

**HOMER SOCIETY OF
NATURAL HISTORY, INC.**

AUDITED FINANCIAL STATEMENTS

For the Year Ended December 31, 2023

TABLE OF CONTENTS

INDEPENDENT AUDITOR'S REPORT	1-2
FINANCIAL STATEMENTS	
Statement of Financial Position	3
Statement of Activities	4-5
Statement of Functional Expenses	6
Statement of Cash Flows	7
Notes to the Financial Statements	8-12

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Homer Society of Natural History, Inc.
Homer, Alaska

Qualified Opinion

We have audited the accompanying financial statements of Homer Society of Natural History, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 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, except for the possible effects of the matter described in the Basis for Qualified Opinion section of our report, the financial statements referred to above present fairly, in all material respects, the financial position of Homer Society of Natural History, Inc., as of December 31, 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 Qualified Opinion

We did not obtain sufficient appropriate audit evidence regarding the board of director's meeting minutes for the first six months of 2023.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 Homer Society of Natural History, 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 qualified audit opinion.

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 the Homer Society of Natural History, 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

Board of Directors
Homer Society of Natural History, Inc.

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 the Homer Society of Natural History, 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 the Homer Society of Natural History, 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.

Foster and Company, LLC

Foster and Company, LLC
Wasilla, Alaska

May 1, 2024

HOMER SOCIETY OF NATURAL HISTORY, INC.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2023

ASSETS

CURRENT ASSETS

Cash and Cash Equivalents	
Unrestricted	\$ 720,893
With Donor Restrictions	47,946
	768,839

Grants Receivable	15,889
Inventory	4,230
Prepaid Expenses	9,020
	797,978

TOTAL CURRENT ASSETS 797,978

PROPERTY AND EQUIPMENT

Land	516,231
Buildings	2,755,237
Equipment	631,532
	3,903,000

Less: Accumulated Depreciation (1,855,093)

PROPERTY AND EQUIPMENT - NET 2,047,907

Beneficial Interest in Assets Held at the Homer Foundation 27,554

TOTAL ASSETS \$ 2,873,439

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts Payable	\$ 16,544
Accrued Expenses	21,483
	38,027

TOTAL LIABILITIES 38,027

NET ASSETS

Net Assets Without Donor Restrictions	
Undesignated	739,559
Net Investment in Plant	2,047,907
	2,787,466

Net Assets With Donor Restrictions

Restricted for purpose	47,946
	47,946

TOTAL NET ASSETS 2,835,412

TOTAL LIABILITIES AND NET ASSETS \$ 2,873,439

See Independent Auditor's Report and Notes to the Financial Statements

HOMER SOCIETY OF NATURAL HISTORY, INC.
 STATEMENT OF ACTIVITIES - Page 1 of 2
 YEAR ENDED DECEMBER 31, 2023

CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS

From Cash Operating Activities

Foundations	\$ 120,711
Government	146,066
Corporations	2,304
Nonprofit Organizations	26,207
Individuals	<u>655,776</u>

SUBTOTAL - SUPPORT 951,064

Revenue

Program Fees	2,742
Admissions	47,063
Store Sales, net	8,935
Memberships	18,250
Other Revenue	<u>8,136</u>

SUBTOTAL - REVENUE 85,126

TOTAL REVENUE AND SUPPORT 1,036,190

Expenses

Program Services:	262,440
General and Administrative	137,736
Fundraising	<u>46,257</u>

TOTAL EXPENSE 446,433

Increase (Decrease) in Net Assets without donor restrictions from
 Cash Operating Activities (excluding depreciation and in-kind) \$ 589,757

HOMER SOCIETY OF NATURAL HISTORY, INC.
STATEMENT OF ACTIVITIES - Page 2 of 2
YEAR ENDED DECEMBER 31, 2023

CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS	
From Non-Cash Activities - Depreciation	
Depreciation	\$ (85,587)
From In-Kind	
Donated Services and Supplies	8,564
In-kind Donations	<u>(8,564)</u>
SUBTOTAL NON-CASH ACTIVITIES	<u>(85,587)</u>
From Non - Operating Activities	
Unrealized Gains (Losses) on Investment	4,299
Interest and Investment earnings	<u>8,416</u>
SUBTOTAL NON-OPERATING ACTIVITIES	<u>12,715</u>
Increase (Decrease) in Net Assets without donor restrictions from Non-Operating and Non-Cash Activities	<u>(72,872)</u>
Increase (Decrease) in Unrestricted Net Assets	<u>516,885</u>
CHANGES IN NET ASSETS WITH DONOR RESTRICTIONS	
Net Assets Released from Restrictions	<u>(26,207)</u>
Increase (Decrease) in Net Assets with Donor Restrictions	<u>(26,207)</u>
INCREASE (DECREASE) IN NET ASSETS	490,678
NET ASSETS, Beginning of Year	<u>2,344,734</u>
NET ASSETS, End of Year	<u><u>\$ 2,835,412</u></u>

See Independent Auditor's Report and Notes to the Financial Statements

HOMER SOCIETY OF NATURAL HISTORY, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2023

