

Financial Statements

**HISTORICAL SOCIETY OF
CENTRAL FLORIDA, INC.**

September 30, 2018 and 2017

HISTORICAL SOCIETY OF CENTRAL FLORIDA, INC.

Financial Statements

September 30, 2018 and 2017

(With Independent Auditor's Report Thereon)

HISTORICAL SOCIETY OF CENTRAL FLORIDA, INC.

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Independent Auditor's Report

The Board of Directors
Historical Society of Central Florida, Inc.

We have audited the accompanying financial statements of Historical Society of Central Florida Inc., (the "Society") which comprise the statements of financial position as of September 30, 2018 and 2017, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including 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

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 Historical Society of Central Florida, Inc. as of September 30, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Scharke, Tschagg, Whitcomb, Mitchell & Shuidan, LLP

Maitland, Florida
January 17, 2019

HISTORICAL SOCIETY OF CENTRAL FLORIDA, INC.

Statements of Financial Position

September 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
<u>Assets</u>		
Cash and cash equivalents	\$ 385,454	129,612
Grants receivable (note 2)	407,341	105,281
Investments (note 3)	577,965	575,608
Inventory	4,140	12,106
Prepaid expenses	29,971	7,543
Total assets	<u>\$ 1,404,871</u>	<u>830,150</u>
<u>Liabilities and Net Assets</u>		
Liabilities:		
Accounts payable and other current liabilities	\$ 16,681	13,506
Deferred grants and sponsorships	103,870	-
Deferred membership revenue	8,084	7,354
Rental deposits	10,094	23,643
Education deposits	5,335	2,753
Total liabilities	<u>144,064</u>	<u>47,256</u>
Commitments (note 2)		
Net assets:		
Without donor restrictions	851,372	649,378
With donor restrictions	409,435	133,516
Total net assets	<u>1,260,807</u>	<u>782,894</u>
Total liabilities and net assets	<u>\$ 1,404,871</u>	<u>830,150</u>

See accompanying notes to financial statements.

HISTORICAL SOCIETY OF CENTRAL FLORIDA, INC.

Statement of Activities and Changes in Net Assets

Years ended September 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Changes in net assets without donor restrictions:		
Support and revenue:		
Support from Orange County (note 2)	\$ 2,224,136	1,952,084
Special events	182,292	133,022
Rental income, net of expenses of \$115,861 and \$109,985 in 2018 and 2017, respectively	19,258	25,143
Grants	139,048	181,680
In-kind contributions (note 1)	49,536	55,575
Contributions	38,654	27,059
Programs	116,286	128,241
Memberships	13,279	19,360
Admissions	61,078	52,229
Museum store sales	14,639	24,420
Investment income (loss) (note 3)	8,307	24,861
Other income (loss)	29,621	(21)
Total support and revenue	<u>2,896,134</u>	<u>2,623,653</u>
Program services:		
Exhibits	750,655	819,611
Education and volunteer	621,968	585,279
Research	375,089	366,412
Total program services	<u>1,747,712</u>	<u>1,771,302</u>
Supporting services:		
Management and general	782,708	745,035
Marketing	72,602	40,685
Fundraising	91,118	146,149
Total supporting services	<u>946,428</u>	<u>931,869</u>
Total expenses	<u>2,694,140</u>	<u>2,703,171</u>
Changes in net assets without donor restrictions	201,994	(79,518)
Changes in net assets with donor restrictions:		
Contributions	409,435	133,516
Net assets released from restrictions (note 4)	(133,516)	(61,506)
Changes in net assets with donor restrictions	<u>275,919</u>	<u>72,010</u>
Change in net assets	477,913	(7,508)
Net assets, beginning of year	<u>782,894</u>	<u>728,896</u>
Net assets, end of year	<u>\$ 1,260,807</u>	<u>721,388</u>

See accompanying notes to financial statements.

HISTORICAL SOCIETY OF CENTRAL FLORIDA, INC.

