

ST. LOUIS COUNTY HISTORICAL SOCIETY
FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2025 AND 2024

ST. LOUIS COUNTY HISTORICAL SOCIETY

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Independent Auditor's Report

April 15, 2026

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

Opinion

We have audited the accompanying financial statements of St. Louis County Historical Society (the Society), a nonprofit organization, which comprise the statements of financial position as of December 31, 2025 and 2024, and the related 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 financial statements referred to above present fairly, in all material respects, the financial position of St. Louis County Historical Society as of December 31, 2025 and 2024, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of St. Louis County Historical Society and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management 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, 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, which raise substantial doubt about St. Louis County Historical Society's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Independent Auditor's Report (Continued)

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore it is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatement is considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, 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 evaluating 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.

Lucas, Larsen + Co LTD

ST. LOUIS COUNTY HISTORICAL SOCIETY
STATEMENTS OF FINANCIAL POSITION
YEAR ENDED DECEMBER 31, 2025 AND 2024

	<u>2025</u>	<u>2024</u>
<u>Assets</u>		
<u>Current Assets:</u>		
Cash and cash equivalents:	\$ 434,968	\$ 518,864
Receivables	13,000	-
Inventory	28,922	28,922
Prepaid expenses	683	9,133
Total Current Assets	<u>477,573</u>	<u>556,919</u>
Leaseholds And Equipment, Net	<u>101,400</u>	<u>122,934</u>
<u>Other Assets:</u>		
Assets held by others	132,073	118,459
Right of use assets - operating lease	-	599
Total Other Assets	<u>132,073</u>	<u>119,058</u>
Total Assets	<u>\$ 711,046</u>	<u>\$ 798,911</u>
<u>Liabilities And Net Assets</u>		
<u>Current Liabilities:</u>		
Accounts payable and credit card payable	\$ 8,073	\$ 15,926
Accrued payroll and related items	9,473	3,145
Deferred revenue - Membership Revenue	4,797	4,797
Total Current Liabilities	<u>22,343</u>	<u>23,868</u>
<u>Net Assets :</u>		
<u>Without donor restrictions:</u>		
Undesignated	227,633	317,335
Board designated	113,632	113,632
With donor restrictions	347,438	344,076
Total Net Assets	<u>688,703</u>	<u>775,043</u>
Total Liabilities And Net Assets	<u>\$ 711,046</u>	<u>\$ 798,911</u>

See accompanying notes

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ST. LOUIS COUNTY HISTORICAL SOCIETY
STATEMENTS OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2025 AND 2024

	<u>2025</u>			<u>2024</u>		
	<u>Without Donor</u>	<u>With Donor</u>	<u>2025</u>	<u>Without Donor</u>	<u>With Donor</u>	<u>2024</u>
	<u>Restrictions</u>	<u>Restrictions</u>		<u>Restrictions</u>	<u>Restrictions</u>	
Public support and revenue						
<u>Public support</u>						
County Allocation	\$ 463,240	\$ -	\$ 463,240	\$ 531,998	\$ -	\$ 531,998
Grants, Contributions, & Support	111,727	11,600	123,327	31,328	51,877	83,205
In-Kind Support	172,836	-	172,836	172,536	-	172,536
Total Public Support	<u>747,803</u>	<u>11,600</u>	<u>759,403</u>	<u>735,862</u>	<u>51,877</u>	<u>787,739</u>
<u>Revenue</u>						
Memberships	7,850	-	7,850	8,299	-	8,299
Interest income	513	-	513	867	-	867
Change in value of assets held by other	13,444	-	13,444	11,364	-	11,364
Book sales	3,461	-	3,461	4,060	-	4,060
Special events	21,424	-	21,424	25,027	-	25,027
Miscellaneous	159	-	159	302	-	302
Total Revenues	<u>46,851</u>	<u>-</u>	<u>46,851</u>	<u>49,919</u>	<u>-</u>	<u>49,919</u>
Total public support and revenue	<u>794,654</u>	<u>11,600</u>	<u>806,254</u>	<u>785,781</u>	<u>51,877</u>	<u>837,658</u>
Net assets released from restrictions	<u>8,238</u>	<u>(8,238)</u>	<u>-</u>	<u>(119,481)</u>	<u>119,481</u>	<u>-</u>
<u>Expenses:</u>						
Program	618,480	-	618,480	594,930	-	594,930
Management and general	222,279	-	222,279	158,936	-	158,936
Fundraising	51,835	-	51,835	52,655	-	52,655
Total Expenses	<u>892,594</u>	<u>-</u>	<u>892,594</u>	<u>806,521</u>	<u>-</u>	<u>806,521</u>
INCREASE (DECREASE) IN NET ASSETS	(89,702)	3,362	(86,340)	(140,221)	171,358	31,137
Net Assets, Beginning Of Year	430,967	344,076	775,043	3,674,194	172,718	3,846,912
Removal of capitalized collections	<u>-</u>	<u>-</u>	<u>-</u>	<u>(3,103,006)</u>	<u>-</u>	<u>(3,103,006)</u>
Net Assets, End Of Year	<u>\$ 341,265</u>	<u>\$347,438</u>	<u>\$ 688,703</u>	<u>\$ 430,967</u>	<u>\$344,076</u>	<u>\$ 775,043</u>

