

# St. Louis County Historical Society

Annual Financial Statements

Years ended December 31, 2018 and 2017



**WIPFLI**<sup>LLP</sup>  
CPAs and Consultants



## **Independent Auditor's Report**

To the Board of Governors  
St. Louis County Historical Society  
Duluth, Minnesota

### **Report on the Financial Statements**

We have audited the accompanying financial statements of St. Louis County Historical Society (the Society), which comprise the statements of financial position as of December 31, 2018 and 2017, and the related statements of activities, functional expenses, and cash flows for the years then ended and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States. 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 St. Louis County Historical Society as of December 31, 2018 and 2017, and the change in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States.



**Emphasis of Matter**

As discussed in Note 1 to the financial statements, St. Louis County Historical Society adopted the amendments in the Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities - Presentation of Financial Statements for Not-for-Profit Entities*, as of and for the year ended December 31, 2018.

*Wipfli LLP*

Wipfli LLP

July 24, 2019  
Duluth, Minnesota

# St. Louis County Historical Society

## Statements of Financial Position

December 31,

<b>Assets</b>	<b>2018</b>	<b>2017</b>
Current assets		
Cash and cash equivalents	\$ 344,029	\$ 219,856
Accounts receivable	2,210	1,100
Grants receivable	37,139	77,780
Prepaid insurance	3,479	3,498
<b>Total current assets</b>	<b>386,857</b>	<b>302,234</b>
Other assets		
Assets held by others	102,036	120,891
<b>Collections and exhibits</b>	<b>3,060,011</b>	<b>3,046,335</b>
Property and equipment		
Furniture, fixtures and equipment	513,100	438,768
Leasehold improvements	29,689	29,689
Construction in progress	5,603	22,988
Accumulated depreciation	(281,490)	(220,471)
<b>Net property and equipment</b>	<b>266,902</b>	<b>270,974</b>
<b>Total assets</b>	<b>\$ 3,815,806</b>	<b>\$ 3,740,434</b>
<b>Liabilities and Net Assets</b>	<b>2018</b>	<b>2017</b>
Current liabilities		
Current portion of capital lease payable	\$ 1,231	\$ 2,338
Accounts payable	4,656	1,972
Accrued payroll and taxes	11,727	8,375
Deferred revenue	15,969	4,797
<b>Total current liabilities</b>	<b>33,583</b>	<b>17,482</b>
Capital lease payable, net of current portion	-	1,231
Net assets		
Without donor restrictions		
Undesignated	3,383,747	3,366,710
Board designated	102,036	120,891
With donor restrictions	296,440	234,120
<b>Total net assets</b>	<b>3,782,223</b>	<b>3,721,721</b>
<b>Total liabilities and net assets</b>	<b>\$ 3,815,806</b>	<b>\$ 3,740,434</b>

See accompanying notes to the financial statements.