Statement of Functional Expenses

Year ended September 30, 2018

	Program Services				Supporting Services				Total Expenses
	Exhibits	Education and Volunteer	Research	Program Services	Management and General	Marketing	Fund Raising	Supporting Services	
Salaries and related expenses	374,241	258,094	201,711	834,046	370,453	42,246	-	412,699	1,246,745
Contract labor	6,489	21,397	3,230	31,116	6,259	404	702	7,365	38,481
Accounting and legal fees	-	-	-	-	9,000	-	-	9,000	9,000
Contract services	91,383	57,613	48,305	197,301	96,650	6,974	11,572	115,196	312,497
Professional fees	300	-	-	300	6,740	8,736	21,220	36,696	36,996
Insurance	13,491	8,594	14,436	36,521	16,244	1,005	1,281	18,530	55,051
Office expenses	3,352	4,760	1,743	9,855	4,163	211	371	4,745	14,600
Software and computer costs	12,324	7,439	6,831	26,594	14,015	800	1,200	16,015	42,609
Advertising and marketing costs	95,482	73,248	33,206	201,936	64,435	4,151	7,726	76,312	278,248
Travel and meetings	8,828	3,523	1,087	13,438	5,169	125	437	5,731	19,169
Employee relations	5,250	3,405	3,043	11,698	6,651	263	395	7,309	19,007
Facilities and equipment	115,525	69,184	61,497	246,206	170,558	7,687	11,531	189,776	435,982
Education programs	248	3,647	-	3,895	806	-	-	806	4,701
Special event costs	-	107,342	-	107,342	-	-	33,305	33,305	140,647
Bank charges	5,617	3,722	-	9,339	11,565	-	1,378	12,943	22,282
Cost of resale merchandise	18,125	-	-	18,125	-	-	-	-	18,125
Total expenses	\$ 750,655	621,968	375,089	1,747,712	782,708	72,602	91,118	946,428	2,694,140

See accompanying notes to financial statements.

HISTORICAL SOCIETY OF CENTRAL FLORIDA, INC.

Statement of Functional Expenses

Year ended September 30, 2017

	Program Services				Supporting Services				Total Expenses
	Exhibits	Education and Volunteer	Research	Total Program Services	Management and General	Marketing	Fund Raising	Total Supporting Services	
Salaries and related expenses	347,338	219,433	184,879	751,650	348,773	18,200	34,928	401,901	1,153,551
Contract labor	34,254	44,028	17,270	95,552	33,461	2,159	25,613	61,233	156,785
Scholarships	-	75	-	75	-	-	5,000	5,000	5,075
Accounting and legal fees	-	-	-	-	9,511	-	-	9,511	9,511
Exhibit design and development costs	105,649	-	-	105,649	-	-	-	-	105,649
Contract services	25,938	22,660	13,685	62,283	34,073	1,711	5,911	41,695	103,978
Professional fees	11,355	6,681	5,939	23,975	18,138	742	1,113	19,993	43,968
Insurance	24,227	13,979	17,673	55,879	25,402	1,603	2,179	29,184	85,063
Offices expenses	35,195	48,822	19,393	103,410	39,719	2,736	11,210	53,665	157,075
Software and computer costs	3,725	8,269	2,092	14,086	12,826	192	288	13,306	27,392
Advertising and marketing costs	44,013	66,515	23,473	134,001	45,795	3,083	4,843	53,721	187,722
Travel and meetings	15,499	4,429	3,725	23,653	4,810	539	176	5,525	29,178
Facilities and equipment	157,030	87,480	77,895	322,405	152,592	9,672	15,086	177,350	499,755
Special event costs	-	58,460	-	58,460	-	-	38,764	38,764	97,224
Bank charges	-	-	-	-	18,715	-	-	18,715	18,715
Miscellaneous expenses	728	4,448	388	5,564	1,220	48	1,038	2,306	7,870
Cost of resale merchandise	14,660	-	-	14,660	-	-	-	-	14,660
Total expenses	\$ 819,611	585,279	366,412	1,771,302	745,035	40,685	146,149	931,869	2,703,171

See accompanying notes to financial statements.

HISTORICAL SOCIETY OF CENTRAL FLORIDA, INC.

Statements of Cash Flows

Years ended September 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Cash flows from operating activities:		
Change in net assets	\$ 477,913	53,998
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Net unrealized and realized (gain) loss on investments	13,903	(3,670)
Changes in operating assets and liabilities:		
Grants receivable	(302,060)	(105,281)
Inventory	7,966	7,686
Prepaid expenses	(22,428)	664
Accounts payable and other current liabilities	3,175	5,358
Deferred grants and scholarships	103,870	-
Deferred membership revenue	730	(519)
Rental deposits	(13,549)	(6,128)
Education deposits	2,582	476
Net cash provided by (used in) operating activities	<u>272,102</u>	<u>(47,416)</u>
Cash flows from investing activities:		
Purchases of investments	(196,548)	(287,496)
Proceeds from sales of investments	180,288	401,831
Net cash provided by (used in) investing activities	<u>(16,260)</u>	<u>114,335</u>
Change in cash and cash equivalents	255,842	66,919
Cash and cash equivalents at beginning of year	<u>129,612</u>	<u>62,693</u>
Cash and cash equivalents at end of year	<u>\$ 385,454</u>	<u>129,612</u>

See accompanying notes to financial statements.