See accompanying notes

ST. LOUIS COUNTY HISTORICAL SOCIETY
STATEMENTS OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2025

	Program	Management & General	Fundraising	Total 2025
<u>Expenses:</u>				
Salaries/commissions	\$ 140,779	\$ 108,292	\$ 21,658	\$ 270,729
Payroll taxes	13,785	10,604	2,121	26,509
Employee health insurance	23,766	18,282	3,656	45,704
Pension plan contributions	1,743	1,341	268	3,352
Total Compensation	<u>180,073</u>	<u>138,518</u>	<u>27,704</u>	<u>346,294</u>
Advertising	1,050	945	105	2,100
Affiliate Grants	112,116	-	-	112,116
Collection Care & Management	3,697	-	-	3,697
Communications	10,528	5,262	1,754	17,544
Depreciation expense	13,997	5,384	2,153	21,534
Dues & Subscriptions	476	1,106	-	1,582
Fund Raising Expense	-	-	12,911	12,911
Insurance Expense	11,460	7,640	-	19,100
Interest Expense	-	-	-	-
Miscellaneous Expense	1,224	1,530	306	3,059
Office Supplies	1,239	2,272	619	4,130
Operating lease costs	38,247	16,392	-	54,639
Postage Expense	543	542	272	1,357
Professional Expense	14,968	18,709	3,742	37,419
Program Expense	29,549	1,642	1,642	32,833
Rent - in-kind donated space	110,377	20,459	-	130,836
Repairs/maintenance-exhibits	43,178	-	-	43,178
Telecommunication Expense	3,759	1,880	627	6,266
Volunteer support- in kind	42,000	-	-	42,000
Total Expenses	<u>\$ 618,480</u>	<u>\$ 222,279</u>	<u>\$ 51,835</u>	<u>\$ 892,594</u>

See accompanying notes

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ST. LOUIS COUNTY HISTORICAL SOCIETY
STATEMENTS OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2024

	<u>Program</u>	<u>Management & General</u>	<u>Fundraising</u>	<u>Total 2024</u>	<u>Increase (Decrease)</u>
<u>Expenses:</u>					
Salaries/commissions	\$ 140,930	\$ 76,774	\$ 25,201	\$242,905	\$ 27,824
Payroll taxes	15,057	4,948	1,506	21,510	4,999
Employee health insurance	13,738	12,276	3,216	29,230	16,474
Pension plan contributions	1,471	1,015	234	2,721	631
Total Compensation	<u>171,196</u>	<u>95,013</u>	<u>30,157</u>	<u>296,366</u>	<u>49,928</u>
Advertising	744	-	744	1,488	612
Affiliate Grants	112,116	-	-	112,116	-
Collection Care & Management	18,890	-	-	18,890	(15,193)
Communications	8,991	4,494	1,498	14,983	2,561
Depreciation expense	9,325	4,340	800	14,465	7,069
Dues & Subscriptions	1,877	469	-	2,346	(765)
Fund Raising Expense	-	-	13,454	13,454	(543)
Insurance Expense	10,559	7,039	-	17,598	1,502
Interest Expense	3	2	2	7	(7)
Miscellaneous Expense	1,530	1,530	765	3,825	(766)
Office Supplies	1,371	1,371	686	3,428	702
Operating lease costs	49,436	2,602	-	52,038	2,601
Postage Expense	457	456	228	1,141	216
Professional Expense	14,662	18,328	3,665	36,655	764
Program Expense	17,325	912	-	18,237	14,596
Rent - in-kind donated space	110,124	20,412	-	130,536	300
Repairs/maintenance-exhibits	20,384	-	-	20,384	22,794
Telecommunication Expense	3,940	1,968	656	6,564	(298)
Volunteer support- in kind	42,000	-	-	42,000	-
Total Expenses	<u>\$ 594,930</u>	<u>\$ 158,936</u>	<u>\$ 52,655</u>	<u>\$806,521</u>	<u>\$ 86,073</u>

