

HISTORIC MORVEN, INC.

Financial Statements

For the year ended June 30, 2023

(With Independent Auditors' Report Thereon)

HISTORIC MORVEN, INC.
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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Historic Morven, Inc.

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Historic Morven, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2023, 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 financial statements present fairly, in all material respects, the financial position of Historic Morven, Inc. as of June 30, 2023, 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 Historic Morven, Inc. 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.

Emphasis of Matter

Prior Period Adjustment

As discussed in Note 16 to the financial statements, during the year ended June 30, 2022, Historic Morven, Inc. recorded costs related to a fencing project as expenses in the statement of activities. The project costs should have been capitalized and depreciated over the asset's useful life on the statement of activities. During the year ended June 30, 2023, Historic Morven, Inc. corrected this error, by restating property and equipment and net assets without donor restrictions for the year ended June 30, 2022. Our opinion is not modified in respect to this matter.

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 Historic Morven, Inc.'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 generally accepted auditing standards and *Government Auditing Standards* 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 generally accepted auditing standards and *Government Auditing Standards*, 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 Historic Morven, Inc.'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 Historic Morven, Inc.'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.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedules of expenditures of federal awards and state financial assistance are

presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedules of expenditures of federal awards and state financial assistance are fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2023, on our consideration of Historic Morven, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Historic Morven, Inc.'s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Historic Morven, Inc.'s internal control over financial reporting and compliance.

HOLMAN FRENIA ALLISON, PC.
Certified Public Accountants

November 30, 2023
Lakewood, New Jersey



**INDEPENDENT AUDITOR’S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the Board of Trustees of
Historic Morven, Inc.

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Historic Morven, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2023, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated November 30, 2023.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Historic Morven, Inc.’s internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Historic Morven, Inc.’s internal control. Accordingly, we do not express an opinion on the effectiveness of Historic Morven, Inc.’s internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements, on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Historic Morven, Inc.’s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

HOLMAN FRENIA ALLISON, PC.
Certified Public Accountants

November 30, 2023
Lakewood, New Jersey

HISTORIC MORVEN, INC.
Statement of Financial Position
June 30, 2023

ASSETS

Cash and cash equivalents	\$	1,062,055
Accounts receivable		22,542
Prepaid assets		5,764
Inventory		50,785
Investments		1,332,918
Investments - Endowment Fund		12,270,306
Property and equipment, net		10,427,447
Total assets	\$	<u><u>25,171,817</u></u>

LIABILITIES AND NET ASSETS

Current liabilities:		
Accounts payable	\$	11,077
Accrued expenses		21,206
Deferred revenue		65,672
Security deposit		10,512
Total liabilities		<u><u>108,467</u></u>
Net assets:		
Without donor restrictions:		
Board designated		1,753,396
Unrestricted		10,876,442
With donor restrictions		12,433,512
Total net assets		<u><u>25,063,350</u></u>
Total liabilities and net assets	\$	<u><u>25,171,817</u></u>

The accompanying notes to the financial statements are an integral part of this statement.

HISTORIC MORVEN, INC.
Statement of Activities
For the year ended June 30, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and other support:			
Admissions	\$ 54,423	\$ -	\$ 54,423
Musuem Shop sales	53,770	-	53,770
Federal and State grants - nonexchange	247,294	-	247,294
Grants and contributions	322,900	71,086	393,986
Program revenues	195,961	-	195,961
Special event revenue, net	226,295	-	226,295
Net assets released from restrictions	93,854	(93,854)	-
	<u>1,194,497</u>	<u>(22,768)</u>	<u>1,171,729</u>
Total revenue and other support			
Expenses:			
Program services	1,629,415	-	1,629,415
Management and general services	162,904	-	162,904
Fundraising	142,062	-	142,062
	<u>1,934,381</u>	<u>-</u>	<u>1,934,381</u>
Total expenses			
Change in net assets from operations	(739,884)	(22,768)	(762,652)
Non-operating activities:			
Employee retention credit	233,160	-	233,160
Investment return, net of related expenses	79,546	775,537	855,083
Rental income - rental property	77,000	-	77,000
Rental expense - rental property	(40,795)	-	(40,795)
	<u>348,911</u>	<u>775,537</u>	<u>1,124,448</u>
Total other income			
Change in net assets	(390,973)	752,769	361,796
Net assets, January 1	12,970,961	11,680,743	24,651,704
Prior period adjustment	49,850	-	49,850
	<u>13,020,811</u>	<u>11,680,743</u>	<u>24,701,554</u>
Net assets, January 1 (restated)			
Net assets, December 31	<u>\$ 12,629,838</u>	<u>\$ 12,433,512</u>	<u>\$ 25,063,350</u>

