancelable operating lease for office space that expired in March 2020 and changed to month-to-month at that time. Rent expense for the years ended June 30, 2022 and 2021 totaled \$263,902 and \$261,943, respectively.

The Society also has finance leases for a copier and postage machine. The leases have remaining terms of four to five years. As of June 30, 2022, assets recorded under finance leases were \$27,745 and accumulated depreciation associated with finance leases was \$4,451. There were no finance leases in effect during the year ended June 30, 2021.

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NOTE 9 – LEASES (continued)

The components of lease expense were as follows:

|                                     | 2022     | 2021 |
|-------------------------------------|----------|------|
| Amortization of right-of-use assets | \$ 4,451 | \$ - |
| Interest on lease liabilities       | 1,248    | -    |
| Total finance lease cost            | \$ 5,699 | \$ - |

Other information related to financing leases are as follows:

|  | 2022      | 2021 |
|--|-----------|------|
| Right-of-use assets obtained in exchange for financing lease obligations | \$ 27,745 | N/A  |
| Weighted average remaining lease term                                    | 4 years   | N/A  |
| Weighted average discount rate   | 6%        | N/A  |

The maturities of financing lease liabilities are as follows:

|   |           |
|---|-----------|
| 2023                                      | \$ 6,437  |
| 2024                                      | 6,437     |
| 2025                                      | 6,437     |
| 2026                                      | 6,437     |
| 2027                                      | 1,274     |
| Future minimum payments                   | 27,022    |
| Less imputed interest                     | (3,193)   |
| Present value of future lease liabilities | \$ 23,829 |

NOTE 10 – IN-KIND CONTRIBUTIONS

For the year ended June 30, 2022, in-kind contributions recognized within the statements of activities include \$143,397 of donated professional services. The in-kind contributions are included with professional fees as a fundraising activity in the statement of functional expenses. For the year ended June 30, 2021, the Society did not receive any in-kind contributions. Unless otherwise noted, in-kind contributions did not have donor-imposed restrictions.

Donated professional services recognized comprise professional services from a fundraising consultant to assist with fundraising strategies and donor cultivation. Donated professional services are valued and are reported at the estimated fair value in the financial statements based on current rates for similar services.

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NOTE 11 – COMMITMENT

The Society has an employment agreement with its President and CEO. Under the terms of the agreement, should the Society terminate her employment without cause, the Society would be obligated to pay severance.

NOTE 12 – LIQUIDITY AND AVAILABILITY

The following reflects the Society’s financial assets as of the date of the statements of financial position, reduced by amounts not available for general expenditures within one year of the date of the statements of financial position because of donor-imposed restrictions.

|  | <u>2022</u>         | <u>2021</u>         |
|--|---------------------|---------------------|
| Financial assets at end of year  |                     |                     |
| Cash   | \$ 1,475,866        | \$ 1,318,544        |
| Investments  | 1,750,588           | 2,031,436           |
| Accounts receivable, net   | 38,880              | 89,435              |
| Unconditional promises to give   | <u>150,000</u>      | <u>-</u>            |
| Total financial assets   | 3,415,334           | 3,439,415           |
| Less amounts unavailable for general expenditures within one year:                     |                     |                     |
| Restricted by donors with time or purpose restrictions                                 | <u>(713,782)</u>    | <u>(509,367)</u>    |
| Financial assets available to meet cash needs for general expenditures within one year | <u>\$ 2,701,552</u> | <u>\$ 2,930,048</u> |

As part of the Society’s liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. Typically, cash held in excess of immediate liquidity needs is invested in accordance with the investment policy. Management periodically reviews liquid assets and increases or decreases cash as appropriate.