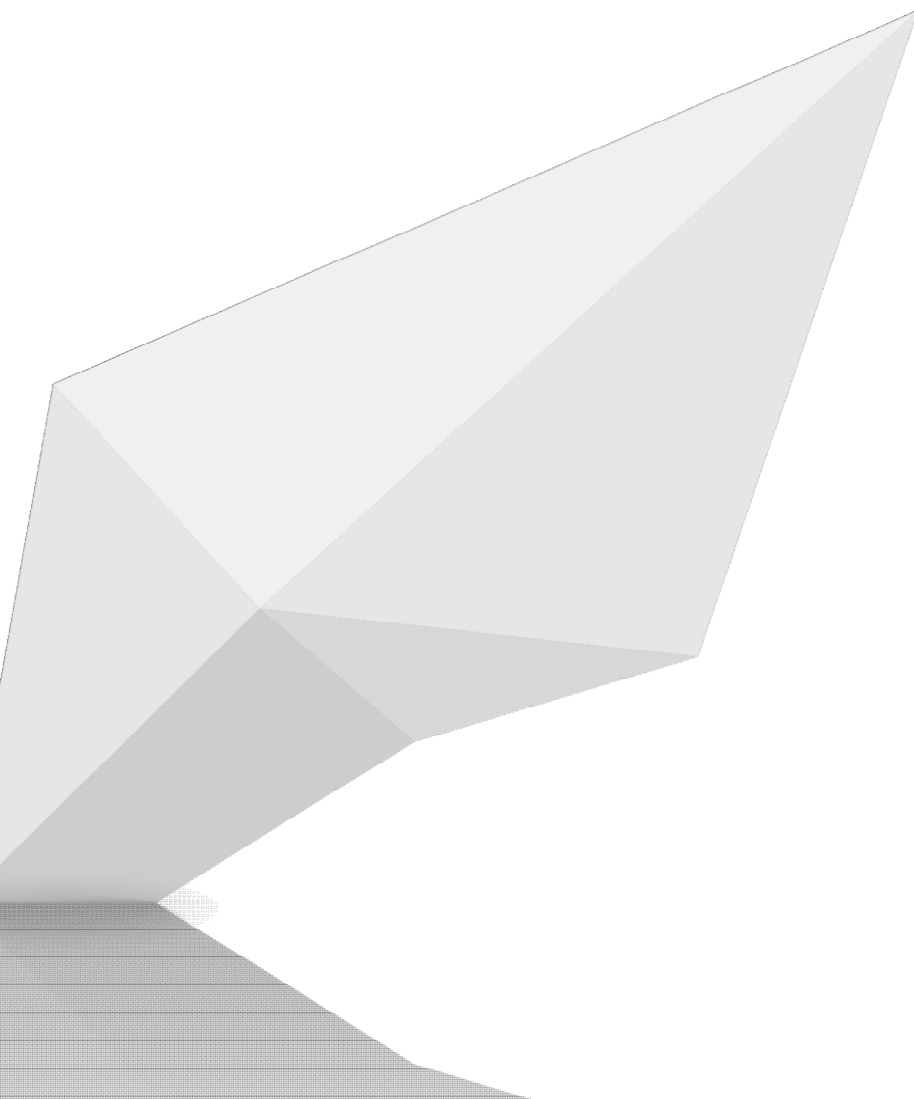


St. Louis County Historical Society

Annual Financial Statements

Years Ended December 31, 2021 and 2020



WIPFLI

Independent Auditor's Report

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

Opinion

We have audited the accompanying financial statements (the financial statements) of St. Louis County Historical Society (the Society), a nonprofit organization, which comprise the accompanying statements of financial position as of December 31, 2021 and 2020, and the related accompanying statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of St. Louis County Historical Society as of December 31, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America (GAAP).

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). 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 St. Louis County Historical Society and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our 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 St. Louis County Historical Society's ability to continue as a going concern for one year after the date the financial statements are available to be issued.

Auditor's Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance 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 GAAS 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 GAAS, 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 St. Louis County Historical Society'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 St. Louis County Historical Society'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.

