

BRANFORD ELECTRIC RAILWAY ASSOCIATION, INC.

**AUDITED BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019**

(WITH AUDITOR'S REPORT THEREON)

BRANFORD ELECTRIC RAILWAY ASSOCIATION, INC.
NEW HAVEN, CONNECTICUT
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DECEMBER 31, 2019

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Branford Electric Railway Association, Inc.

We have audited the accompanying financial statements of Branford Electric Railway Association, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2019, and the related statements of activities, changes in net assets, functional expenses and cash flows for the year 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from 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 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 Branford Electric Railway Association, Inc. as of December 31, 2019, 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.

Gregg S. Bossen, CPA, PC
Atlanta, Georgia
October 21, 2020

BRANFORD ELECTRIC RAILWAY ASSOCIATION, INC.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2019

<u>ASSETS</u>	<u>WITHOUT DONOR RESTRICTIONS</u>	<u>WITH DONOR RESTRICTIONS</u>	<u>TOTAL</u>
CURRENT ASSETS:			
Cash and Cash Equivalents	\$-0-	\$304,076	\$304,076
Grants Receivable	83,383		83,383
Pledges Receivable – Short-Term		27,950	27,950
Inventory	17,287		17,287
Prepaid Expenses	38,959		38,959
Due from Net Assets without Donor Restrictions		16,994	
Total Current Assets	139,629	349,020	471,655
LONG-TERM FIXED ASSETS:			
Long-Term Fixed Assets	2,526,778		2,526,778
Less: Accumulated Depreciation	(623,884)		(623,884)
Total Long-Term Fixed Assets, net	1,902,894	-0-	1,902,894
OTHER ASSETS:			
Pledges Receivable – Long-Term		71,000	71,000
Conn Co. East Haven, LLC Escrow Deposits	1,807		1,807
Total Other Assets	1,807	71,000	72,807
TOTAL ASSETS	\$2,044,330	\$420,020	\$2,447,356
<u>LIABILITIES AND NET ASSETS</u>			
CURRENT LIABILITIES:			
Due to Net Assets with Donor Restrictions	16,994		
Accounts Payable	96,863		96,863
Bond Payable	1,250		1,250
Line of Credit-Webster	16,725		16,725
Conn Co. East Haven, LLC Security Deposits	1,400		1,400
Mortgage Payable-Aspinall land, Current portion	2,728		2,728
Mortgage Payable-Conn Co. East Haven, LLC, Net of Debt	6,320		6,320
Issuance Costs, Current portion			
Total Current Liabilities	142,280	-0-	125,286
LONG-TERM LIABILITIES:			
Mortgage Payable-Aspinall land, Long-Term portion	54,811		54,811
Mortgage Payable-Conn Co. East Haven, LLC, Net of Debt	23,153		23,153
Issuance Costs, Long-term portion			
Note Payable – Guilford Savings Bank	99,521		99,521
Total Long-Term Liabilities	177,485	-0-	177,485
NET ASSETS:			
Net Assets Without Donor Restrictions	1,724,565		1,724,565
Net Assets With Donor Restrictions		420,020	420,020
Total Net Assets	1,724,565	420,020	2,144,585
TOTAL LIABILITIES AND NET ASSETS	\$2,044,330	\$420,020	\$2,447,356

See Auditor's Report and Notes to Financial Statements

BRANFORD ELECTRIC RAILWAY ASSOCIATION, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2019