See accompanying notes

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ST. LOUIS COUNTY HISTORICAL SOCIETY
STATEMENTS OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2025 AND 2024

	<u>2025</u>	<u>2024</u>
<u>Cash Flows From Operating Activities:</u>		
Increase (decrease) in net assets	\$ (86,340)	\$ 31,136
<u>Adjustments to reconcile to net cash flows from operating activities:</u>		
Depreciation	21,534	14,466
Change in value of assets held by others	(13,444)	(11,364)
<u>Other:</u>		
<u>(Increase) decrease in:</u>		
Receivables	(13,000)	5,000
Prepaid expenses	8,450	(4,914)
<u>Increase (decrease) in:</u>		
Accounts payable/accrued expenses	(1,525)	12,044
Deferred revenue	-	(20,000)
	<u>(84,325)</u>	<u>26,368</u>
Net Cash Flows From Operating Activities		
<u>Cash Flows From Investing Activities:</u>		
Withdrawal from assets held by others	(170)	(13,644)
Purchase of property/construction and equipment	-	-
	<u>(170)</u>	<u>(13,644)</u>
Net Cash Flows From Investing Activities		
<u>Cash Flows From Financing Activities:</u>		
Payments on finance lease liability	599	(838)
	<u>599</u>	<u>(838)</u>
Net Cash Flows From Financing Activities		
NET INCREASE (DECREASE) IN CASH AND CASH EQUIV.	(83,896)	11,886
Cash and cash equiv., beginning of year	<u>518,864</u>	<u>506,978</u>
Cash and cash equiv., end of year	<u>\$ 434,968</u>	<u>\$ 518,864</u>
<u>Supplementary Information:</u>		
Interest paid	<u>\$ -</u>	<u>\$ 40</u>

See accompanying notes.

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ST. LOUIS COUNTY HISTORICAL SOCIETY

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2025 AND 2024

NOTE A – 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, 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 asset subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met with the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates those resources be maintained in perpetuity. 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 \$13,275 and \$12,931 at December 31, 2025 and 2024 respectively, is included in cash and cash equivalents in the accompanying financial statements. The certificate bears interest at 0.145 percent and matures January 29, 2026, 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

DECEMBER 31, 2025 AND 2024

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Grants Receivable

Grants receivables 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 and 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.

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.

Collections and Exhibits

The Society does not capitalize any collections. Accessions are expensed 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. The Society has capitalized collections in the past but is changing their policy to conform with standards promulgated by the American Association of State and Local History.

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 restriction. 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.

ST. LOUIS COUNTY HISTORICAL SOCIETY

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2025 AND 2024

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property and Equipment (continued)

At December 31, 2025 and 2024, the Society had construction in progress of \$96,200, 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 \$21,534 and \$14,466 for the years ended December 31, 2025 and 2024 respectively.

ASC 842 Lease Accounting

For all underlying classes of assets, the Society has elected to not recognize ROU assets and lease liabilities for short-term leases that have a lease term of 12 months or less at lease commencement and do not include an option to purchase the underlying asset that the Society is reasonably certain to exercise. Leases containing termination clauses in which either party may terminate the lease without cause and the notice period is less than 12 months or deemed short-term with lease costs included in short-term lease expense. The Society recognizes short-term lease cost on a straight-line basis over the lease term.