HISTORICAL SOCIETY OF CENTRAL FLORIDA, INC.

Notes to Financial Statements

September 30, 2018 and 2017

(1) **Summary of Significant Accounting Policies**

(a) **Nature of Operations**

The Historical Society of Central Florida, Inc. (the "Society") is a not-for-profit corporation organized for the purpose of collecting, arranging, restoring and preserving historical artifacts. In cooperation with the Board of Commissioners of Orange County, Florida, the Society has constructed, and operates, the Orange County Regional History Center (the "Center") in Orlando, Florida, as discussed further in Note 2.

(b) **Liquidity and Availability**

As of September 30, 2018, and 2017, the Society has \$961,325 and \$676,985, respectively, of financial assets available within one year of the balance sheet date to meet cash needs for general expenditure. Financial assets subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the balance sheet date were \$409,435 and \$133,516 as of September 30, 2018 and 2017, respectively. The Society has a goal to maintain financial assets, which consist of cash and investments, on hand to meet 180 days of normal operating expenses, which are, on average, approximately \$355,000. The Society has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, as part of its liquidity management, the Society invests cash in excess of daily requirements in various investments.

The following table reflects the Society's financial assets as of September 30, 2018 and 2017, reduced by amounts that are not available to meet general expenditures within one year of the statement of financial position date.

	<u>2018</u>	<u>2017</u>
Cash and cash equivalents	\$ 385,454	129,612
Investments	577,965	575,608
Accounts receivable	407,341	105,281
Total financial assets	1,370,760	810,501
Funds for TDT Project	<u>(409,435)</u>	<u>(133,516)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 961,325</u>	<u>676,985</u>

HISTORICAL SOCIETY OF CENTRAL FLORIDA, INC.

Notes to Financial Statements

September 30, 2018 and 2017

(1) Summary of Significant Accounting Policies - Continued

(c) Cash and Cash Equivalents

The Society considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

(d) Investments

Investments are reported at fair value in the statement of financial position. Gains and losses on investments are reported in the statement of activities as increases or decreases in unrestricted net assets unless their use is temporarily or permanently restricted by explicit donor restrictions or by law.

(e) Fair Value of Financial Instruments

The Society reports its financial instruments at fair value using a three-tier hierarchy, which prioritizes the inputs used in measuring fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

The three levels of the fair value hierarchy are described below:

- Level 1 – Valuation based on unadjusted quoted prices in active markets for identical assets or liabilities.
- Level 2 – Valuation based on observable quoted prices for similar assets and liabilities in active markets.
- Level 3 – Valuation based on inputs that are unobservable and are supported by little or no market activity, therefore requiring management’s best estimate of what market participants would use as value.

A financial instrument’s level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

HISTORICAL SOCIETY OF CENTRAL FLORIDA, INC.

Notes to Financial Statements

September 30, 2018 and 2017

(1) **Summary of Significant Accounting Policies - Continued**

(e) **Fair Value of Financial Instruments - Continued**

Fair value estimates discussed herein are based upon certain market assumptions and pertinent information available to management. The respective carrying values of certain financial instruments approximate their fair values due to the short-term nature of these instruments. These financial instruments include cash and cash equivalents, grants receivable, prepaid expenses, accounts payable and other current liabilities, and deferred revenue.

The Society's Level 1 financial assets consist of investments identified in Note 3. The Society has no Level 2 or Level 3 financial assets or liabilities.

(f) **Inventory**

Inventory is stated at average cost, subject to lower of cost or market. Inventory consists of various items sold in the Center's gift shop.

(g) **Property and Equipment, Net**

Property and equipment are stated at cost less accumulated depreciation. When assets are retired or otherwise disposed of, the asset's cost and related accumulated depreciation are removed from the accounts and any resulting gain or loss is recognized in the period of disposition. Maintenance and repairs are charged to expense as incurred; significant renewals and betterments are capitalized. Depreciation is provided for property and equipment using the straight-line method based on estimated useful lives ranging from 3 to 10 years.