# St. Louis County Historical Society

## Statements of Activities

For the Years Ended December 31,

	2018			2017		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Public support and revenue						
Public support						
St. Louis County	\$ 406,998	\$ -	\$ 406,998	\$ 352,198	\$ -	\$ 352,198
Collections contributed	13,676	-	13,676	1,830	-	1,830
Contributions and grants	41,046	189,669	230,715	26,730	162,665	189,395
Donated rents	40,824	-	40,824	40,045	-	40,045
<b>Total public support</b>	<b>502,544</b>	<b>189,669</b>	<b>692,213</b>	<b>420,803</b>	<b>162,665</b>	<b>583,468</b>
Revenue						
Memberships	8,365	-	8,365	8,442	-	8,442
Interest income	212	-	212	357	-	357
Change in value of assets held by others	(13,380)	-	(13,380)	11,792	-	11,792
Book sales	18	-	18	246	-	246
Special events and tours, net of expenses of \$3,837 and \$7,217	15,777	-	15,777	14,270	-	14,270
Gain on sale of property and equipment	-	-	-	350	-	350
Miscellaneous	14,699	-	14,699	3,870	-	3,870
<b>Total revenue</b>	<b>25,691</b>	<b>-</b>	<b>25,691</b>	<b>39,327</b>	<b>-</b>	<b>39,327</b>
<b>Total public support and revenue</b>	<b>528,235</b>	<b>189,669</b>	<b>717,904</b>	<b>460,130</b>	<b>162,665</b>	<b>622,795</b>
Net assets released from restrictions	127,349	(127,349)	-	74,647	(74,647)	-
Expenses						
Unallocated payments to affiliated organizations	73,116	-	73,116	67,116	-	67,116
Functional expenses						
Program services						
Historical preservation	388,582	-	388,582	272,202	-	272,202
Supporting services						
Management and general	148,579	-	148,579	131,210	-	131,210
Fundraising	47,125	-	47,125	39,986	-	39,986
<b>Total functional expenses</b>	<b>584,286</b>	<b>-</b>	<b>584,286</b>	<b>443,398</b>	<b>-</b>	<b>443,398</b>
<b>Total expenses</b>	<b>657,402</b>	<b>-</b>	<b>657,402</b>	<b>510,514</b>	<b>-</b>	<b>510,514</b>
Change in net assets	(1,818)	62,320	60,502	24,263	88,018	112,281
Net assets, beginning of year	3,487,601	234,120	3,721,721	3,463,338	146,102	3,609,440
Net assets, end of year	\$ 3,485,783	\$ 296,440	\$ 3,782,223	\$ 3,487,601	\$ 234,120	\$ 3,721,721

See accompanying notes to the financial statements.

# St. Louis County Historical Society

## Statement of Functional Expenses

For the Year Ended December 31, 2018

	Program Services		Supporting Services		Total
	Historical Preservation	Management and General	Fundraising		
Salaries	\$ 176,641	\$ 61,193	\$ 19,578		257,412
Payroll taxes and related payroll expenses	16,324	5,655	1,809		23,788
Employee health insurance	9,677	3,353	1,073		14,103
Pension	2,833	1,774	455		5,062
<b>Total salaries and related expenses</b>	<b>205,475</b>	<b>71,975</b>	<b>22,915</b>		<b>300,365</b>
Advertising	1,320	-	1,319		2,639
Common area maintenance	10,742	1,343	1,343		13,428
Dues and subscriptions	1,334	333	-		1,667
Insurance	7,696	5,131	-		12,827
Interest	97	35	44		176
Miscellaneous	2,459	2,459	1,229		6,147
Office supplies	2,667	2,666	1,333		6,666
Postage	507	506	253		1,266
Printing and reproduction	1,015	1,015	508		2,538
Professional services	23,598	47,197	7,866		78,661
Project costs	16,460	2,058	2,058		20,576
Rent - donated	38,783	2,041	-		40,824
Repairs and maintenance	10,250	1,139	-		11,389
Supplies and other for special events	-	-	3,837		3,837
Communications	2,866	1,433	1,433		5,732
Travel and staff expense	1,616	2,424	-		4,040
Museum - exhibits and supplies, conservation, repair, and acquisition of collection	7,108	-	-		7,108
<b>Total functional expenses before depreciation</b>	<b>333,993</b>	<b>141,755</b>	<b>44,138</b>		<b>519,886</b>
Depreciation	54,589	6,824	6,824		68,237
<b>Total expenses</b>	<b>388,582</b>	<b>148,579</b>	<b>50,962</b>		<b>588,123</b>
Less expenses included with revenue on the statement of activities:					
Direct cost of special events	-	-	(3,837)		(3,837)
<b>Total functional expenses</b>	<b>\$ 388,582</b>	<b>\$ 148,579</b>	<b>\$ 47,125</b>	<b>\$</b>	<b>584,286</b>