	<u>WITHOUT DONOR RESTRICTIONS</u>	<u>WITH DONOR RESTRICTIONS</u>	<u>TOTAL</u>
PUBLIC SUPPORT & REVENUE:			
Public Support:			
Contributions – Individuals	\$90,029	\$152,470	\$242,499
Government Grants	47,154		47,154
In-Kind Contributions	17,318		17,318
Net Assets, Restrictions Met	<u>109,289</u>	<u>(109,289)</u>	
Total Public Support	<u>263,790</u>	<u>43,181</u>	<u>306,971</u>
Other Revenue:			
Special Program Events & Projects	178,652		178,652
Rental Income	51,805		51,805
Annual Membership Dues	37,777		37,777
Admissions & Charters	36,884		36,884
Museum Sales, Net of Costs	10,606		10,606
Miscellaneous Income	10,339		10,339
Interest Income	<u>2,877</u>		<u>2,877</u>
Total Other Revenue	<u>328,940</u>	<u>-0-</u>	<u>328,940</u>
Total Public Support and Revenue	<u>592,730</u>	<u>43,181</u>	<u>635,911</u>
EXPENSES:			
Programs	554,743		554,743
Management & General	133,366		133,366
Fundraising	<u>63,499</u>		<u>63,499</u>
Total Expenses	<u>751,608</u>	<u>-0-</u>	<u>751,608</u>
CHANGE IN NET ASSETS	<u><u>(\$158,878)</u></u>	<u><u>\$43,181</u></u>	<u><u>(\$115,697)</u></u>

See Auditor's Report and Notes to Financial Statements

BRANFORD ELECTRIC RAILWAY ASSOCIATION, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2019

	<u>PROGRAMS</u>	<u>MANAGEMENT & GENERAL</u>	<u>FUNDRAISING</u>	<u>TOTAL</u>
Salaries & Wages	\$91,067	\$31,080	\$5,500	\$127,647
Railway Cars - Restoration and Maintenance	\$104,624			\$104,624
Insurance	58,398	5,469		\$63,867
Contract Labor & Contracted Services	53,816	9,000	149	\$62,965
Professional Fees	12,700	3,000	42,087	\$57,787
Supplies	47,313	3,857	1,797	\$52,967
Depreciation & Amortization	44,971	5,507		\$50,478
Marketing & Promotion	31,817			\$31,817
Building & Grounds - Repairs and Maintenance	27,798	3,461		\$31,259
Railway & Track Expenses	27,275			\$27,275
Legal & Accounting		26,997		\$26,997
Utilities	12,447	3,112		\$15,559
Equipment Rental	13,648	562	562	\$14,772
Bank Charges & Credit Card Fees		13,992		\$13,992
Bad Debt Expense			11,800	\$11,800
Payroll Tax Expense	8,092	2,762	489	\$11,343
Printing	10,868	108		\$10,976
Interest Expense		10,844		\$10,844
Telephone & Internet	1,051	6,810		\$7,861
Postage & Freight	5,858	612	612	\$7,082
Miscellaneous	812	5,413		\$6,225
Dues & Subscriptions	2,188		503	\$2,691
State Fees		780		\$780
TOTAL EXPENSES	<u>\$554,743</u>	<u>\$133,366</u>	<u>\$63,499</u>	<u>\$751,608</u>

See Auditor's Report and Notes to Financial Statements

BRANFORD ELECTRIC RAILWAY ASSOCIATION, INC.
STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2019

	<u>WITHOUT DONOR RESTRICTIONS</u>	<u>WITH DONOR RESTRICTIONS</u>	<u>TOTAL</u>
BALANCE, DECEMBER 31, 2018, BEFORE PRIOR PERIOD ADJUSTMENT	\$1,849,347	\$376,839	\$2,226,186
PRIOR PERIOD ADJUSTMENT	34,096	-0-	34,096
BALANCE, DECEMBER 31, 2018, AFTER PRIOR PERIOD ADJUSTMENT	1,883,443	-0-	2,260,282
CHANGE IN NET ASSETS	(158,878)	43,181	(115,697)
BALANCE, DECEMBER 31, 2019	\$1,724,565	\$420,020	\$2,144,585

See Auditor's Report and Notes to Financial Statements

BRANFORD ELECTRIC RAILWAY ASSOCIATION, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2019