A handwritten signature in black ink that reads "Wipfli LLP". The signature is written in a cursive, flowing style.

Wipfli LLP

August 5, 2022

Duluth, Minnesota

St. Louis County Historical Society

Statements of Financial Position

December 31,

Assets	2021	2020
Current assets		
Cash and cash equivalents	\$ 425,176	\$ 401,901
Accounts receivable	-	1,530
Grants receivable	-	44,983
Prepaid insurance	7,631	3,474
Inventory	34,400	39,216
Total current assets	467,207	491,104
Other assets		
Assets held by others	201,114	184,791
Collections and exhibits	3,095,162	3,090,546
Property and equipment		
Furniture, fixtures and equipment	535,577	540,425
Leasehold improvements	29,689	29,689
Construction in progress	96,200	48,700
Accumulated depreciation	(487,695)	(424,575)
Net property and equipment	173,771	194,239
Total assets	\$ 3,937,254	\$ 3,960,680
Liabilities and Net Assets	2021	2020
Current liabilities		
Current portion of capital lease payable	\$ 2,224	\$ 2,074
Accounts payable	3,886	13,404
Accrued payroll and taxes	10,509	7,535
Deferred revenue	4,797	4,797
Total current liabilities	21,416	27,810
Capital lease payable, net of current portion	3,008	5,232
Net assets		
Without donor restrictions		
Undesignated	3,579,643	3,547,529
Board designated	201,114	184,791
With donor restrictions	132,073	195,318
Total net assets	3,912,830	3,927,638
Total liabilities and net assets	\$ 3,937,254	\$ 3,960,680

See accompanying notes to the financial statements.

St. Louis County Historical Society

Statements of Activities

For the Years Ended December 31,

	2021			2020		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Public support and revenue						
Public support						
St. Louis County	\$ 533,352	\$ -	\$ 533,352	\$ 524,434	\$ -	\$ 524,434
Collections contributed	4,616	-	4,616	15,225	-	15,225
Contributions and grants	74,751	83,709	158,460	53,277	54,885	108,162
Donated rents	40,824	-	40,824	40,824	-	40,824
Total public support	653,543	83,709	737,252	633,760	54,885	688,645
Revenue						
Memberships	7,952	-	7,952	7,977	-	7,977
Interest income	237	-	237	166	-	166
Change in value of assets held by others	20,672	-	20,672	22,362	-	22,362
Book sales, net of cost of goods sold of \$4,816 and \$9,853	5,412	-	5,412	12,599	-	12,599
Special events and tours, net of expenses of \$2,721 and \$181	6,789	-	6,789	6,094	-	6,094
Miscellaneous	1,376	-	1,376	931	-	931
Total revenue	42,438	-	42,438	50,129	-	50,129
Total public support and revenue	695,981	83,709	779,690	683,889	54,885	738,774
Net assets released from restrictions	146,954	(146,954)	-	142,951	(142,951)	-
Expenses						
Unallocated payments to affiliated organizations	85,116	-	85,116	79,116	-	79,116
Functional expenses						
Program services						
Historical preservation	523,353	-	523,353	395,938	-	395,938
Supporting services						
Management and general	131,931	-	131,931	150,495	-	150,495
Fundraising	54,098	-	54,098	52,399	-	52,399
Total functional expenses	709,382	-	709,382	598,831	-	598,831
Total expenses	794,498	-	794,498	677,947	-	677,947
Change in net assets	48,437	(63,245)	(14,808)	148,893	(88,066)	60,827
Net assets, beginning of year	3,732,320	195,318	3,927,638	3,583,427	283,384	3,866,811
Net assets, end of year	\$ 3,780,757	\$ 132,073	\$ 3,912,830	\$ 3,732,320	\$ 195,318	\$ 3,927,638

See accompanying notes to the financial statements.