The accompanying notes to the financial statements are an integral part of this statement.

HISTORIC MORVEN, INC.
Statement of Functional Expenses
For the year ended June 30, 2023

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries and related expenses	\$ 729,052	\$ 106,871	\$ 126,510	\$ 962,433
Depreciation	528,464	-	-	528,464
Building and grounds	194,931	-	-	194,931
Operating expenses	72,204	23,327	15,552	111,083
Programs and collections	104,764	-	-	104,764
Museum shop - cost of goods sold	-	17,626	-	17,626
Consultants	-	15,080	-	15,080
	<u>\$ 1,629,415</u>	<u>\$ 162,904</u>	<u>\$ 142,062</u>	<u>\$ 1,934,381</u>

The accompanying notes to the financial statements are an integral part of this statement.

HISTORIC MORVEN, INC.
Statement of Cash Flows
For the year ended June 30, 2023

Cash flows from operating activities:

Reconciliation of changes in net assets to cash flows from operating activities:

Change in net assets	\$	361,796
Items which did not use cash:		
Depreciation		528,464
Realized and unrealized gain on investments		(698,110)
Working capital changes which (used)/provided cash:		
Grant and other receivables		156,339
Prepaid assets		6,407
Inventory		563
Accounts payable		(14,001)
Accrued expenses		(215,754)
Unearned revenue		23,891
Security deposits		12
		149,607
Net cash flows from operating activities		149,607

Cash flows from investing activities:

Proceeds from sale of investments		54,437
Purchase of property and equipment		(74,404)
Purchase of investments		(212,237)
		(232,204)

Net change in cash and cash equivalents		(82,597)
Cash and cash equivalents, beginning of year		1,144,652
Cash and cash equivalents, end of year	\$	1,062,055

The accompanying notes to the financial statements are an integral part of this statement.

HISTORIC MORVEN, INC.
Notes to Financial Statements

NOTE 1: ORGANIZATION AND PURPOSE

Historic Morven, Inc. (the “Organization”) is a private, nonprofit organization located in Princeton, New Jersey. The Organization was established in 1987 and is dedicated to operating a museum of New Jersey decorative arts and cultural history at Morven. Morven is a five-acre historic site owned by the State of New Jersey which the Organization leases from the State. The Organization’s support comes primarily from public donors’ contributions, special events, and an annual state government grant.

The Organization has restored buildings at Morven in order to preserve the historical site. In addition, the Organization developed a 7,880 square foot state-of-the art building, the Stockton Education Center, which opened in July 2019. This allowed the Organization to expand its range of programming, tours, and events provided to the general public. As an accompaniment to the restoration of the actual buildings at Morven, the Organization procures various collections of period furniture and fixtures for the purposes of displaying to and educating the general public. The Organization maintains various exhibits for the general public.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions - Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

Net Assets With Donor Restrictions - Net assets subject to donor imposed (or certain grantor imposed) restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates those resources be maintained in perpetuity. Contributions restricted by donors are reported as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, 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.

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 certain 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. Accordingly, actual results could differ from those estimates.

HISTORIC MORVEN, INC.
Notes to Financial Statements (continued)

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and Cash Equivalents

For purposes of the statements of cash flows, cash and cash equivalents includes all cash balances and highly liquid investments with a maturity of three months or less. The Organization places its temporary cash investments with high credit quality financial institutions.

Accounts Receivable

Accounts receivable is stated at the amount the Organization expects to collect. Management establishes an allowance for doubtful accounts based on historical experience and subsequent receipts. As of June 30, 2023, an allowance for doubtful accounts was not deemed necessary as management has deemed all outstanding receivables collectible.