December 31, 2019

CASH FLOWS FROM OPERATING ACTIVITIES:	
Change in Net Assets	(\$115,697)
Adjustments to reconcile (Loss) to net cash used by operating activities:	
Depreciation & Amortization	50,478
Decrease in Receivables	66,549
(Increase) in Prepaid Expenses	(8,875)
(Increase) in Conn Co East Haven, LLC Escrow Deposits	(44)
Decrease in Conn Co East Haven, LLC Prepaid Insurance	458
(Decrease) in Accounts Payable	(9,709)
(Decrease) in Credit Card Payable	(277)
(Decrease) in Conn Co East Haven, LLC Accounts Payable	(266)
(Decrease) in Conn Co East Haven, LLC Accrued Interest	(136)
Net cash used by operating activities	<u>(17,519)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Purchased Barn equipment	(5,700)
Net cash used by investing activities	<u>(5,700)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:	
Mortgage payments made for Conn Co East Haven, LLC	(6,293)
Mortgage payments made for Aspinall Land	(2,596)
Obtained Line of Credit with Webster Bank	16,725
Net cash provided by financing activities	<u>7,836</u>
NET CHANGE IN CASH	(15,383)
CASH AT BEGINNING OF YEAR	<u>319,459</u>
CASH AT END OF YEAR	<u><u>304,076</u></u>

See Auditor's Report and Notes to Financial Statements

BRANFORD ELECTRIC RAILWAY ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 1: ORGANIZATION, OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(A)Nature of organization:

The Branford Electric Railway Association, Inc. (BERA) is a 501(c)3 charitable not-for-profit organization founded in 1945, to preserve the unique heritage of an endangered species -- the trolley car, and to preserve and operate the oldest continuously operated suburban trolley line in the United States -- The Branford Electric Railway -- which opened on July 31, 1900. The mission of the Branford Electric Railway Association, Inc. doing business as the Shore Line Trolley Museum is to share with a diverse audience the story of the trolley and related forms of public transportation in their historical context.

In 1983, the railway, along with the entire museum collection, was recognized as a National Historic District by the National Register of Historic Places. BERA is the organization behind the Shore Line Trolley Museum. For the year ended December 31, 2019, BERA operated the following programs:

(i)Curatorial & Exhibits:

BERA maintains several collections which preserve the history and heritage of the Trolley Era. BERA owns nearly 100 vintage transit vehicles. In addition, BERA's archives contain nearly 30,000 photographic images, over 4,000 books and documents, and about 1,000 small artifacts such as tokens, hat badges and ticket punches.

Some highlights of the collections are: 1 Line Car, 2 crane cars, shunter, Snow Plows Diesel Locomotive, and the donated PATH Car 745 which was buried during the 9/11/2001 attack. The pride of BERA's fleet is the CONN COMPANY "500". This car was used to transport the executives of the Conn Co all over the system and the furniture is original and equipped with a toilet. Also, in the collection are Open Cars that were used to transport people going to the Yale Bowl during Football season.

(ii)Repair & Restoration Shop:

BERA has an active program of repairing and refurbishing the antique equipment. 99% of the repairs and restoration are done in BERA's own shop. BERA has the necessary equipment to make the repairs and restorations from lathes, woodworking tools, sheet metal equipment to power and steam washers.

(iii)Trolley Car Rides and Tours

A standard public program includes a ride on BERA's historical railway on a trolley car, and a tour of some of BERA's collection stored in the car barns. For groups or individuals wishing to visit the museum separate from the general public, charters are available on a year-round basis.

BERA allows guests to take the controls and operate some of the vehicles in the collection on specified "Guest Operator" weekends, after receiving instruction from a qualified instructor. Rapid transit (subway and elevated) equipment is run in conjunction with the trolleys on designated "Rapid Transit" weekends.

BRANFORD ELECTRIC RAILWAY ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019
-continued-

NOTE 1: ORGANIZATION, OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(iv)Special Programmatic Events:

BERA has several special programmatic events held during the year. These events include an antique auto show each year, a Halloween pumpkin patch, and a haunted Halloween trolley ride to a haunted trail with the "Graveyard Express/Haunted Isle". Family events include visiting the Easter Bunny, Super Hero's Day, Christmas trolley rides with Santa, and nighttime Holiday Light trolley rides. Also, BERA has an annual open house for members only on "Members Day" where cars of the collection rarely seen often run.