St. Louis County Historical Society

Statement of Functional Expenses

For the Year Ended December 31, 2021

	Program Services			Supporting Services		Total
	Historical Preservation	Management and General		Fundraising		
Salaries	\$ 286,902	\$ 52,473	\$ 30,066		369,441	
Payroll taxes and related payroll expenses	23,182	6,623	3,312		33,117	
Employee health insurance	9,481	4,740	1,580		15,801	
Pension	1,987	1,405	904		4,296	
Total salaries and related expenses	321,552	65,241	35,862		422,655	
Advertising	1,190	-	1,190		2,380	
Common area maintenance	14,001	1,750	1,750		17,501	
Cost of goods sold	4,816	-	-		4,816	
Dues and subscriptions	1,889	472	-		2,361	
Insurance	8,768	5,845	-		14,613	
Interest	223	112	111		446	
Miscellaneous	3,977	3,977	1,988		9,942	
Office supplies	2,936	2,936	1,467		7,339	
Postage	1,030	1,030	515		2,575	
Print and reproduce	1,116	1,116	559		2,791	
Professional services	22,950	28,688	5,738		57,376	
Project costs	11,087	584	-		11,671	
Rent - donated	38,783	2,041	-		40,824	
Repairs and maintenance	15,395	1,711	-		17,106	
Supplies and other for special events	-	-	2,721		2,721	
Communications	4,794	2,397	799		7,990	
Travel and staff expense	1,675	1,674	-		3,349	
Museum - exhibits and supplies, conservation, repair, and acquisition of collection	6,083	-	-		6,083	
Total functional expenses before depreciation	462,265	119,574	52,700		634,539	
Depreciation	65,904	12,357	4,119		82,380	
Total expenses	528,169	131,931	56,819		716,919	
Less expenses included with revenue on the statement of activities:						
Cost of goods sold	(4,816)	-	-		(4,816)	
Direct cost of special events	-	-	(2,721)		(2,721)	
Total functional expenses	\$ 523,353	\$ 131,931	\$ 54,098	\$ 709,382		

See accompanying notes to the financial statements.

St. Louis County Historical Society

Statement of Functional Expenses

For the Year Ended December 31, 2020

	Program Services		Supporting Services		Total
	Historical	Management	Fundraising		
	Preservation	and General			
Salaries	\$ 156,447	\$ 63,413	\$ 23,446	\$ 243,306	
Payroll taxes and related payroll expenses	15,083	6,113	2,260	23,456	
Employee health insurance	10,189	4,130	1,527	15,846	
Pension	3,247	1,687	477	5,411	
Total salaries and related expenses	184,966	75,343	27,710	288,019	
Advertising	1,986	-	1,986	3,971	
Common area maintenance	10,742	1,343	1,343	13,428	
Cost of goods sold	9,853	-	-	9,853	
Donations	33,054	-	-	33,054	
Dues and subscriptions	1,468	367	-	1,835	
Insurance	7,310	4,873	-	12,183	
Interest	322	117	147	586	
Miscellaneous	1,098	1,098	549	2,745	
Office supplies	2,665	2,665	1,333	6,663	
Postage	6,404	6,404	3,202	16,009	
Professional services	19,027	38,053	6,342	63,422	
Project costs	3,846	481	481	4,807	
Rent - donated	38,783	2,041	-	40,824	
Repairs and maintenance	10,779	1,198	-	11,977	
Supplies and other for special events	-	-	181	181	
Communications	3,762	7,525	1,254	12,541	
Travel and staff expense	934	934	-	1,868	
Museum - exhibits and supplies, conservation, repair, and acquisition of collection	4,367	-	-	4,367	
Total functional expenses before depreciation	341,365	142,442	44,527	528,333	
Depreciation	64,426	8,053	8,053	80,532	
Total expenses	405,791	150,495	52,580	608,865	
Less expenses included with revenue on the statement of activities:					
Cost of goods sold	(9,853)	-	-	(9,853)	
Direct cost of special events	-	-	(181)	(181)	
Total functional expenses	\$ 395,938	\$ 150,495	\$ 52,399	\$ 598,831	

See accompanying notes to the financial statements.