# St. Louis County Historical Society

## Statement of Functional Expenses

For the Year Ended December 31, 2017

	Program Services		Supporting Services		Total
	Historical Preservation	Management and General	Fundraising		
Salaries	\$ 116,897	\$ 60,849	\$ 19,122	\$ 196,868	
Payroll taxes and related payroll expenses	10,302	5,362	1,685	17,349	
Employee health insurance	4,834	2,516	791	8,141	
Pension	2,321	1,161	386	3,868	
<b>Total salaries and related expenses</b>	<b>134,354</b>	<b>69,888</b>	<b>21,984</b>	<b>226,226</b>	
Advertising	183	-	183	366	
Common area maintenance	10,234	1,279	1,279	12,792	
Dues and subscriptions	1,137	284	-	1,421	
Insurance	7,600	5,067	-	12,667	
Interest	183	67	83	333	
Miscellaneous	3,251	3,251	1,626	8,128	
Office supplies	2,689	2,689	1,345	6,723	
Postage	467	467	234	1,168	
Printing and reproduction	786	786	394	1,966	
Professional services	17,216	34,432	5,738	57,386	
Project costs	2,811	351	352	3,514	
Rent - donated	38,043	2,002	-	40,045	
Repairs and maintenance	4,467	496	-	4,963	
Supplies and other for special events	-	-	7,217	7,217	
Communications	3,196	1,598	1,598	6,392	
Travel and staff expense	2,256	3,383	-	5,639	
Museum - exhibits and supplies, conservation, repair, and acquisition of collection	1,966	-	-	1,966	
<b>Total functional expenses before depreciation</b>	<b>230,839</b>	<b>126,040</b>	<b>42,033</b>	<b>398,912</b>	
Depreciation	41,363	5,170	5,170	51,703	
<b>Total expenses</b>	<b>272,202</b>	<b>131,210</b>	<b>47,203</b>	<b>450,615</b>	
Less expenses included with revenue on the statement of activities:					
Direct cost of special events	-	-	(7,217)	(7,217)	
<b>Total functional expenses</b>	<b>\$ 272,202</b>	<b>\$ 131,210</b>	<b>\$ 39,986</b>	<b>\$ 443,398</b>	

# St. Louis County Historical Society

## Statements of Cash Flows

For the Years Ended December 31,

	2018	2017
Cash flows from operating activities		
Change in net assets	\$ 60,502	\$ 112,281
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	68,237	51,703
Collections contributed	(13,676)	(1,830)
Gain on sale of property and equipment	-	(350)
Change in value of assets held by others	13,380	(11,792)
Change in operating assets and liabilities		
(Increase) decrease in		
Accounts receivable	(1,110)	8,400
Grants receivable	40,641	(73,603)
Prepaid insurance	19	(126)
Increase (decrease) in		
Accounts payable	2,684	(12,901)
Accrued payroll and taxes	3,352	(3,988)
Deferred revenue	11,172	(102)
Net cash provided by operating activities	185,201	67,692
Cash flows from investing activities		
Withdrawal from assets held by others	5,475	1,222
Proceeds on sale of property and equipment	-	350
Purchase of property and equipment	(64,165)	(88,168)
Net cash used in investing activities	(58,690)	(86,596)
Cash flows from financing activities		
Payments on capital lease payable	(2,338)	(2,181)
Net increase (decrease) in cash	124,173	(21,085)
Cash and cash equivalents, beginning of year	219,856	240,941
Cash and cash equivalents, end of year	\$ 344,029	\$ 219,856
Supplemental disclosures		
Interest paid	\$ 176	\$ 333
Contributions of collection items	13,676	1,830

See accompanying notes to the financial statements.



# St. Louis County Historical Society

## Notes to Financial Statements

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### Note 1: Summary of Significant Accounting Policies

#### Organization

The St. Louis County Historical Society (the Society) was formed on a nonprofit basis on January 10, 1951, to discover, preserve, and disseminate knowledge about the history of St. Louis County and the State of Minnesota.