Prepaid Assets

Prepaid assets are amounts paid in the current year which benefit future periods.

Inventory

The Organization maintains an inventory of books, clothing, and other gift items sold in its museum shop. The inventory is stated the lower of cost or market, as determined by the first-in, first out (FIFO) method.

Investments

Investments are reported in the statement of financial position based on their fair values. Realized and unrealized gains and losses are classified in the statement of activities as without donor restrictions or with donor restrictions depending on the nature of any restrictions. Interest and dividends are classified in the statement of activities as without donor restrictions. See note 4: *Investments* for additional information.

Property and Equipment

Property and equipment consist of land, building, and building improvements, leasehold improvements, and furniture and equipment. Property and equipment additions over \$5,000 are recorded at cost. Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the assets which range from 7 to 25 years, or in the case of leasehold improvements, the lesser of the useful life of the lease term. Costs of maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed.

Revenue Recognition

Special Events

The Organization conducts special events in which a portion of the gross proceeds paid by the participant represents payment for the direct cost of the benefits received by the participant at the event- the exchange component, and a portion represents a contribution to the Organization. Unless a verifiable objective means exists to demonstrate otherwise, the fair value of meals and entertainment provided at special events is measured at the actual cost to the Organization. The contribution

HISTORIC MORVEN, INC.
Notes to Financial Statements (continued)

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue Recognition (continued)

Special Events (continued)

component is the excess of the gross proceeds over the fair value of the direct donor benefit. The direct costs of the special events, which ultimately benefit the donor rather than the Organization, are recorded as costs of direct donor benefits in the statement of activities and changes in net assets or the notes to financial statements. The performance obligation is delivery of the event, which is usually accompanied by a presentation. The event fee is set by the Organization. Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2014-09 requires allocation of the transaction price to the performance obligation(s). Accordingly, the Organization separately presents in its statement of activities and changes in net assets or notes to financial statements the exchange and contribution components of the gross proceeds from special events. Special event fees collected by the Organization in advance of its delivery are initially recognized as liabilities (unearned revenue) and recognized as special event revenue after delivery of the event. For special event fees received before year-end for an event to occur after year-end, the Organization follows AICPA guidance where the inherent contribution is conditioned on the event taking place and is therefore treated as a refundable advance along with the exchange component.

Contributions

Contributions are classified based on the existence or absence of donor-imposed restrictions as either conditional or unconditional as follows:

Conditional – Includes all contributions with donor-imposed conditions or stipulations representing a barrier that must be overcome before the recipient is entitled to the assets being transferred or promised. A failure to overcome the barrier gives the contributor a right of return of the assets it has transferred or the ability to rescind an obligation to transfer.

Unconditional – Includes all contributions that do not contain a barrier to use and therefore are recorded as revenue once cash, securities, or other assets; an unconditional promise to give; or a notification of a beneficial interest is received.

Contribution revenue is recorded when the unconditional promise to give is received. Under this method, the recognition of support for financial statement purposes bears no relation to the period in which the expenses are incurred. Revenue related to conditional contributions is recognized once the relevant barriers are met. If funds are received from the donor before the relevant barriers are met, deferred revenue is recorded on the consolidated statements of financial position for the amount of funds provided by the donor.

Unconditional promises to give due in subsequent years are reflected as long-term promises to give and are recorded at the present value of their net realizable value, using risk-free interest rates applicable to the years in which the promises are received to discount the amounts. Conditional promises to give – that is, those with a measurable performance or other barrier and a right of return – are not recognized until the conditions on which they depend are substantially met and the promises become unconditional.

HISTORIC MORVEN, INC.
Notes to Financial Statements (continued)

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue Recognition (continued)

Contributions (continued)

Conditional promises to give – that is, those with a measurable performance or other barrier and a right of return – are not recognized until the conditions on which they depend are substantially met and the promises become unconditional.