(v)Reading Program & Home-School Program:

BERA's Reading program & Home-School program provides an opportunity for children 4 to 8 years of age to listen to a story in a real trolley car. The day begins with a trolley ride and is followed by a visit to our "Story Trolley" to listen to each week's children's story, read by one of our volunteer educators, followed by time to explore the other trolley cars on display. In addition to the reading program, each child will receive a snack.

(vi)Volunteer Program:

Since its inception in 1945, BERA has been a volunteer-driven organization. There are over 1000 current members, many of whom are active volunteers in everything from running cars to restoring them to working on the tracks to tending the grounds. No professional training or previous experience is required; the museum's training department provides thorough, hands-on instruction. BERA offers the opportunity to volunteer to anyone over 18 year of age in the following areas: public operations (which includes the ability to learn to operate the trolley cars), car restoration, archives, buildings and grounds, track, line (power), signal, and exhibits.

(B)Basis of Presentation:

These financial statements are presented on the accrual basis of accounting in accordance with generally accepted accounting principles. These statements reflect application of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC). Under these standards, all contributions are immediately recognized as revenue as soon as pledged (or if not pledged when received) regardless of any restrictions on use placed by the contributor. The basic financial statements are then shown divided into two net asset groups. These are:

Without Donor Restrictions:

All assets who either have no imposed restrictions on use or whose restrictions have been met by December 31, 2019.

With Donor Restrictions:

All contributions by foundations and individuals with restrictions on use that have not been met by December 31, 2019.

See Auditor's Report

BRANFORD ELECTRIC RAILWAY ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019
-continued-

NOTE 1: ORGANIZATION, OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(C)Income Taxes:

Branford Electric Railway Association, Inc. is exempt from income taxes under Section 501 (c) (3) of the United States Internal Revenue Code. During the year ended December 31, 2019, Branford Electric Railway Association, Inc. had no unrelated business income as defined by Section 512 of the Code and, therefore no provision for income tax is necessary.

Branford Electric Railway Association, Inc. adopted the income standard related to the recognition and measurement of uncertain tax positions. The adoption of this standard had no financial statement effect for Branford Electric Railway Association, Inc. Branford Electric Railway Association, Inc. is no longer subject to federal tax examinations for the years prior to 2017 and no longer subject to state income tax examinations for the years prior to 2017.

(D)Receivables:

Branford Electric Railway Association, Inc. has 2 kinds of receivables. The grants receivable consists of uncollected grant awards. The pledges receivable consists of pledged promises to give made by individuals. Branford Electric Railway Association, Inc. carries its receivables at an amount equal to uncollected but earned revenue less an allowance for doubtful accounts. Branford Electric Railway Association, Inc. uses the allowance method to determine uncollectible receivables. Also, Branford Electric Railway Association, Inc. uses the direct write-off method for its receivables which have been determined to be uncollectible. On a periodic basis, Branford Electric Railway Association, Inc. evaluates its receivables and establishes an allowance for doubtful accounts based on its past experience and current credit conditions. Based on management's evaluation of collectability of the receivables, no allowance for doubtful accounts was recorded for the year ended December 31, 2019.

The receivables for Branford Electric Railway Association, Inc. are expected to be collected as follows as of December 31, 2019:

	<u>Grants</u> <u>Receivable</u>	<u>Pledges</u> <u>Receivable</u>	<u>Total</u>
Due within one year	\$83,383	\$27,950	\$111,333
Due in two to five years		71,000	71,000
Total Receivables	\$83,383	\$98,950	\$182,333

See Auditor's Report

BRANFORD ELECTRIC RAILWAY ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019
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NOTE 1: ORGANIZATION, OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(E)Long-Term Fixed Assets

Long-Term fixed assets acquired by purchase is stated at cost. Contributed property is recorded at fair market value at the date of contribution. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. A summary of the long-term fixed assets at December 31, 2019 is as follows:

Buildings	\$1,620,073
Land	553,841
Machinery and Equipment	240,054
Building Improvements	97,265
Furniture & Fixtures	8,483
Trailer	7,062
Less: Accumulated Depreciation	<u>(623,884)</u>
Total Long-Term Fixed Assets	<u>\$1,902,894</u>

(F)Estimates:

The preparation of financial statements in conformity with generally accepted accounting principles in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

(H)Concentration of Credit Risk:

Branford Electric Railway Association, Inc. maintains bank accounts with financial institutions whose balances are insured by the Federal Deposit Insurance Corporation (FDIC) within limits. Periodically, bank account balances may exceed FDIC coverage. No credit risk is expected from uninsured deposits.