	<u>Programs</u>	<u>Administrative</u>	<u>Fundraising</u>	<u>Totals</u>
Salaries and Wages	\$ 156,109	\$ 67,917	\$ 28,901	\$ 252,927
Payroll Taxes and Benefits	15,739	6,848	2,914	25,501
Occupancy and Maintenance	36,681	20,827	6,791	64,299
Contract Services	19,336	351	-	19,687
Insurance	5,825	2,534	1,078	9,437
Accounting and Legal Fees	-	19,031	-	19,031
Telephone	4,486	1,952	830	7,268
Advertising and Marketing	-	6,355	-	6,355
Miscellaneous	51	9,611	-	9,662
Events	18,353	-	4,363	22,716
Supplies	1,592	692	1,024	3,308
Printing and Publications	1,611	701	298	2,610
Bank Fees	2,271	781	-	3,052
Postage and Shipping	313	136	58	507
Travel	73	-	-	73
Total Cash Expenses	<u>262,440</u>	<u>137,736</u>	<u>46,257</u>	<u>446,433</u>
Contributed Goods and Services	52,391	-	-	52,391
Depreciation	-	85,587	-	85,587
TOTALS	<u>\$ 314,831</u>	<u>\$ 223,323</u>	<u>\$ 46,257</u>	<u>\$ 584,411</u>

See Independent Auditor's Report and Notes to the Financial Statements

HOMER SOCIETY OF NATURAL HISTORY, INC.
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2023

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	\$ 490,678
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities:	
Depreciation	85,587
Unrealized Gain/Loss on Investments	(2,915)
(Increase) Decrease in operating assets	
Grants Receivable	(5,669)
Inventory	3,106
Prepaid Expenses	7,010
Increase (Decrease) in operating liabilities	
Accounts Payable	10,579
Accrued Expenses	2,539
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>590,915</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Payments for Property and Equipment	(64,133)
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u>(64,133)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	526,782
BEGINNING CASH AND CASH EQUIVALENTS	<u>242,057</u>
ENDING CASH AND CASH EQUIVALENTS	<u><u>\$ 768,839</u></u>
SUPPLEMENTAL INFORMATION:	
CASH AND CASH EQUIVALENTS:	
Unrestricted	\$ 720,893
Restricted	47,946
Ending Cash and Cash Equivalents	<u><u>\$ 768,839</u></u>

See Independent Auditor's Report and Notes to the Financial Statements

HOMER SOCIETY OF NATURAL HISTORY, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 1 – NATURE OF THE ORGANIZATION

Nature of Activities – Homer Society of Natural History, Inc. (HSNH, the Society) was incorporated August 10, 1955, as a nonprofit organization. The Society's primary activity is the operation of the Pratt Museum in Homer, Alaska. The mission of the Pratt Museum is to preserve the stories of the Kachemak Bay region and provide a gathering place for people to learn and be inspired by this region and its place in the world. The Pratt Museum accomplishes its mission through collections, exhibits, and programs in culture, science and art. The Pratt Museum focuses on Kachemak Bay and the surrounding region of Southcentral Alaska. Stories and objects from other regions may be used to enhance learning and understanding of certain themes or to provide access to inspirational, relevant work being done in other parts of Alaska or the world.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation – The financial statements of the Society have been prepared in accordance with U.S. generally accepted accounting principles ("US GAAP"), which require the Society to report information regarding its financial position and activities according to the following net asset classifications:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Society. These net assets may be used at the discretion of the Society's management and the board of directors.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Society or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statement of activities.

Cash and Cash Equivalents – For purposes of the statement of cash flows, the Society considers all unrestricted highly liquid investments with an original maturity of three months or less to be cash equivalents.

Use of Estimates – Management uses estimates and assumptions in preparing these financial statements in accordance with generally accepted accounting principles. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates that are used.

HOMER SOCIETY OF NATURAL HISTORY, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*continued*)

Revenue and Support Recognition –
Support

Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Contributions that are restricted by the donor are reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the contribution is recognized. All other donor restricted contributions are reported as an increase in net assets with donor restrictions, depending on the nature of restriction. 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.

Contributed property and equipment are recorded at fair value at the date of donation. Contributions with donor-imposed stipulations regarding how long the contributed assets must be used are recorded as net assets with donor restrictions; otherwise, the contributions are recorded as net assets without donor restrictions.

Conditional contributions, 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 have been substantially met. Conditional gifts received prior to the satisfaction of conditions are recorded as refundable advances.

A majority of the Society's support is derived from cost-reimbursable grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Society has incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are reported as refundable advances in the statement of financial position.

Membership dues, which are nonrefundable, and considered a contribution are recognized immediately.

Special events revenue does not consist of substantial exchange elements that directly benefit donors and therefore are considered a contribution and recognized immediately, unless there is a right of return if the special event does not take place.

Revenues from Contracts with Customers

The Society recognizes revenue when, or as, performance obligations are satisfied associated with contracts with customers. Revenue is measured as the amount of consideration the Society expects to receive in exchange for providing services. The primary sources of revenue from contracts with customers are the program service fees. Program service fees revenue is recognized when services have been rendered based on the terms of each individual contract. Amounts received in advance of completing the service are deferred until such time as the service has been completed.