(h) **Artifacts**

A substantial portion of the Society's artifacts are items which have been donated, but for which no value has been assigned. The Society has elected to exercise the option to not capitalize the items that meet the definition of "collections" as prescribed by accounting principles generally accepted in the United States of America. Therefore, the fair value of donated exhibits and artifacts is not reflected in the accompanying financial statements.

HISTORICAL SOCIETY OF CENTRAL FLORIDA, INC.

Notes to Financial Statements

September 30, 2018 and 2017

(1) Summary of Significant Accounting Policies - Continued

(i) Contributions

Contributions, including unconditional promises to give, are recognized as revenue in the period made or received. Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met. The Society may also receive indications of intent to support, which are commitments that are open-ended and subject to unilateral change by the donor. The amounts are not measurable since the commitments do not express a term or period. Thus, they are not considered to be unconditional promises to give and are not recognized prior to the receipt of the contribution. Pledges and grants receivable which are expected to be collected in more than one year are stated at the present value of estimated future receipts. The majority of contributions are received through grants from the State of Florida and various foundations and individuals. Management periodically evaluates the collectability of grants receivable and establishes an allowance for uncollectible receivables when it estimates that amounts recorded are not likely to be received.

Gifts of cash and other assets are reported as restricted support if they are received with donor restrictions that limit the use of the donated assets. When a donor 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 are reported in the statement of activities as net assets released from restrictions. Contributions whose restrictions are met in the same reporting period are recorded as net assets without donor restrictions.

(j) Revenue Recognition

Special events revenue and rental income are recognized as revenue when the event or activity takes place and the income is earned.

Membership fees are recognized as revenue over the applicable membership period. Funds relating to the unexpired portion of the membership period are recorded as deferred membership revenue as of the Society's fiscal year end.

Admissions revenue represents museum entrance fees that are recognized as admission fees are paid. Museum store sales represent gift shop sales and are recognized as goods are sold.

HISTORICAL SOCIETY OF CENTRAL FLORIDA, INC.

Notes to Financial Statements

September 30, 2018 and 2017

(1) **Summary of Significant Accounting Policies - Continued**

(j) **Revenue Recognition - Continued**

Program revenue represents the fees paid by schools for their students' educational programs held at the Museum. Program revenue is recognized at the time the program takes place, and program fees paid in advance are recorded as deferred program revenue.

(k) **In-Kind Contributions**

Contributions of assets, securities, goods, materials, supplies and facilities are recorded at their estimated fair value at the date of gift. Contributed services are recognized and recorded at their fair market value only to the extent they create and enhance non-financial assets or require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not donated. In-kind contributions are recorded as revenue in the accompanying statements of activities and changes in net assets and as expenses in the accompanying statements of functional expenses or as assets in the accompanying statements of financial position are summarized as follows:

<u>Year ended September 30,</u>	<u>2018</u>	<u>2017</u>
Maintenance services	<u>\$ 49,536</u>	<u>53,956</u>

A substantial number of unpaid volunteers have donated significant amounts of their time to the Society's annual programs and exhibits, fundraising campaigns, and administrative services. However, due primarily to the nature of the services provided, they have not been reflected in the accompanying financial statements.

The in-kind contribution support from Orange County is reflected in Note 2 in the amounts of \$1,934,471 and \$1,856,232 for the years ended September 30, 2018 and 2017, respectively.

HISTORICAL SOCIETY OF CENTRAL FLORIDA, INC.

Notes to Financial Statements

September 30, 2018 and 2017

(1) Summary of Significant Accounting Policies - Continued

(l) Income Taxes

The Society is exempt from Federal income tax under provisions of Section 501(c)(3) of the Internal Revenue Code. The Society is not aware of any activities that would jeopardize its tax-exempt status or that are subject to tax on unrelated business income, excise or other taxes. In addition, the Society has been determined by the Internal Revenue Service not to be a private foundation within the meaning of Section 509(a) of the Code. Consequently, no provision for income taxes has been included in the accompanying financial statements.