St. Louis County Historical Society

Statements of Cash Flows

For the Years Ended December 31,

	2021	2020
Cash flows from operating activities		
Change in net assets	\$ (14,808)	\$ 60,827
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	82,380	80,532
Collections contributed	(4,616)	(15,225)
Change in value of assets held by others	(20,672)	(22,362)
Change in operating assets and liabilities		
(Increase) decrease in		
Accounts receivable	1,530	445
Grants receivable	44,983	(44,983)
Prepaid insurance	(4,157)	(712)
Inventory	4,816	42,907
Increase (decrease) in		
Accounts payable	(9,518)	8,090
Accrued payroll and taxes	2,974	(5,000)
Net cash provided by operating activities	82,912	104,519
Cash flows from investing activities		
Contribution to assets held by others	(1,750)	(55,055)
Withdrawal from assets held by others	6,099	5,420
Purchase of property and equipment	(61,912)	(53,039)
Net cash used in investing activities	(57,563)	(102,674)
Cash flows from financing activities		
Payments on capital lease payable	(2,074)	(1,934)
Net cash used in financing activities	(2,074)	(1,934)
Net increase (decrease) in cash and cash equivalents	23,275	(89)
Cash and cash equivalents, beginning of year	401,901	401,990
Cash and cash equivalents, end of year	\$ 425,176	\$ 401,901
Supplemental disclosures		
Interest paid	\$ 446	\$ 586
Contributions of collection items	4,616	15,225

See accompanying notes to the financial statements.

St. Louis County Historical Society

Notes to Financial Statements

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 \$12,274 and \$12,136 at December 31, 2021 and 2020, respectively, is included in cash and cash equivalents in the accompanying financial statements. The certificate bears interest at 0.145 percent and matures March 29, 2023, 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

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. Any proceeds from the sale of a collection item is to be used for future acquisitions to the Society's collections.

Property and Equipment

Purchased assets over \$500 and with an estimated life over one year 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.

At December 31, 2021 and 2020, the Society had construction in progress of \$96,200 and \$48,700, respectively, for the Erie Mining Fixed Exhibit and the Joe Gomer Project. 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 \$82,380 and \$80,532 for the years ended December 31, 2021 and 2020.

Impairment of Long-Lived Assets

The Society reviews long-lived assets, including property and equipment and intangible assets, for impairment whenever events or changes in business circumstances indicate that the carrying amount of an asset may not be fully recoverable. An impairment loss would be recognized when the estimated future cash flows from the use of the asset and its fair value are less than the carrying amount of that asset. The Society has not recognized any impairment of long lived assets during 2021 and 2020.

St. Louis County Historical Society

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Inventory

Inventory, consists of merchandise for resale, stated at the lower of cost, determined on the first-in, first-out (FIFO) method, or net realizable value.

Advertising and Promotion

Advertising and promotion costs are charged to operations when incurred. For the years ended December 31, 2021 and 2020, the amount charged to expense was \$2,380 and \$3,971, respectively.

Contribution Revenue

Contributions, including promises to give, are considered conditional or unconditional, depending on the nature and existence of any donor or grantor conditions. A contribution or promise to give contains a donor or grantor condition when both of the following are present:

- An explicit barrier, that is more than trivial, that must be overcome before the revenue can be earned and recognized
- An implicit right of return of assets transferred or a right of release of a donor or grantor's obligation to transfer assets promised, if the condition is not met

Conditional contributions are recognized when the barrier(s) to entitlement are overcome. Unconditional contributions are recognized as revenue when received.

Unconditional contributions or conditional contributions in which the conditions have been substantially met or explicitly waived by the donor are recorded as support with or without donor restrictions, depending on the existence and nature of any donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized.

St. Louis County Historical Society

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Revenue Recognition

Revenue from exchange transactions are recognized in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers*, as amended. ASU 2014-09 applies to exchange transactions with customers that are bound by contracts or similar arrangements and establishes a performance obligation approach to revenue recognition. The Society records the following exchange transaction revenue in its statements of activities for the years ending December 31, 2021 and 2020:

Memberships:

The Society recognizes revenue from members over the membership period, which is generally one year. The contract is implied with payment required in advance and price is based on terms established by management. Membership benefits at the individual and family level include free admission to all exhibits and free admission to the Lake Superior Railroad Museum, along with a subscription to the Roofprints newsletter and one issue of The Junction. Other membership levels include other various benefits. These items are overall immaterial and are not priced separately. Unearned memberships are reflected as deferred revenue on the statements of financial position.