Exchange Transactions

The Organization recognizes earned revenues in accordance with Accounting Standards Codification (ASC) 606, *Revenue from Contracts with Customers*, which provides a five-step model for recognizing revenue from contracts with customers as follows:

- Identify the contract with the customer
- Identify the performance obligations in the contract
- Determine the transaction price
- Allocate the transaction price to the performance obligations in the contract
- Recognize revenue when or as performance obligations are satisfied

Admissions, museum shop sales– Revenue from these sales are recognized upon sale or date of service, as applicable.

Rental income – Rental income is recognized on a straight-line basis over the terms of the respective leases. The Organization’s rental income is scoped out of ASC 606, *Revenue from Contracts with Customers* and follows relevant guidance under ASC 842, *Leases* for the year ended June 30, 2023. The Organization’s other revenue streams, which are being evaluated under this standard, include non-recurring rental and non-rental related income. The Organization recognizes revenue for these other revenue streams when earned.

Contributed Non-financial Assets

Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. Such services are valued at the rate necessary to replace these services. Services that do not meet the above criteria are not recognized. A substantial number of unpaid volunteers have donated significant amounts of time to assist in the Organization’s programs. However, no amounts have been included in the financial statements for donated member or volunteer services as it is not susceptible to objective measurement or valuation.

All other operating revenue is recognized as services are rendered. Amounts collected in advance of services being provided or events are recorded as unearned revenue.

Unearned Revenue

Amount received in advance for programs and events, or rent are recorded as deferred revenue until the program and event is held or the rent is earned.

HISTORIC MORVEN, INC.
Notes to Financial Statements (continued)

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Functional Expenses

The costs of program and supporting services have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification detail of expenses by function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied.

Accordingly, salaries and related expenses and operating expenses are allocated among program services, management and general, and fundraising categories based on the time effort towards those activities and their related costs. Directly identifiable expenses are charged to program, management and general, and fundraising based upon invoices received. Management and general expenses include those expenses that are not directly identifiable with any other specific function and provide for the overall support and direction of the Organization.

Income Taxes

The Organization is a not-for-profit organization that is exempt from income taxes under Section 501(a) as described under Section 501(c)(3) of the Internal Revenue Code and comparable state law as a charitable organization, whereby only unrelated business income, as defined by Section 512 of the Code is subject to federal income tax. The Organization currently has no unrelated business income. Accordingly, no provision for income taxes has been recorded.

The Organization is required to file Form 990, *Return of Organization Exempt from Income Tax*, with the Internal Revenue Service and the *New Jersey Charities Registration & Investigation Form (CRI)*. The Organization follows the income tax standards for uncertain tax positions. This standard had no impact on the Organization's financial statements. The Organization's income tax returns are subject to review and examination by federal and state authorities. The Organization is not aware of any activities that would jeopardize its tax-exempt status or any activities that are subject to tax on unrelated business income taxes.

Collections

The Organization's collection consists of fine, folk, and decorative arts pertaining to the history of the house called Morven and the cultural heritage of New Jersey that are held for public exhibition, education, or research in furtherance of public service rather than financial gain. Collection items are not capitalized. Collection items purchased are expensed. Contributions of collection items, if any, are not recognized in the statement of activities. It is the policy of the Organization that proceeds from the sale of any collection items are to be used to purchase additional collection items or for the direct care of existing collections. The Organization defines direct care of collections as any activity that involves the protection and preservation of the collection. The collection is protected, kept unencumbered, cared for, and preserved.

Advertising Costs

Advertising costs are expensed in the period incurred unless there are material costs that benefit future periods. The financial statements currently do not reflect any prepaid advertising expenses. Advertising expenses totaled \$2,767 for the year ended June 30, 2023.

HISTORIC MORVEN, INC.
Notes to Financial Statements (continued)

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impact of Recently Issued Accounting Pronouncements

Recently Issued Pronouncements Adopted in the Current Year

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standard Update (ASU) 2016-02, *Leases*. The new ASU will require lessees to recognize for all leases (with terms of more than 12 months) at the commencement date the following a) a lease liability, which is a lessee's obligation to make lease payments arising from a lease, measured on a discounted basis, and b) a right-of-use asset, which is an asset that represents the lessee's right to use, or control the use of, a specified asset for the lease term. The new lease guidance also simplified the accounting for sale and lease back transactions primarily because lessees must recognize lease assets and lease liabilities. Lessees will no longer be provided with a source of off-balance sheet financing. This standard is effective for nonpublic businesses for fiscal years beginning after December 15, 2021. Adoption of this standard did not result in the recognition of right-to-use assets and lease liabilities as of June 30, 2023, as the Organization does not have material leases.