In accordance with “Income Taxes” FASB Accounting Standards Codification Topic 740 (Topic 740), all entities are required to evaluate and disclose income tax risks. Topic 740 clarifies the accounting for uncertainty in tax positions and prescribes guidance related to the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. The tax benefit from an uncertain tax position is only recognized in the statement of financial position if the tax position is more likely than not to be sustained upon an examination, based on the technical merits of the position. Interest and penalties, if any, are included in expenses in the statement of activities. As of September 30, 2018, and 2017, the Society had no uncertain tax positions that qualify for recognition or disclosure in the financial statements.

The Society’s income tax returns are subject to review and examination by federal authorities. Since the Society’s income tax filings are subject to audit by federal taxing authorities, generally three years after they are filed, the Society is no longer subject to examinations by federal taxing authorities for the years ended before September 30, 2015. In addition, there are currently no pending income tax examinations by federal taxing authorities.

(m) Functional Allocation of Expenses

Salaries and related payroll expenses are allocated among functional categories based on the estimated proportion of time spent for each function. All other expenses are distributed based on management’s estimate of the relative functional activity.

HISTORICAL SOCIETY OF CENTRAL FLORIDA, INC.

Notes to Financial Statements

September 30, 2018 and 2017

(1) Summary of Significant Accounting Policies - Continued

(n) Advertising and Marketing Costs

Advertising and marketing costs are expensed as incurred during the year. Advertising and marketing expense for the years ended September 30, 2018 and 2017 were as follows:

	<u>2018</u>	<u>2017</u>
Orange County support allocation (in-kind)	\$ 207,539	146,708
Collateral design	-	35,254
Other advertising costs	<u>70,709</u>	<u>5,760</u>
	<u>\$ 278,248</u>	<u>187,722</u>

(o) 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 the reported amounts of 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.

(p) Subsequent Events

The Society has evaluated subsequent events through January 17, 2019, which is the date the financial statements were available to be issued. There were no events that are required to be recognized or disclosed in the accompanying financial statements.

HISTORICAL SOCIETY OF CENTRAL FLORIDA, INC.

Notes to Financial Statements

September 30, 2018 and 2017

(2) Agreement with Orange County

During 1998, the Society entered into a ten-year operating agreement with Orange County, Florida that formally defined the working relationship between the two parties. Under this agreement, both parties agreed to jointly participate in the cost of the conversion of the 1927 Orange County Courthouse building into the Orange County Regional History Center (the "Center"). Funding for the courthouse project was provided by the State of Florida, Orange County, the City of Orlando (including Downtown Community Redevelopment Agency) and a \$4 million capital campaign conducted by the Society.

During 2010, the agreement with Orange County was restated and renewed for another ten-year period. As part of the renewal process, it was formally agreed that the Society shall use its discretion and undertake an endowment fund campaign to raise funds for a specific endowment to support the operations of the Center and the Society.

During 2016, the Society entered into an agreement with Orange County, Florida in order to provide additional reimbursement for operating and maintenance expenses in order to enable the Society to fund the design and modification of permanent exhibits within the Center. The source of funds for this agreement is the Orange County Tourist Development Tax and amounted to approximately \$566,000 and \$229,000 for the years ended September 30, 2018 and 2017, respectively. Orange County has renewed this agreement for the third year on October 4, 2017. This agreement expired September 30, 2018.

Due to the timing of contract award for the 4th floor audio/visual work late in the 4th quarter of 2018, \$374,556 of the \$566,000 is shown at year end 2018 as a grant receivable due from Orange County Government per the TDT 3rd year rollover agreement (which was paid in October, 2018). The payment to the vendor in the amount of \$374,556 is a contractual commitment and will be processed during 2018/2019 as work is completed per the contract. The completion of this activity in 2019 will bring the Society's total assets from \$1.4 million back down to the range of normal operations minus the work on the TDT renovations.

The Center is used to provide the citizens and visitors of Orange County a historical museum to house exhibits, artifacts, and educational tools and programs about the history of Central Florida and an outdoor plaza to contribute to the aesthetics and quality of life in Orange County and downtown Orlando, Florida.

HISTORICAL SOCIETY OF CENTRAL FLORIDA, INC.