Book Sales:

The Society recognizes revenue from book sales at the point in time the customer pays for the goods on a stand-alone selling price basis. Control is transferred immediately to the customer at the point of sale. All sales are final, and no returns are allowed.

Special Events:

The Society conducts special events in which a portion of the gross proceeds paid by the participants may represent 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 Society. 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 Society. The contribution component is the excess gross proceeds over the fair value of the direct donor benefit. Special event fees collected in advance are recognized as deferred revenue and recognized to revenue upon delivery of the event. The direct costs of the special events, are recorded as expenses in their natural function in the statements of activities.

The Society recognizes freight and shipping costs associated with outbound freight after control over a product has transferred to a customer, as a fulfillment cost and includes those costs in cost of goods sold.

Sales and other taxes the Society collects concurrent with revenue-producing activities are excluded from revenue.

St. Louis County Historical Society

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Grant Revenue

Grants are either recorded as contributions or exchange transactions based on criteria contained in the grant award.

Grant Awards That Are Contributions - Grants awards that are contributions are evaluated for conditions and recognized as revenue when conditions in the award are satisfied. Unconditional awards are recognized as revenue when the award is received. Amounts received in which conditions have not been met are reported as a refundable advance liability.

Grant Awards That Are Exchange Transactions - Exchange transactions are those in which the resource provider or grantor receives a commensurate value in exchange for goods or services transferred. Revenue is recognized when control of the promised goods or services is transferred to the customer (grantor) in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Amounts received in excess of recognized revenue are reflected as a contract liability.

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.

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, and 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 positions, 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. Income from certain activities not directly related to the Society's tax-exempt purpose is subject to taxation on unrelated business income.

St. Louis County Historical Society

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Subsequent Events

The Society has evaluated events and transactions for potential recognition or disclosure in the financial statements through August 5, 2022, which is the date the financial statements were available to be issued.

Accounting Standards Updates

In February 2016, the FASB issued ASU No. 2016-02, *Leases* (Topic 842). This ASU requires that a lease liability and related right-of-use-asset representing the lessee's right to use or control the asset be recorded on the statement of financial position upon the commencement of all leases except for short-term leases. Leases will be classified as either finance leases or operating leases, which are substantially similar to the classification criteria for distinguishing between capital leases and operating in existing lease accounting guidance. As a result, the effect of leases in the statement of activities and the statement of cash flows will be substantially unchanged from the existing lease accounting guidance. In 2020, the FASB delayed the effective date for nonpublic entities to fiscal years beginning after December 15, 2021. Early adoption is permitted. The Society is currently evaluating the full effect that the adoption of this standard will have on the financial statements.

In September 2020, the FASB issued ASU 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Non-Financial Assets* (Topic 958). The amendments in this update will require entities to present contributed nonfinancial assets as a separate line item in the statement of activities, expand disclosures on the various contributed nonfinancial assets recognized, including disaggregated category types, the valuation techniques and inputs used to arrive at fair value, and the policy for either monetizing or utilizing contributed nonfinancial assets. The amendments in this update are effective for annual financial statements issued for fiscal years beginning after June 15, 2021, applied on a retrospective basis. Early adoption is permitted. The Society is currently evaluating the impact this standard will have on its financial statements.