The Society receives a substantial amount of its revenue from St. Louis County.

#### Basis of Accounting

The financial statements of the Society have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States.

#### Net Assets

Net assets and revenues, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Society 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. The governing board has designated, from net assets without donor restrictions, net assets for a board-designated endowment.

**Net assets with donor restrictions:** Net assets subject to donor- (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 that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

#### Cash and Cash Equivalents

The Society classifies as cash and cash equivalents, all checking, savings and investments maturing within ninety days from the date of purchase which are not restricted by donors for long-term purposes. A certificate of deposit with a balance of \$11,974 and \$11,932 at December 31, 2018 and 2017, respectively, is included in cash and cash equivalents in the accompanying financial statements. The certificate bears interest at 0.35 percent and matures April 19, 2019, with penalties for early withdrawal. The certificate can easily be converted to cash and any penalties for early withdrawal would not have a material effect on the financial statements, and therefore management considers the certificate of deposit a cash equivalent.

# St. Louis County Historical Society

## Notes to Financial Statements

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### **Note 1: Summary of Significant Accounting Policies** (Continued)

#### **Accounts and Grants Receivable**

Accounts and grants receivable are stated at the amount management expects to collect from outstanding balances at year-end. Management closely monitors outstanding balances and writes off, as of year-end, all balances that are considered uncollectible. Based on assessment of the credit history with grantors and donors having outstanding balances and current relationships with them, management has concluded that realized losses (if any) on balances outstanding at year-end would be immaterial.

#### **Collections and Exhibits**

The Society capitalizes its collections. Accessions are capitalized at cost if purchased and at appraised or fair value at date of accession if received by donation. Exhibits are considered temporary and are expensed as they are purchased.

#### **Property and Equipment**

Purchased assets over \$500 are capitalized at cost, with normal repairs and maintenance charged to operating expenses when incurred. Donated assets are capitalized at their estimated fair value when received. Such donations are reported as increases in net assets without donor restrictions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as increases to net assets with donor restrictions. Absent donor stipulations regarding how long those donated assets must be maintained, the Society reports expiration of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Society reclassifies net assets with donor restrictions to net assets without donor restrictions at that time.

In 2018, the Society had construction in progress of \$5,603 for the VMH Hubert Traveling Exhibit and the Erie Mining Fixed Exhibit. In 2017, the Society had construction in progress of \$22,988 for Ojibway Gallery upgrades, Erie Mining Traveling Exhibit, and the Erie Mining Fixed Exhibit. Depreciation of furniture and equipment is computed using the straight-line method over estimated useful lives of three to ten years. Depreciation of leasehold improvements is computed using the straight-line method over fifteen years. Depreciation expense was \$68,237 and \$51,703 for the years ended December 31, 2018 and 2017.

#### **Advertising and Promotion**

Advertising and promotion costs are charged to operations when incurred. For the years ended December 31, 2018 and 2017, the amount charged to expense was \$2,639 and \$366, respectively.

# St. Louis County Historical Society

## Notes to Financial Statements

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### **Note 1: Summary of Significant Accounting Policies** (Continued)

#### **Functional Allocation of Expenses**

The costs of program and supporting services activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The expenses allocated include salaries and benefits, which are allocated on the basis of time and effort.

#### **Contribution Revenue**

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.

#### **Use of Estimates**

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

#### **Income Taxes**

The Society is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. However, income from certain activities not directly related to the Society's tax-exempt purpose is subject to taxation on unrelated business income.

The Society assesses whether it is more likely than not that a tax position will be sustained upon examination of the technical merits or the position, assuming the taxing authority has full knowledge of all information. If the tax position does not meet the more likely than not recognition threshold, the benefit of the tax position is not recognized in the financial statements. The Society recorded no assets or liabilities for uncertain tax positions or unrecognized tax benefits.