Subsequent Events

The Organization has evaluated subsequent events occurring after June 30, 2023 through the date of November 30, 2023, which is the date the financial statements were available to be issued.

NOTE 3: CASH AND CASH EQUIVALENTS

Cash and cash equivalents held by the Organization and reported at fair value consisted of the following as of June 30, 2023:

<u>Type</u>	<u>Carrying Value</u>
Deposits:	
Demand deposits	\$ 1,061,605
Petty cash	450
Total deposits	<u>\$ 1,602,055</u>
Reconciliation to the Statement of Financial Position:	
Current assets:	
Cash and cash equivalents	\$ 1,602,055
Total cash and cash equivalents	<u>\$ 1,602,055</u>

Custodial Credit Risk

Deposits in financial institutions, reported as components of cash and cash equivalents had a bank balance of \$1,094,122 as of June 30, 2023, of which \$430,468 was fully insured by depository insurance and \$663,654 was uninsured.

Concentration of Credit Risk

Financial instruments that potentially subject the Organization to concentrations of credit risk consist principally of cash. At June 30, 2023, all of the Organization's cash and cash equivalents were held by First Bank and PNC Ban.

HISTORIC MORVEN, INC.
Notes to Financial Statements (continued)

NOTE 4: INVESTMENTS

The Organization categorizes its assets and liabilities measured at fair value into a three-level hierarchy based on the priority of the inputs to the valuation technique used to determine fair value. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level I) and the lowest priority to unobservable inputs (Level III). If the inputs used in the determination of the fair value measurement fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement. Assets and liabilities valued at fair value are categorized based on the inputs to the valuation techniques as follows:

Level I – Inputs that utilize quoted prices (unadjusted) in active markets for identical assets or liabilities that the Organization has the ability to access. Fair values for these instruments are estimated using pricing models or quoted prices of securities with similar characteristics.

Level II – Inputs that include quoted market prices for similar assets and liabilities in active markets and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.

Level III – Inputs that are unobservable inputs for the asset or liability, which are typically based on an entity’s assumptions, as there is little, if any, related market activity. Fair values for these instruments are estimated using appraised values.

Subsequent to initial recognition, the Organization may re-measure the carrying value of assets and liabilities measured on a nonrecurring basis to fair value. Adjustments to fair value usually result when certain assets are impaired. Such assets are written down from their carrying amounts to their fair value.

The Organization has two investment funds held with Princeton Area Community Foundation, Inc. (“PACF”). The investments are valued at net assets value (“NAV”) per share, such as member units, as a practical expedient to estimate fair values of funds which do not have readily determinable fair values. Investments that are measured using NAV per share as a practical expedient are not classified in the fair value hierarchy. The NAV for the two funds are as follows:

Investments:	
PACF 1 – Investments	\$ 1,332,918
PACF 2 – Investments, Endowment Fund	<u>12,270,306</u>
Total investments	<u>\$ 13,603,224</u>

The investment return for PACF 1 and PACF 2 for the year ended June 30, 2023 is as follows:

	Without Donor Restrictions (PACF 1)	With Donor Restrictions (PACF 2)	Total
Interest and dividends, net of fees	\$ 13,242	\$ 145,973	\$ 159,215
Realized gain (loss)	(6,307)	(57,853)	(64,160)
Unrealized gain (loss)	72,611	687,417	760,028
	<u>\$ 79,546</u>	<u>\$ 775,537</u>	<u>\$ 855,083</u>

HISTORIC MORVEN, INC.
Notes to Financial Statements (continued)

NOTE 5: PROPERTY AND EQUIPMENT

Property and equipment consisted of the following as of June 30, 2023:

Land – rental property	\$ 882,908
Building – rental property	1,373,631
Building and building improvements – Stockton Education Center	8,967,236
Leasehold improvements	3,483,020
Furniture and equipment	38,719
Subtotal	<u>14,745,514</u>
Less: accumulated depreciation	<u>(4,273,067)</u>
Total property and equipment, net	<u>\$ 10,427,447</u>

Depreciation expense for the year ended June 30, 2023 totaled \$528,464.