The Society made an accounting policy election for all underlying asset classes to not separate the lease components of a contract and its associated non-lease components such as lessor-provided maintenance and other services.

Advertising and Promotion

Advertising and promotion costs are charged to operations when incurred. For the years ended December 31, 2025 and 2024, the amount charged to expense was \$2,100 and \$1,488, respectively.

ST. LOUIS COUNTY HISTORICAL SOCIETY

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2025 AND 2024

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

ST. LOUIS COUNTY HISTORICAL SOCIETY

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2025 AND 2024

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 Rootprints newsletter and one issue of The Junction. Other membership levels include various other benefits. These items are overall immaterial and are not priced separately. Unearned memberships are reflected as deferred revenues 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 a special event 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

DECEMBER 31, 2025 AND 2024

NOTE A – 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.

ST. LOUIS COUNTY HISTORICAL SOCIETY

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2025 AND 2024

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

Subsequent Events

The Society has evaluated events and transactions for potential recognition or disclosure in the financial statements through April 15, 2026, which is the date the financial statements were available to be issued.

NOTE B – LIQUIDITY AND AVAILABILITY OF FINANCIAL RESOURCES

The following table reflects the Society's financial assets as of December 31, 2025 and 2024, 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 and donor restrictions.

	<u>2025</u>	<u>2024</u>
Cash and cash equivalents	\$ 434,968	\$ 518,864
Accounts receivable	13,000	-
Less: Net assets with donor restrictions	<u>(347,438)</u>	<u>(344,076)</u>
	<u>\$ 100,530</u>	<u>\$ 293,247</u>

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 A. Additionally, the Society has a board-designated endowment. 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

DECEMBER 31, 2025 AND 2024

NOTE C – LEASES

The Society has entered into a one-year operating lease with St. Louis County through December 2024 that includes additional space at an increased monthly rental amount. The lease is for the use of office and exhibit space located at 506 West Michigan Street. The rent expense was \$54,639 and \$52,038 for the years ended December 31, 2025 AND 2024, respectively. This lease is considered short-term, therefore there is no ROU asset and liability at December 31, 2025 and 2024.

The leases entered into do not include the option to renew. The Society's lease agreements do not contain any material residual value guarantees or material restrictive covenants. Payments due under the lease contracts include fixed payments plus, for many of the Society's office lease, variable payments. The Society's office space lease require it to make variable payments for the Society's proportionate share of the building's property taxes, insurance, and common area maintenance when this exceeds an allocated base amount, as described in the lease agreement. These variable lease payments are not included in lease payments used to determine the lease liability and are recognized as variable costs when incurred.

The depreciation life of assets and leasehold improvements are limited by the expected lease term unless there is a transfer of title or purchase option reasonably certain of exercise.

Components of lease expenses were as follows for the years ended December 31, 2025 and 2024:

	<u>2025</u>	<u>2024</u>
Operating Lease Costs	<u>\$ 54,639</u>	<u>\$ 52,038</u>

ST. LOUIS COUNTY HISTORICAL SOCIETY

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2025 AND 2024

NOTE D – 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 the different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement. Assets and liabilities valued at fair value are categorized based on the inputs to the valuation techniques as follows.

Level 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, or 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, 2025:

	Level 1	Level 2	Level 3
Assets held by others	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 132,073</u>

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, 2024:

	Level 1	Level 2	Level 3
Assets held by others	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 118,459</u>

There were no assets or liabilities measured at fair value on a nonrecurring basis as of December 31, 2025 and 2024.

ST. LOUIS COUNTY HISTORICAL SOCIETY

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2025 AND 2024

NOTE D – FAIR VALUE MEASUREMENTS (continued)

Quantitative information about Significant Unobservable Inputs Used In Level 3 Fair 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.