(I)New Accounting Pronouncement:

On August 18, 2016, FASB issued ASU 2016-14, Not-for-Profit Entities (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. Branford Electric Railway Association, Inc. has adjusted the presentation of these statements accordingly

BRANFORD ELECTRIC RAILWAY ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019
-continued-

NOTE 1: ORGANIZATION, OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(J)Statement of Financial Accounting Standards 116 – Terms for Not Reporting Assets

The Board of Trustees for BERA has made a decision to not capitalize donated and purchased collections or exhibits in 2019, and as a result, in conformity with the practice followed by many museums and similar organizations, these assets are not reflected in the financial statements.

(K)Evaluation of Subsequent Events:

BERA's ongoing profitability may experience instability and estimates included in the financial statements may change due to current political and economic conditions as a result of the public health concerns related to the novel coronavirus, or COVID-19. The duration and intensity of these impacts and resulting disruption to which these events effect the organization's business will depend on future developments, which are highly uncertain and cannot be predicted at this time.

On March 27, 2020, the Coronavirus Aid, Relief and Economic Act ("the Act") was enacted. The Act provided relief to small businesses through the creation of the Paycheck Protection Program ("PPP"). On April 21, 2020, Branford Electric Railway Association, Inc. obtained a PPP loan in the amount of \$22,125, all of which may be forgivable if certain criteria are met. The loan has a fixed interest rate of 1% and matures on April 21, 2022. Based on available guidance from the federal government at the time of this report, it is likely that this loan and all accrued interest will be forgiven during the next fiscal year.

On June 30, 2020, Branford Electric Railway Association, Inc. obtained an Economic Injury Disaster Loan from the U.S. Small Business Administration in the amount of \$149,900. The loan has a fixed interest rate of 2.75% with payments of \$641 per month beginning 12 months from the date of the promissory note and matures on June 30, 2051.

Management considered all events through October 21, 2020, the date the financial statements were available for release, in preparing the financial statements and the related disclosures. Other than events mentioned in the preceding paragraphs, management is not aware of any significant events that occurred subsequent to December 31, 2019, but prior to the issuance of this report, that would have a material impact on the financial statements.

See Auditor's Report

BRANFORD ELECTRIC RAILWAY ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019
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NOTE 2: LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The following represents Branford Electric Railway Association, Inc.'s financial assets at December 31, 2019:

	<u>2019</u>
Financial assets at year-end:	
Cash and cash equivalents	\$304,076
Grants receivable	83,383
Pledges receivable – Short-Term	27,950
Inventory	17,287
Prepaid expenses	<u>38,959</u>
Total financial assets	<u>471,655</u>
Less amounts not available to be used within one year:	
Net assets with donor restrictions (See NOTE 7)	420,020
Less net assets with purpose restrictions estimated to be met in less than a year	<u>(89,238)</u>
	<u>330,782</u>
Financial assets available to meet cash needs for general expenditures over the next twelve months	<u>\$140,873</u>

Branford Electric Railway Association, Inc.'s goal is generally to maintain financial assets to meet 90 days of operating expenses (approximately \$187,902). As part of its liquidity plan, excess cash is invested in money market accounts. BERA does have a credit line with Webster bank with a credit limit of \$95,000 (See NOTE 4)

See Auditor's Report

BRANFORD ELECTRIC RAILWAY ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019
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NOTE 3: WHOLLY OWNED SUBSIDIARY - CONN. CO. EAST HAVEN, LIMITED LIABILITY COMPANY

In February 2004, the property adjacent to BERA located at 19 River Street, East Haven, Connecticut was purchased for future expansion purposes. A separate limited liability company named Conn. Co. East Haven, LLC was formed to hold title to the property and BERA is the sole member of the limited liability company.