NOTE 6: ENDOWMENT FUNDS

The Organization’s endowment funds consist of several funds established for a variety of purposes, as restricted by the donor. As required by GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The Board of Trustees of the Organization has interpreted the Uniform Prudent Management of Institutional Funds Act (“UPMIFA”) of New Jersey as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization retains in perpetuity and classifies as Net Assets with Donor Restrictions (a) the original value of gifts donated to the perpetual endowment, (b) the original value of any subsequent gifts to the perpetual endowment, and (c) accumulations to the perpetual endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not retained in perpetuity is subject to appropriation for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA.

In accordance with UPMIFA, the Organization considers the following factors in deciding to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the fund; (2) the purposes of the donor-restricted endowment funds; (3) general economic conditions; (4) the possible effect of inflation and deflation; (5) the expected total return from income and the appreciation of investments; (6) other resources of the Organization; and (7) the Organization’s investment policies.

Return Objective and Risk Parameters

Under the Organization’s policy, the primary objective of the endowment fund is to realize at least a 4-6% total return that is sufficient to meet the Organization’s annual 4% spending rate and cover administrative costs, while protecting against inflation and providing for long-term appreciation.

HISTORIC MORVEN, INC.
Notes to Financial Statements (continued)

NOTE 6: ENDOWMENT FUNDS (continued)

Strategies Employed for Achieving Objective

The endowment fund was created specifically to manage the Organization’s investment portfolio over relatively long periods of time and to provide maximum returns that are better than the relevant benchmarks of market averages and consistent with agreed-upon levels of risk. Independent investment managers are retained to pursue particular investment strategies in line with financial markets and in light of current and projected investment environments. The portfolio is diversified and rebalanced regularly, helping to mitigate market volatility.

Spending Policy and How the Investment Objectives Relate to the Spending Policy

Each fiscal year aggregate distributions of up to 4% of the average fund value of the previous 12 quarters can be made. The timing and amount of any distributions will be at the discretion of the Treasurer and Executive Director. This spending policy is reviewed annually by the Investment Committee. The Committee will recommend changes to the distribution rate to the Executive Committee so that the investment objectives can be met. Changes to the spending rate is approved by the Executive Committee and reported to the Board of Trustees.

Endowment net asset composition by type is as follows:

	With Donor Restrictions
Donor – Restricted endowment funds:	
Original amounts held in perpetuity	\$ 11,630,000
Accumulated gains/(losses)	640,306
Total	\$ 12,270,306

Changes in Endowment Funds for the year ended June 30, 2023 were as follows:

	With Donor Restrictions		Total
	Expendable	Nonexpendable	
Balance, June 30, 2022	\$ (135,231)	\$ 11,630,000	\$ 11,494,769
Interest, net of fees	145,973	-	145,973
Realized gain/(losses)	(57,853)	-	(57,853)
Unrealized gain/(losses)	687,417	-	687,417
Balance, June 30, 2023	\$ 640,306	\$ 11,630,000	\$ 12,270,306

NOTE 7: CONDITIONAL PROMISES TO GIVE

The Organization received a \$500,000 five-year pledge from a Foundation. The pledge is considered a challenge grant with installments of \$100,000 conditioned on the Organization raising at least \$100,000 in gifts annually to support its programing and exhibitions. During the year ended June 30, 2023, the Organization did not meet any grant conditions.

In April 2020, the Organization was awarded a \$350,000 Foundation grant for a capital improvement project (the Project). The cumulative amount recognized through June 30, 2023 totaled \$350,000. The Project was completed in January 2023 and the Organization recognized \$35,000 as revenue in the financial statements for the year ending June 30, 2023.