	<u>Fair value</u> <u>12/31/2025</u>	<u>Fair value</u> <u>12/31/2024</u>	<u>Principle</u> <u>Valuation</u>	<u>Unobservable</u> <u>Inputs</u>	<u>Range</u>
Assets held by others	<u>\$ 132,073</u>	<u>\$ 118,459</u>	Quoted Market	Market Price	Unknown

NOTE E – 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 Foundation by the St. Louis County Historical Society. 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 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 \$132,073 and \$118,459 as of December 31, 2025 and 2024.

ST. LOUIS COUNTY HISTORICAL SOCIETY

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2025 AND 2024

NOTE E – ASSETS HELD BY OTHERS (CONTINUED)

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

Changes in Assets Held By Others for the years ended December 31, 2025 and 2024, were as follows:

	<u>2025</u>	<u>2024</u>
Balance, January 1	\$ 118,459	\$ 93,235
Contributions	696	13,860
Investment income	8,476	2,465
Investment fees	(2,400)	(1,475)
Grants paid out	(5,685)	(3,196)
Net apprec (deprec) in value	12,527	13,570
Balance, December 31	<u>\$ 132,073</u>	<u>\$ 118,459</u>

NOTE F – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted for the following purposes or periods at December 31, 2025 and 2024:

	<u>2025</u>	<u>2024</u>
American Indian Project	\$ 7,997	\$ 1,216
Cold War Exhibit	2,962	2,962
Collection Care	13,807	13,807
County Built on Iron Exhibit	105,198	102,296
Erie Mining Scholarship Fund	83,192	75,235
Fessler Gallery Project	3,313	3,313
Joe Gorner Project Fund	303	-
Legacy grant	6,946	29,440
Medal of Honor Row	29,966	29,818
Oral Histories	2,412	-
Scholarship/Exhibit Maintenance Fund	42,461	42,461
Scholarships - VMH	48,881	43,224
Total	<u>\$ 347,438</u>	<u>\$ 344,076</u>

ST. LOUIS COUNTY HISTORICAL SOCIETY

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2025 AND 2024

NOTE G – DONATED RENTS AND SERVICES

Space is being donated at the University of Minnesota-Duluth, Wells Fargo and the Depot for use by the Society for use in programming valued at the fair value of similar archival space. The following donated rent is shown in the accompanying financial statements as both contribution income and expense.

	<u>2025</u>	<u>2024</u>
Wells Fargo housing	\$ 54,000	\$ 54,000
Depot housing	35,712	35,712
UMD housing	40,824	40,824
	<u>\$ 130,536</u>	<u>\$ 130,536</u>

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 \$42,000 and \$42,000 for the years ended December 31, 2025 and 2024, respectively.

NOTE H – PENSION PLAN

The Society participates in a defined contributions 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 \$3,352 and \$2,721 for the years ended December 31, 2025 and 2024, respectively.

ST. LOUIS COUNTY HISTORICAL SOCIETY

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2025 AND 2024

NOTE I – AMOUNTS PAID TO AFFILIATED ORGANIZATIONS

For the years ended December 31, 2025 and 2024, the Society distributed the following amounts to other regional historical societies and museums pursuant to its funding agreement with St. Louis County:

	<u>2025</u>	<u>2024</u>
Ely-Winton Historical Society	\$ 22,664	\$ 22,664
Hibbing Historical Society	21,096	21,096
Tower-Soudan Historical Society	15,608	15,608
Virginia Historical Society	21,196	21,196
Museum of Mining	17,872	17,872
Sisu Heritage, Inc.	13,680	13,680
Total	<u>\$ 112,116</u>	<u>\$ 112,116</u>

NOTE J – BOARD DESIGNATED FUNDS

The Society board has designated certain funds to be used for projects at the discretion of the board. Balances at December 31, 2025 and 2024 are as follows:

	<u>2025</u>	<u>2024</u>
Moving Fund	\$ 29,025	\$ 29,025
Veterans Memorial Hall	84,607	84,607
Total	<u>\$ 113,632</u>	<u>\$ 113,632</u>

NOTE K – Collections/Exhibits

The Society does not capitalize collections. The Society has capitalized collections in the past but is changing their policy to conform with uniform standards practiced nationally. Prior amounts capitalized were removed during 2024 as a reduction in net assets in the amount of \$3,103,006.