# St. Louis County Historical Society

## Notes to Financial Statements

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### Note 1: Summary of Significant Accounting Policies (Continued)

#### Reclassification

Certain amounts as previously reported in the 2017 financial statements have been reclassified to conform to the 2018 presentation. Such reclassifications have no effect on reported amounts of net assets or change in net assets.

#### Subsequent Events

The Society has evaluated events and transactions for potential recognition or disclosure in the financial statements through July 24, 2019, which is the date the financial statements were available to be issued.

#### Change in Accounting Policy

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. The Society has adjusted the presentation of these statements accordingly. The ASU has been applied retrospectively to all periods presented.

The changes have the following effect on net assets at December 31, 2017:

<i>Net Asset Class</i>	As Originally Presented	After Adoption of ASU 2016-14
Unrestricted net assets	\$ 3,487,601	\$ -
Temporarily restricted net assets	234,120	-
Net assets without donor restrictions	-	3,487,601
Net assets with donor restrictions	-	234,120
<b>Total net assets</b>	<b>\$ 3,721,721</b>	<b>\$ 3,721,721</b>

# St. Louis County Historical Society

## Notes to Financial Statements

### Note 2: Fair Value Measurements

The Society 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 1) and the lowest priority to unobservable inputs (Level 3). 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 follow:

Level 1 - Inputs that utilize quoted prices (unadjusted) in active markets for identical assets or liabilities that the Society has the ability to access.

Level 2 - Inputs that included 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. Fair values for these instruments are estimated using pricing models, quoted prices of securities with similar characteristics, or discounted cash flows.

Level 3 - Inputs that are unobservable inputs for the asset or liability, which are typically based on an entity's own assumptions, as there is little, if any, related market activity.

Assets held by others are measured on a recurring basis using significant unobservable inputs.

The following table presents the balances of assets and liabilities measured at fair value on a recurring basis by level within the fair value hierarchy at December 31, 2018:

<i>Fair Value Measurements Listing</i>	Level 1	Level 2	Level 3	Total Assets at Fair Value
Assets held by others	\$ -	\$ -	\$ 102,036	\$ 102,036
<b>Total</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 102,036</b>	<b>\$ 102,036</b>

The following table presents the balances of assets and liabilities measured at fair value on a recurring basis by level within the fair value hierarchy at December 31, 2017:

<i>Fair Value Measurements Listing</i>	Level 1	Level 2	Level 3	Total Assets at Fair Value
Assets held by others	\$ -	\$ -	\$ 120,891	\$ 120,891
<b>Total</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 120,891</b>	<b>\$ 120,891</b>

There were no assets or liabilities measured at fair value on a nonrecurring basis as of December 31, 2018 and 2017.

# St. Louis County Historical Society

## Notes to Financial Statements

### Note 2: Fair Value Measurements (Continued)

Information regarding the changes in the fair value of the Society's assets using significant unobservable inputs (Level 3) is as follows:

<i>Years Ended December 31,</i>	2018	2017
Balance, beginning of year	\$ 120,891	\$ 110,321
Withdrawals	(5,475)	(1,222)
Change in value	(13,380)	11,792
Balance, end of year	\$ 102,036	\$ 120,891

### Quantitative Information about Significant Unobservable Inputs Used in Level 3 Fair Value Measurements

The following table represents the Society's level 3 asset, the valuation techniques used to measure the fair value of the asset, and the significant unobservable inputs and ranges of values for those inputs.

Instrument	Fair Value 12/31/18	Fair Value 12/31/17	Principle Valuation Technique	Unobservable Inputs	Range
Assets held by others	\$ 102,036	\$ 120,891	Quoted Market Prices or Third Party Pricing	Market price of assets held	Unknown

### Note 3: Assets Held by Others

The Mike Colalillo Medal of Honor Scholarship Fund was established with the Duluth-Superior Area Community Foundation by the St. Louis County Historical Society. The St. Louis County Historical Society is the sole beneficiary.