HISTORIC MORVEN, INC.
Notes to Financial Statements (continued)

NOTE 8: LEASES AS LESSOR

Residential tenants

The Organization maintains an operating lease for real estate, which generate rental income from residential tenants and operating cash flows for the Organization. Residential tenant leases generally have lease terms of three years. The Organization has elected to account for any non-lease components in its real estate leases as part of the associated lease component. The Organization recognized \$77,000 as rental income for the year ended June 30, 2023.

Property under operating leases as lessor

As of June 30, 2023, the Organization has one building that is subject to leasing.

Maturity analysis of lease payments as lessor

The Organization's operating leases are disclosed in the aggregate due to their consistent nature as real estate leases. As of June 30, 2023, the undiscounted cash flows to be received from lease payments of the Organization's operating lease on an annual basis for the next five years are as follows for the year ending June 30,:

2024	\$	84,000
2025		84,000
2026		-
2027		-
2028		-
Total	<u>\$</u>	<u>168,000</u>

NOTE 9: NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are available for the following purposes as of June 30, 2023:

Subject to donor restrictions on use:

Capital improvements	<u>\$ 163,206</u>
Endowment Funds:	
Betty Wold Johnson - operations	10,000,000
Robert Wood Johnson - collections	500,000
Robert Wood Johnson - operations	1,000,000
New Jersey Cultural Trust - operations	100,000
Garden Lecture Series - horticultural activities	10,000
General Endowment - operations	<u>20,000</u>
Subtotal	11,630,000
Accumulated gains (losses) on endowment funds	<u>640,306</u>
Total Endowment Funds, net	12,270,306
Total nets assets with donor restrictions	<u>\$ 12,433,512</u>

Net assets with donor restrictions totaling \$93,854 were released from restrictions during the year ended June 30, 2023, when the time and/or purpose restrictions were accomplished.

HISTORIC MORVEN, INC.
Notes to Financial Statements (continued)

NOTE 10: LIQUIDITY AND AVAILABILITY

The following represents the Organization’s financial assets as of June 30, 2023 reduced by amounts not available for general use within one year of the statement of financial position date because of contractual or donor-imposed restrictions or internal designations:

Cash and cash equivalents	\$ 1,062,055
Accounts receivable	22,542
Investments	1,332,918
Investments – Endowment funds	<u>12,270,306</u>
Total financial assets	14,687,821
Less: Donor-imposed restrictions or internal designations:	
Board designated funds	(1,753,396)
Donor-imposed restricted funds	(163,206)
Donor-imposed endowment funds	<u>(12,270,306)</u>
Total donor-imposed restrictions or internal designations	<u>(14,186,908)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u><u>\$ 500,913</u></u>

The Organization has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. The Organization has a goal to maintain financial assets on hand to meet 75 days of normal operating expenses, which are, on average, approximately \$425,000. In addition to financial assets available to meet general expenditures, the Organization manages its programs by collecting sufficient contributions and fundraising to cover expenditures of the museum.

NOTE 11: SPECIAL EVENTS REVENUE

Gross receipts from special fundraising events recorded by the Organization consist of exchange transaction revenue and contribution revenue. In accordance with FASB ASU 2014-09, the Organization is required to separately present the components of this revenue. See below for approximated contribution and exchange component revenues recorded in accordance with special events held during the fiscal years ended June 30, 2023:

Contributions	\$ 288,070
Special event revenues – exchange component	<u>23,300</u>
Subtotal	311,370
Less: direct expenses	<u>(85,070)</u>
Total special event revenue, net of direct expenses	<u><u>\$ 226,295</u></u>

NOTE 12: CONTRIBUTED NONFINANCIAL ASSETS

Land lease

The Organization has a land lease agreement with the State of New Jersey to operate and maintain the property known as “Morven,” located in Princeton, New Jersey for a payment of \$1 per year. The term of the lease expires on June 30, 2065. No amount is recognized in the financial statements as the fair value has not been determined.

The State provides a grant to the Organization, annually, to help the support the operations and maintenance of Morven. For the year ended June 30, 2023, the Organization was awarded and recognized \$175,000.