In accordance with the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) the assets, liabilities, revenues and expenses of the limited liability company have been combined with the assets, liabilities, revenues and expenses of BERA. The assets and liabilities of the limited liability company are all without donor restrictions and detailed below.

<u>Assets</u>	
<u>Current Assets</u>	
Cash - Operating	\$7,938
Cash – Security Deposit Account	1,543
Total Current Assets	<u>9,481</u>
 <u>Property & Equipment</u>	
Land	40,000
Building	135,917
Building Improvements	4,397
Total Property & Equipment	<u>180,314</u>
Less Accumulated Depreciation	<u>(78,778)</u>
Property & Equipment, Net	<u>101,536</u>
 <u>Other Assets</u>	
Mortgage Escrow Deposits	1,807
Total Other Assets	<u>1,807</u>
Total Assets	<u>112,824</u>
 <u>Liabilities</u>	
<u>Current Liabilities</u>	
Security Deposits	1,400
Mortgage Payable, Net of Debt Issuance	6,320
Costs, Current portion	
Total Current Liabilities	<u>7,720</u>
 <u>Long-Term Liabilities</u>	
Mortgage Payable, Net of Debt Issuance	
Costs, Long-term portion	23,153
Total Long-Term Liabilities	<u>23,153</u>
Total Liabilities	<u>30,873</u>
Net Assets	<u>\$81,951</u>

See Auditor's Report

BRANFORD ELECTRIC RAILWAY ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019
-continued-

NOTE 4: LINE OF CREDIT – WEBSTER BANK

In 2019, BERA was approved by the Webster Bank for a line of credit with a credit limit of \$100,000. The interest rate is the Webster Prime Rate plus 1.250% as established by Webster Bank, National Association’s Treasury Group. For the year ended December 31, 2019, there is a balance of \$16,725 for the Line of Credit.

NOTE 5: MORTGAGE PAYABLES

(i)Mortgage Payable – Aspinall Land

On September 1, 2014, BERA entered into a mortgage for the Aspinall Land for \$70,000. The interest rate is a fixed rate of 5.00%. The monthly payment is \$461.97. The mortgage payable started on 9/1/2014 for a term of 240 months. For the year ended December 31, 2019, the Mortgage Payable – Aspinall Land is detailed below:

	<u>2019</u>
Total Mortgage Payable – Aspinall Land	\$57,539
Less: Current Portion	<u>2,728</u>
Total Note Payable, Long-Term Portion	<u><u>\$54,811</u></u>

Total future payments for the Mortgage Payable – Aspinall Land is as follows:

For the years ended:	
December 31, 2020	2,728
December 31, 2021	2,868
December 31, 2022	3,015
December 31, 2023	3,169
December 31, 2024	3,331
Thereafter	<u>42,428</u>
	<u><u>\$57,539</u></u>

See Auditor’s Report

BRANFORD ELECTRIC RAILWAY ASSOCIATION, INC.
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2019

NOTE 5: MORTGAGE PAYABLES-(continued)

(ii)Mortgage Payable – Conn. Co. East Haven, LLC

In 2014, BERA entered into a mortgage with Guilford Savings Bank for \$63,000. The mortgage is secured by the real estate located at 19 River Street, East Haven, Connecticut. The interest rate is a fixed rate of 4.875%. The monthly payment is \$664.37. The term of the mortgage payable is 10 years with a maturity date of March 4, 2024. The mortgage is shown net of debt issuance costs of \$1,319. For the year ended December 31, 2019, the Mortgage Payable – Conn. Co. East Haven, LLC is detailed below:

	<u>2019</u>
Total Mortgage Payable – Conn. Co. East Haven, LLC, Net of Debt Issuance Costs	\$29,473
Less: Current Portion, Net of Debt Issuance Costs	<u>6,320</u>
Total Note Payable,	
Long-Term Portion, Net of Debt Issuance Costs	<u>\$23,153</u>