The St. Louis County Historical Society Designated Endowment Fund was established with the Depot Foundation by the Society in prior years. The St. Louis County Historical Society is the sole beneficiary.

Under Financial Accounting Standards Board's Accounting Standards Codification, Not-for-Profit Entities, Revenue Recognition, the portion of the funds contributed by the St. Louis County Historical Society is considered a reciprocal transfer because the St. Louis County Historical Society is also the beneficiary of the funds. The funds are reported as an asset of the St. Louis County Historical Society. The fair value of this asset was \$102,036 and \$120,891 as of December 31, 2018 and 2017.

Unrealized changes in fair value are recorded in the change in value of assets held by others in the statement of activities.

# St. Louis County Historical Society

## Notes to Financial Statements

### Note 4: Endowment Funds

The Board has established an Endowment Fund. The assets of the fund are held by the Duluth-Superior Area Community Foundation (DSACF) and the Depot Foundation (Depot) (see Note 3). DSACF and the Depot have authority to hold, manage and invest the funds held on behalf of the Society.

DSACF distributes net income at least annually. The distributions are available for the purposes of the Society. The Society may request additional distributions in accordance with the agreement with DSACF.

Changes in net assets with donor restrictions - Board Designated Endowment for the years ended December 31, 2018 and 2017, were as follows:

	2018	2017
Balance, January 1	\$ 120,891	\$ 110,321
Investment fees	(237)	(255)
Withdrawals	(5,475)	(1,222)
Net appreciation (depreciation) - realized and unrealized	(13,143)	12,047
<b>Balance, December 31</b>	<b>\$ 102,036</b>	<b>\$ 120,891</b>

### Note 5: Net Assets with Donor Restrictions

Net assets with donor restrictions are restricted for the following purposes or periods at December 31, 2018 and 2017.

<i>Years Ended December 31,</i>	2018	2017
American Indian Project	\$ 38,113	\$ 54,817
Scholarships-VMH	24,030	25,538
Erie Mining Book Project	173,019	118,553
Veterans Memorial Hall Gomer/Wheat Statue Maintenance	6,555	6,555
Collection Care	3,257	654
Veterans Memorial Hall - Archives	-	8,723
Eli's Farm	7,280	7,280
Veterans Oral History/Traveling Exhibit	10,000	10,000
Ryan Room	24,600	-
Fessler Gallery Project	7,586	-
Civil War Reenactors	2,000	2,000
<b>Total</b>	<b>\$ 296,440</b>	<b>\$ 234,120</b>

# St. Louis County Historical Society

## Notes to Financial Statements

### Note 5: Net Assets with Donor Restrictions (Continued)

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose as follows for the years ended December 31, 2018 and 2017:

<i>Years Ended December 31,</i>	2018	2017
American Indian Project	\$ 45,457	\$ 12,954
Erie Mining Book Project	71,661	51,574
Scholarships-VMH	1,508	1,500
Veteran Memorial Hall - Archives	8,723	4,767
Collection Care	-	3,852
<b>Total</b>	<b>\$ 127,349</b>	<b>\$ 74,647</b>

### Note 6: Amounts Paid to Affiliated Organizations

For the years ended December 31, 2018 and 2017, the Society distributed the following amounts to other regional historical societies and museums pursuant to its funding agreement with St. Louis County:

<i>Years Ended December 31,</i>	2018	2017
Ely-Winton Historical Society	\$ 16,164	\$ 15,164
Hibbing Historical Society	14,596	13,596
Tower-Soudan Historical Society	9,108	8,108
Virginia Historical Society	14,696	13,696
Museum of Mining	11,372	10,372
Sisu Heritage, Inc.	7,180	6,180
<b>Total</b>	<b>\$ 73,116</b>	<b>\$ 67,116</b>

### Note 7: Donated Rents and Services

Space is being donated at the University of Minnesota-Duluth (U.M.D) for use by the Society. The following donated rent is shown in the accompanying financial statements as both contribution income and expense.