HISTORIC MORVEN, INC.
Notes to Financial Statements (continued)

NOTE 13: CONTINGENCIES

Legal Matters

The Organization is, at times, involved with certain claims, including equal opportunity and employment issues and other routine litigation matters arising in the normal course of operations. In the opinion of management, after consultation with legal counsel, the outcome of such matters will not have a material adverse effect on the Organization's financial position or results of operations.

NOTE 14: CONCENTRATIONS

During the year ended June 30, 2023, the Organization received approximately 55% of its revenue from -grants and contributions. A significant reduction in this support could result in a reduction of programs offered.

NOTE 15: SOURCES AND TIMING OF REVENUE

The following table presents the Organization's support and revenues disaggregated by geography, product lines, and timing of revenue recognition.

Geographic Markets:

United States:	
New Jersey	\$ 1,171,729
	<u>\$ 1,171,729</u>

Product Lines:

Admissions	\$ 54,423
Museum sales	53,770
Federal and state grants	247,294
Grants and contributions	393,986
Program revenue	195,961
Special events	226,295
Total	<u>\$ 1,171,729</u>

Timing of Revenue Recognition:

Revenue recognized at a point in time	\$ 1,171,729
Revenue recognized over time	-
Total	<u>\$ 1,171,729</u>

Reconciliation to the Statement of Activities:

Non-exchange revenue	\$ 867,575
Exchange revenue	304,154
Total	<u>\$ 1,171,729</u>

NOTE 16: PRIOR PERIOD ADJUSTMENT

During the year ended June 30, 2022, Historic Morven, Inc. recorded costs related to a fencing project in the amount of \$49,850 as expenses in the statement of activities. The project costs should have been capitalized and depreciated over the asset's useful life on the statement of activities. During the year ended June 30, 2023, Historic Morven, Inc. corrected this error by restating property and equipment and net assets without donor restrictions by \$49,850.

HISTORIC MORVEN, INC
Schedule of Expenditures of Federal Awards
For the year ended June 30, 2023

Federal or State Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal Assistance Number	Pass-Through Grantor's Number	Award Period		Current Fiscal Year Expenditures	Passed-through to Subrecipients	Total Awards Expended
			To	From			
United States Department of the Interior							
Historic Preservation Fund Grants-in-Aid	15.904	N/A	10/1/2022	9/30/2025	\$ 20,780	\$ -	\$ 20,780
Historic Preservation Fund Grants-in-Aid	15.929	N/A	8/1/2020	8/30/2024	12,480	-	161,525
Total United States Department of the Interior					33,260	-	182,305
National Endowment for the Humanities							
<i>Passed through the State of New Jersey, County for the Humanities</i>	45.129	N/A	7/1/2022	12/31/2022	7,500	-	7,500
<i>Promotion of the Humanities</i>					7,500	-	7,500
Total National Endowment for the Humanities					40,760	-	189,805
Total federal awards							

HISTORIC MORVEN, INC.
Schedule of State Financial Assistance
For the year ended June 30, 2023

State Grantor/ Pass-Through Grantor/ Program Title	State Appropriation Number	Award Period		Current Fiscal Year Expenditures	Passed-through to Subrecipients	Total Expenditures
		From	To			
State of New Jersey, Department of the State						
Morven's Exhibition on New Jersey Clocks Expanding the Stories of Enslaved Individuals at Morven	HC-PRO-2023-016 HC-IHGP-2023-013	10/1/2022 1/1/2023	7/31/2023 1/1/2024	\$ 14,450 17,000	\$ - -	\$ 14,450 17,000
Total State of New Jersey, Department of the State				31,450	-	31,450
State of New Jersey, Department of Community Affairs						
<i>New Jersey Historic Trust</i> Fencing	2021.1019	12/21/2021	12/21/2026	84	-	15,521
Total State of New Jersey, Department of Community Affairs				84	-	15,521
State of New Jersey, Department of Environmental Protection						
<i>State Parks, Forests and Historic Sites</i> Public Facility Programming	PF23-006	7/1/2022	6/30/2023	175,000	-	175,000
Total State of New Jersey, Department of Environmental Protection				175,000	-	175,000
Total state financial assistance				\$ 206,534	\$ -	\$ 221,971