Total future payments for the Mortgage Payable – Conn. Co. East Haven, LLC, Net of Debt Issuance Costs is as follows:

For the years ended:	
December 31, 2020	6,320
December 31, 2021	6,651
December 31, 2022	6,998
December 31, 2023	7,362
December 31, 2024	<u>2,142</u>
	<u>\$29,473</u>

In 2018, BERA retroactively adopted the requirements in ASU No. 2015-03 Interest-Imputation (Subtopic 835-10) simplifying the presentation of debt issuance costs to present debt issuance costs as a reduction of the carrying amount of the related debt rather than as an asset. For 2019, the mortgage debt of \$29,473 was reduced by debt issuance costs of \$1,319. Amortization of the debt issuance cost of \$310 is reported on the statement of activities.

NOTE 6: NOTE PAYABLE – GUILFORD SAVINGS BANK

The commercial line of credit note and loan agreement for \$100,000 was made with Guilford Savings bank with the guaranty by Conn. Co. East Haven, LLC. The interest rate is variable based on the Wall Street Journal rate (prime rate index). Additional collateral for the note and loan is a second mortgage from BERA on the real property, buildings and improvements located at 17 River Street, East Haven, CT. The due date of the line of credit note and loan was January 25, 2020, the maturity date. The note payable balance as of December 31, 2019 is \$99,521, with the annual interest rate ranging from 4.75% to 5.50%. The line of credit note and loan is payable upon demand. In 2020, BERA paid off this line of credit note and loan with funds obtained through a new line of credit loan with Webster Bank. (SEE NOTE 4)

BRANFORD ELECTRIC RAILWAY ASSOCIATION, INC.
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 DECEMBER 31, 2019
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NOTE 7: DONOR RESTRICTIONS ON NET ASSETS:

The donor restrictions on net assets are available for the following purposes:

Railway Cars – Restoration and Maintenance	\$175,477
Vision 2020: Protect, Preserve, Progress Campaign for Infrastructure Renewal and Improvement, Protecting the Collection and Financial Stability	143,884
Endowment (See Note 8)	97,661
Technology	2,800
Library	198
Total Donor Restrictions on Net Assets	\$420,020

NOTE 8: NET ASSETS WITH DONOR RESTRICTION - ENDOWMENT

As required by U.S. generally accepted accounting principles (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 or the Act) 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 classifies as permanently restricted net assets (s) the original value of gifts donated to the permanent endowment (b) the original value of subsequent gifts to the permanent endowment and (c) accumulations to the permanent endowment made in accordance with the directions 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 classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence restricted by the Act. In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the fund
2. The purposes of the Organization and the donor-restricted endowment fund
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
7. The investment policies of the Organization

Endowment net assets include only donor-restricted net assets at December 31, 2019. There were no changes in the endowment net assets for the year ended December 31, 2019 and are as follows:

Endowment net assets – beginning of year	\$97,661
Endowment net assets – end of year	\$97,661

As of December 31, 2019, BERA has not implemented policies for investment and appropriating for spending as the funds have not reached the level desired to begin investment planning and spending.

See Auditor’s Report

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NOTE 9: IN-KIND CONTRIBUTIONS

The In-Kind Contributions revenue account consists of items contributed to BERA that can be recorded in the statement of activities under the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) and are detailed below:

Supplies	\$10,035
Railway Cars – Restoration and Maintenance	2,722
Postage & Freight	1,835
Railway Expenses	1,341
Building & Grounds – Repairs and Maintenance	830
Legal & Accounting	555
Total In-Kind Contributions	<u>\$17,318</u>

NOTE 10: PRIOR PERIOD ADJUSTMENT

For the year ended December 31, 2018, grants receivable and prepaid expenses were incorrectly reported resulting in an understatement of net assets without donor restrictions of \$34,096. In accordance with Generally Accepted Accounting Principles, the prior period adjustment of \$34,096 is shown on Statement of Changes in Net Assets as a Prior Period Adjustment.

See Auditor's Report