Notes to Financial Statements

September 30, 2018 and 2017

(2) Agreement with Orange County - Continued

The Center, which remains the property of Orange County, is jointly operated by the Society and Orange County. The Society provides artifacts to furnish the Center including the archives' collection and items in storage. These assets remain the property of the Society. Orange County provides the exhibits and these assets remain the property of Orange County. Orange County pays for all the maintenance and upkeep costs on the building, other costs related to the building and for certain other items to third parties. In addition, various employees of Orange County provide substantial services to the Society, including serving in the capacity of Executive Director. Total support received from Orange County is included in the accompanying statements of activities as "Support from Orange County" and in the accompanying statements of functional expenses and is summarized as follows:

<u>September 30,</u>	<u>2018</u>	<u>2017</u>
Orange County support (in-kind)		
Salaries and related costs	\$ 897,079	843,973
Contract labor	20,190	107,940
Contract services	301,906	85,530
Professional services	-	37,116
Insurance	42,707	72,635
Office expenses	10,562	116,420
Software and computer costs	39,995	9,597
Advertising and marketing costs	207,539	146,708
Travel and meetings	6,242	5,878
Employee relations	13,161	-
Utilities, facilities and equipment	384,355	428,010
Other costs	13,110	2,425
Total Orange County support (in-kind)	<u>\$ 1,936,846</u>	<u>1,856,232</u>

HISTORICAL SOCIETY OF CENTRAL FLORIDA, INC.

Notes to Financial Statements

September 30, 2018 and 2017

(2) Agreement with Orange County - Continued

Cash contributions from Orange County were spent as follows for the reimbursement of operating and maintenance expenses in order to fund the design and modifications of permanent exhibits within the Museum:

	<u>2018</u>	<u>2017</u>
Exhibit design and development	\$ -	105,650
Advertising and marketing costs	33,220	-
Travel	4,823	9,213
Salaries and administrative costs	-	110,568
Other costs	2,452	-
Total cash contributions from Orange County	<u>\$ 40,495</u>	<u>229,368</u>
Total Orange County support (in-kind) and cash contributions from Orange County	<u>\$ 1,977,341</u>	<u>2,085,600</u>

Any significant change in the relationship between the Society and Orange County could have a significant effect upon the operations and financial results of the Society.

(3) Investments

The fair value of investments consists of the following:

<u>September 30,</u>	<u>2018</u>	<u>2017</u>
Cash and cash equivalents	\$ 13,970	17,330
Level 1 investments:		
Fixed income securities – corporate bonds and bond mutual funds	387,548	403,946
Equity securities – mutual funds and common stock	140,676	135,250
Other – alternative investments	35,771	19,082
	<u>\$ 577,965</u>	<u>575,608</u>

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Notes to Financial Statements

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(3) Investments - Continued

Net investment income without donor restrictions consists of the following:

<u>September 30,</u>	<u>2018</u>	<u>2017</u>
Net realized and unrealized gain (loss)	\$ (13,903)	3,670
Dividends and interest, net of fees	22,210	21,191
	<u>\$ 8,307</u>	<u>24,861</u>

(4) Net Assets

Net assets with donor restrictions consist of the following:

<u>September 30,</u>	<u>2018</u>	<u>2017</u>
TDT funds - time restriction	<u>\$ 409,435</u>	<u>133,516</u>

Net assets with donor restrictions were released from restrictions as follows:

<u>September 30,</u>	<u>2018</u>	<u>2017</u>
TDT funds - time restriction	\$ 133,516	-
Donor restricted endowment funds	-	61,506
	<u>\$ 133,516</u>	<u>61,506</u>

(5) Concentration of Credit Risk

Cash and cash equivalents are maintained at financial institutions and, at times, balances may exceed federally insured limits. The Society has never experienced any losses related to these balances. At September 30, 2018 and 2017, insurance coverage amounted to \$250,000 per depositor at each financial institution.

Investments consist primarily of fixed income and equity securities (note 3). Although the market value of investments is subject to fluctuations on a day-to-day basis, management believes the current investment strategy is prudent for the long-term welfare of the Society.

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(6) **Accounting Standards Update**

The Financial Accounting Standards Board, or FASB, issued Accounting Standards Update (ASU) 2016-14 – Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities effective for fiscal years beginning after December 15, 2017. The Society adopted the ASU early for the years presented in these financial statements. The areas affected were the net asset classes and the presentation of a liquidity footnote.

(7) **Line of Credit**

During the fiscal year ended September 30, 2018, the Society entered into a line of credit in which the Organization may borrow up to \$629,000, collateralized by investments and grants receivable, at a rate of 5% per annum. The agreement expires July 2019. The balance at September 30, 2018 is \$0.