<i>Years Ended December 31,</i>	2018	2017
U.M.D. (space)	\$ 40,824	\$ 40,045

Donated services are recognized 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 Society. Volunteers also provided a variety of tasks and fund-raising services throughout the year that are not recognized as contributions in the financial statements since the recognition criteria were not met. Those amounts have an estimated value of \$46,200 and \$37,200 for the years ended December 31, 2018 and 2017, respectively.



# St. Louis County Historical Society

## Notes to Financial Statements

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### Note 8: Pension Plan

The Society participates in a defined contribution plan through TIAA-CREF. This plan covers employees who work at least 1,000 hours per year, are twenty-one years of age and older, and have at least eighteen months of service. Contributions are three percent of each covered employee's salary and totaled \$5,062 and \$3,868 for the years ended December 31, 2018 and 2017, respectively.

### Note 9: Operating Leases

The Society has an annual renewable lease with St. Louis County. The lease is for the use of office and exhibit space located at 506 West Michigan Street. The lease has been extended verbally on an annual basis. In July 2019, the Society entered into a lease agreement with St. Louis County through December 31, 2019.

The lease requires an additional annual common area maintenance charge when actual operating costs of the building, as described in the lease agreement, exceed an allocated based amount. The common area maintenance charges to the Society were \$13,428 and \$12,792 for the years ended December 31, 2018 and 2017, respectively.

### Note 10: Capital Lease Obligation

The Society leases a copier with lease payments of \$209 per month beginning July 2014 through June 2019. A capital lease obligation has been recorded at the present value of future minimum lease payments, discounted at an interest rate of 7 percent. The capitalized cost of \$10,578 less accumulated depreciation of \$9,697 and \$7,581 at December 31, 2018 and 2017, respectively, is included in furniture, fixtures and equipment in the accompanying financial statements. Depreciation expense for equipment was \$2,116 for the years ended December 31, 2018 and 2017.

The Society incurred interest expense on the lease of \$176 and \$333 during the years ended December 31, 2018 and 2017, respectively.

The Society entered into a new lease agreement replacing the existing agreement in March 2019. Future payments for the new capital lease are not reflected in the table below.

The future minimum lease payments under the current capital lease and the net present value of future minimum lease payments are as follows as of December 31, 2018:

<i>Year Ending December 31,</i>		
2019	\$	1,256
Future minimum lease payments		1,256
Less amount representing interest		(25)
Total capital lease obligation	\$	1,231

# St. Louis County Historical Society

## Notes to Financial Statements

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### Note 11: Liquidity and Availability of Financial Resources

The following table reflects the Society's financial assets as of December 31, 2018, and 2017, reduced by amounts that are not available to meet general expenditures within one year of the statement of financial position date. Amounts not available to meet general expenditures within one year include net assets with donor restrictions.

<i>Years Ended December 31,</i>	2018	2017
Cash	\$ 344,029	\$ 219,856
Accounts receivable	2,210	1,100
Grants receivable	37,139	77,780
<b>Total financial assets as of end of year</b>	<b>383,378</b>	<b>298,736</b>
<b>Less: Net assets with donor restrictions</b>	<b>(296,440)</b>	<b>(234,120)</b>
<b>Financial assets available to meet cash needs for general expenditure within one year</b>	<b>\$ 86,938</b>	<b>\$ 64,616</b>

As part of the Society's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. To help manage unanticipated liquidity needs, the Society holds money in a certificate of deposit further described in Note 1. Additionally, the Society has a board-designated endowment, further described in Note 4. Although the Society does not intend to spend from its Board-designated endowment other than amounts distributed for general expenditure, amounts from its Board-designated endowment could be made available if necessary.