HOMER SOCIETY OF NATURAL HISTORY, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023

Inventory – Store merchandise, which consists of art, handicrafts, educational items and books for resale, is stated at the lower of cost or market value on a first-in, first-out (FIFO) basis.

Donated Materials and Services – Donated materials and services meeting the criteria of FASB ASC 958-605 “*Not-for-Profit Entities: Revenue Recognition*”, are recorded at their estimated fair value as of the date of the contribution. The amount of the contribution is presented as both support and expense in the accompanying financial statements.

Property and Equipment – Property and equipment items in excess of \$2,000 are recorded at cost or, in the case of donated property, at its estimated fair value as of the date of the contribution. Depreciation is provided using the straight-line method over the estimated useful lives of the property, which range from three to thirty years. Expenditures for repairs and maintenance are charged against operations as incurred. Equipment acquired solely for use in temporary exhibits with a limited display life and purchased with grant resources restricted for that purpose, are regarded as expendable by the Society. Accordingly, such amounts have not been capitalized in the accompanying financial statements.

Income Taxes – The Society is exempt from federal and state income taxes as a nonprofit corporation under Section 501(c)(3) of the Internal Revenue Code and is classified as other than a private foundation. The Society believes that it has appropriate support for any tax positions taken, and as such does not have any uncertain tax positions that are material to the financial statements.

Functional Allocation of Expenses – The cost of providing the various programs and other activities has been summarized on a functional basis in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Such allocations are determined by management on an equitable basis. The expenses that are allocated include the following:

<u>Expense</u>	<u>Method of Allocation</u>
Salaries and benefits	Time and effort
Occupancy	Square footage
Office and board expense	Time and effort
Travel	Time and effort
Other	Time and effort

NOTE 3 – CASH DEPOSITS AND INVESTMENTS

The Federal Deposit Insurance Corporation insures funds held within the same banking institution to a maximum of \$250,000 in total. Balances at financial institutions exceeded the FDIC insured amounts by \$174,901 at December 31, 2023.

**HOMER SOCIETY OF NATURAL HISTORY, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 4 – GRANTS RECEIVABLES

At December 31, 2023, grants receivable consisted of receivables from various federal and state agencies totaling \$17,323.

NOTE 5 – BENEFICIAL INTEREST IN ASSETS HELD AT THE HOMER FOUNDATION

The Society's investments include an endowment fund. As required by Generally Accepted Accounting Principles (GAAP), net assets associated with endowment funds, including funds designated by Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions. The Society's endowment is held and managed through an agreement with the Homer Foundation. The endowment is guided by the Foundation's investment policy for monitoring, operating and administering gifts dedicated to the benefit of the Society.

Investments balances consisted of the following at December 31, 2023:

Funds donated by HSNH	<u>\$ 24,124</u>
Funds donated by others	2,150
Unrealized gains (losses)	<u>1,280</u>
Endowment Investment	<u>\$ 27,554</u>

NOTE 6 – NET ASSETS WITH DONOR RESTRICTIONS

At December 31, 2023, purpose restricted net assets consisted of unspent revenue and support from grantor agencies, foundations, corporations and individuals was \$58,496.

NOTE 7 – AVAILABILITY AND LIQUIDITY

The following represents the Society's financial assets at December 31, 2023:

Financial assets at year-end:	
Cash and cash equivalents	\$ 768,839
Accounts and grants receivable	17,323
Inventory	<u>4,230</u>
Total financial assets	<u>790,392</u>

Less amounts not available to be used within one year:

Net assets with donor restrictions	(47,946)
Add back: Net assets with purpose restrictions to be met in less than one year	<u>47,946</u>

Financial assets available to meet general expenditures over the next twelve months	<u>\$ 790,392</u>
---	-------------------

See Independent Auditor's Report

HOMER SOCIETY OF NATURAL HISTORY, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 8 – DONATED VOLUNTEER SERVICES

Numerous volunteers have donated significant amounts of time to the Society's fund-raising efforts and program services. Although no amounts have been reflected in the accompanying financial statements, management estimates the fair value of these services to be approximately \$35,000 for the year ended December 31, 2023.

NOTE 9 – COLLECTIONS

The Society receives contributed items of art and historical treasure that are held for exhibition to the public, educational purposes or for research in furtherance of public service. Such items are protected, cared for and preserved and are not sold for financial gain. Therefore, in accordance with the provisions of FASB ASC 958-605-25-19, contributed collections are not capitalized in these financial statements.

NOTE 10 – COMMITMENTS AND CONTINGENCIES

The Society receives grants that are subject to audit and adjustment by the grantor agencies. Any expenditure disallowed as a result of such an audit, and for which grant monies had been expended would become a liability of the Society. At December 31, 2023, the Society does not anticipate any such liability arising that would have a material effect on the financial condition of the Society.

NOTE 11 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through May 1, 2024, that date which the financial statements were available for issue. No events were identified that would require disclosure according to generally accepted accounting principles.