St. Louis County Historical Society

Notes to Financial Statements

Note 2: Accounts Receivable and Contract Balances

Opening and closing balances for contract assets, contract liabilities, and accounts receivable arising from contracts with customers include:

	12/31/2021	12/31/2020	1/1/2020
Contract assets	\$ -	\$ -	-
Contract liabilities	-	4,797	4,797
Accounts receivable	\$ -	\$ 1,530	\$ 1,975

Contract assets arise when the Society transfers goods or services to a customer in advance of receiving consideration and the right to consideration is conditioned on something other than the passage of time. Contract assets are transferred to receivables when the right to receive consideration becomes unconditional and the Society is able to invoice the customer. There were no contract assets at December 31, 2021 or 2020 or January 1, 2020. Contract liabilities represent the Society's obligation to transfer goods or services to a customer when consideration has already been received from the customer. When transfer of control of the related good or service occurs, contract liabilities are reclassified, and revenue is recognized. Contract liabilities at December 31, 2021, December 31, 2020 and January 1, 2020 consist of deferred membership fees.

Note 3: 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 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.

St. Louis County Historical Society

Notes to Financial Statements

Note 3: Fair Value Measurements (Continued)

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, 2021:

<i>Fair Value Measurements Listing</i>	Level 1	Level 2	Level 3	Total Assets at Fair Value
Assets held by others	\$ -	\$ -	\$ 201,114	\$ 201,114
Total	\$ -	\$ -	\$ 201,114	\$ 201,114

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, 2020:

<i>Fair Value Measurements Listing</i>	Level 1	Level 2	Level 3	Total Assets at Fair Value
Assets held by others	\$ -	\$ -	\$ 184,791	\$ 184,791
Total	\$ -	\$ -	\$ 184,791	\$ 184,791

There were no assets or liabilities measured at fair value on a nonrecurring basis as of December 31, 2021 and 2020.

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 12/31/21	Fair Value 12/31/20	Principle Valuation Technique	Unobservable Inputs	Range
Assets held by others	\$ 201,114	\$ 184,791	Quoted Market Prices or Third Party Pricing	Market price of assets held	Unknown

Note 4: 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 Erie Mining Company Scholarship Fund was established with the Duluth-Superior Area Community

St. Louis County Historical Society

Notes to Financial Statements

Note 4: Assets Held by Others (Continued)

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.

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 \$201,114 and \$184,791 as of December 31, 2021 and 2020.

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

Note 5: 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 4). 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 Board Designated Endowment for the years ended December 31, 2021 and 2020, were as follows:

	2021	2020
Balance, January 1	\$ 184,791	\$ 112,794
Investment fees	(1,250)	(490)
Contributions	1,750	55,055
Withdrawals	(6,099)	(5,420)
Net appreciation - realized and unrealized	21,922	22,852
Balance, December 31	\$ 201,114	\$ 184,791

St. Louis County Historical Society

Notes to Financial Statements

Note 6: Net Assets with Donor Restrictions

Net assets with donor restrictions are restricted for the following purposes or periods at December 31, 2021 and 2020.

<i>As of December 31,</i>	2021	2020
Scholarships-VMH	\$ 20,332	\$ 20,082
Erie Mining Project	22,759	80,067
Collection Care	3,807	3,307
Veterans Memorial Hall - Joe Gomer Project	304	5,088
Eli's Farm	-	7,280
Veterans Oral History/Traveling Exhibit	-	10,000
Ryan Room	-	24,600
County Built on Iron	-	40,000
Fessler Gallery Project	4,894	4,894
Medal of Honor Row	20,006	-
SLCHS Centennial	17,706	-
Exhibit Cases	42,265	-
Total	\$ 132,073	\$ 195,318

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose as follows:

<i>For the Years Ended December 31,</i>	2021	2020
American Indian Project	\$ -	\$ 14,873
Erie Mining Project	60,160	121,655
Eli's Farm	7,280	-
Veterans Oral History/Traveling Exhibit	10,000	-
Veteran Memorial Hall - Joe Gomer Project	4,784	3,951
Fessler Gallery Project	-	472
Civil War Reenactors	-	2,000
Medal of Honor Row	130	-
Ryan Room	24,600	-
County Built on Iron	40,000	-
Total	\$ 146,954	\$ 142,951

St. Louis County Historical Society

Notes to Financial Statements

Note 7: Amounts Paid to Affiliated Organizations

For the years ended December 31, 2021 and 2020, the Society distributed the following amounts to other regional historical societies and museums pursuant to its funding agreement with St. Louis County:

<i>For the Years Ended December 31,</i>	2021	2020
Ely-Winton Historical Society	\$ 18,164	\$ 17,164
Hibbing Historical Society	16,596	15,596
Tower-Soudan Historical Society	11,108	10,108
Virginia Historical Society	16,696	15,696
Museum of Mining	13,372	12,372
Sisu Heritage, Inc.	9,180	8,180
Total	\$ 85,116	\$ 79,116

Note 8: Special Event Revenue

Gross receipts from special events recorded by the Society consist of exchange transaction revenue and contribution revenue. The Society recognized the following gross receipts for special events for the years ended December 31:

<i>For the Years Ended December 31,</i>	2021	2020
Contribution revenue	\$ 6,789	\$ 6,094
Exchange transaction revenue (benefit to customer)	2,721	181
Total special event revenue	\$ 9,510	\$ 6,275

Note 9: 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>	2021	2020
U.M.D. (space)	\$ 40,824	\$ 40,824

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 \$29,670 and \$24,821 for the years ended December 31, 2021 and 2020, respectively.

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Notes to Financial Statements

Note 10: 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 \$4,296 and \$5,411 for the years ended December 31, 2021 and 2020, respectively.

Note 11: Operating Leases

The Society has an annual renewable lease with St. Louis County through December 2020. The lease is for the use of office and exhibit space located at 506 West Michigan Street, which includes common area maintenance. The rent expense (including common area maintenance) was \$17,501 and \$13,428 for years ended December 31, 2021 and 2020, respectively.

The lease agreement was renewed beginning January 2021 through December 2022 and requires an additional annual common area maintenance charge when actual operating costs of the building, as described in the lease agreement, exceed an allocated base amount.

The future minimum rental payments on the lease (excluding common area maintenance) are as follows:

<i>Years Ended December 31,</i>		2021
2022	\$	12,956
Total	\$	12,956

Note 12: Capital Lease Obligation

The Society leases a copier with lease payments of \$210 per month beginning March 2019 through February 2024. 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 \$10,605 less accumulated depreciation of \$6,010 and \$3,889 at December 31, 2021 and 2020, respectively, is included in furniture, fixtures and equipment in the accompanying financial statements.

The Society incurred interest expense on the leases of \$446 and \$586 during the years ended December 31, 2021 and 2020, respectively.

Depreciation expense for equipment was \$2,121 for both years ended December 31, 2021 and 2020, respectively.

St. Louis County Historical Society

Notes to Financial Statements

Note 12: Capital Lease Obligation (Continued)

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, 2021:

<i>Year Ending December 31,</i>			
2022	\$	2,520	
2023		2,520	
2024		630	
Future minimum lease payments			5,670
Less amount representing interest			(438)
Total capital lease obligation	\$	5,232	

Note 13: Liquidity and Availability of Financial Resources

The following table reflects the Society's financial assets as of December 31, 2021, and 2020, 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>December 31,</i>		2021		2020
Cash	\$	425,176	\$	401,900
Accounts receivable		-		1,530
Grants receivable		-		44,983
Total financial assets as of end of year		425,176		448,413
Less: Net assets with donor restrictions		(132,073)		(195,318)
Financial assets available to meet cash needs for general expenditure within one year	\$	293,103	\$	253,095

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 5. 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.

St. Louis County Historical Society

Notes to Financial Statements

Note 14: Business Conditions

In March 2020, the World Health Organization recognized the outbreak of coronavirus disease (“COVID-19”), as a global pandemic, prompting many national, regional, and local governments to implement protective measures such as business restrictions and stay-at-home orders. The Society's services have not been materially interrupted, as a result of COVID-19, and have not had a material impact on operations. The Society is monitoring the impact of COVID-19 on all aspects of operations, and believes the impact on cash flows and financial condition is likely to be determined by factors which are uncertain and outside of their control. The situation surrounding COVID-19 remains fluid, and if disruptions do arise, they could materially adversely impact operations.