



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>
ASSETS		
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>
Total assets	<u><u>\$ 4,034,736</u></u>	<u><u>\$ 4,056,583</u></u>
LIABILITIES		
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>
Total liabilities	358,372	762,466
NET ASSETS		
Without donor restrictions	2,887,582	2,784,750
With donor restrictions	<u>788,782</u>	<u>509,367</u>
Total net assets	<u><u>3,676,364</u></u>	<u><u>3,294,117</u></u>
Total liabilities and net assets	<u><u>\$ 4,034,736</u></u>	<u><u>\$ 4,056,583</u></u>

See accompanying notes.

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

	2022			2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE						
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
Total support and revenue	2,539,643	781,154	3,320,797	2,334,116	663,399	2,997,515
EXPENSES						
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
Total program services	2,312,827	-	2,312,827	2,121,489	-	2,121,489
Supporting Activities						
Management and General	401,634	-	401,634	303,672	-	303,672
Fundraising	224,089	-	224,089	101,918	-	101,918
Total expenses	2,938,550	-	2,938,550	2,527,079	-	2,527,079
NET ASSETS RELEASED FROM RESTRICTION						
Satisfaction of purpose restrictions	501,739	(501,739)	-	626,669	(626,669)	-
Change in net assets	102,832	279,415	382,247	433,706	36,730	470,436
Net assets at beginning of year	2,784,750	509,367	3,294,117	2,351,044	472,637	2,823,681
Net assets at end of year	<u>\$ 2,887,582</u>	<u>\$ 788,782</u>	<u>\$ 3,676,364</u>	<u>\$ 2,784,750</u>	<u>\$ 509,367</u>	<u>\$ 3,294,117</u>

See accompanying notes.

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

	Program Services			Supporting Activities		
	Educational Events and Publications	Retail Operations	Membership	Management and General	Fundraising	Total
<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

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 382,247	\$ 470,436
Adjustments to reconcile change in net assets 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
Net cash flows from operating activities	276,892	(86,406)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales of investments	-	771,539
Purchases of and interest and dividends retained in investments	(112,225)	(318,264)
Net cash flows from investing activities	(112,225)	453,275
CASH FLOWS FROM FINANCING ACTIVITIES		
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)	-
Net cash flows from financing activities	(7,345)	224,539
Change in cash	157,322	591,408
Cash at beginning of year	1,318,544	727,136
Cash at end of year	<u>\$ 1,475,866</u>	<u>\$ 1,318,544</u>
SUPPLEMENTAL DISCLOSURE		
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

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

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

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

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:

	<u>2022</u>	<u>2021</u>
Money market funds	\$ 408	\$ 411
Mutual funds	<u>1,750,180</u>	<u>2,031,025</u>
Investments	<u>\$ 1,750,588</u>	<u>\$ 2,031,436</u>

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

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:

	<u>2022</u>	<u>2021</u>
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	<u>(674,262)</u>	<u>(654,594)</u>
Property and equipment, net	<u>\$ 154,930</u>	<u>\$ 146,853</u>

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:

2023	\$ 3,542
2024	3,640
2025	3,742
2026	3,846
2027	3,953
Thereafter	<u>127,283</u>
	<u>\$ 146,006</u>

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

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.

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

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	<u>\$ 5,699</u>	<u>\$ -</u>

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	<u>1,274</u>
Future minimum payments	27,022
Less imputed interest	<u>(3,193)</u>
Present value of future lease liabilities	<u>\$ 23,829</u>

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.

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

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><u>\$ 2,701,552</u></u>	<u><u>\$ 2,930,048</u></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.