

**ST. LOUIS COUNTY HISTORICAL SOCIETY
DULUTH, MINNESOTA**

**ANNUAL FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014
TOGETHER WITH INDEPENDENT AUDITOR'S REPORT**

ST. LOUIS COUNTY HISTORICAL SOCIETY
DULUTH, MINNESOTA

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ST. LOUIS COUNTY HISTORICAL SOCIETY
DULUTH, MINNESOTA

ORGANIZATION
DECEMBER 31, 2015

Board of Governors

Leonard Hirsch
Gail Shedly
Jeanne Maki
Mathew Marolt
Douglas Workman
Leone Graf
Chris Dahlberg
Neill Atkins
Wes Berntson
David Bouschor
Ken Buehler
John Marshall
Mary Parks
Larry Sommer
John Werner

Representing Hibbing Historical Society
Representing Ely-Winton Historical Society
Representing Virginia Area Historical Society
Representing Minnesota Museum of Mining
Representing Tower-Soudan Historical Society
Representing Sisu Heritage Inc.
County Representative

Executive Director

JoAnne Coombe

WIPFLI

Independent Auditor's Report

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

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, 2015 and 2014, and the related statements of activities 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 the Society as of December 31, 2015 and 2014, 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.

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information, Schedules of Functional Expenses, appearing on pages 15 through 16 are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Wipfli LLP

Wipfli LLP

July 29, 2016
Duluth, Minnesota

ST. LOUIS COUNTY HISTORICAL SOCIETY
DULUTH, MINNESOTA

STATEMENTS OF FINANCIAL POSITION
DECEMBER 31,

	<u>2015</u>	<u>2014</u>
<u>ASSETS</u>		
Current assets		
Cash	\$ 186,199	\$ 73,156
Accounts receivable	85	1,655
Grants receivable	64,500	50,000
Prepaid Insurance	4,752	7,154
Total current assets	<u>255,536</u>	<u>131,965</u>
Other assets		
Assets held by others	<u>106,966</u>	<u>121,986</u>
Collections and exhibits	<u>3,033,937</u>	<u>3,033,218</u>
Property and equipment		
Furniture, fixtures and equipment	348,315	113,216
Leasehold improvements	29,689	29,689
Construction in progress		216,833
Accumulated depreciation	<u>(128,109)</u>	<u>(108,274)</u>
Net property and equipment	<u>249,895</u>	<u>251,464</u>
Total assets	<u>\$ 3,646,334</u>	<u>\$ 3,538,633</u>
<u>LIABILITIES AND NET ASSETS</u>		
Current liabilities		
Current portion of capital lease payable	\$ 2,033	\$ 1,896
Accounts payable	5,511	5,062
Accrued payroll and taxes	10,271	10,010
Deferred membership revenue	4,860	5,876
Total current liabilities	<u>22,675</u>	<u>22,844</u>
Capital lease payable, net of current portion	<u>5,749</u>	<u>7,782</u>
Net assets		
Unrestricted		
Undesignated	3,309,098	3,285,613
Board designated	107,773	122,793
Temporarily restricted	201,039	99,801
Total net assets	<u>3,617,910</u>	<u>3,508,007</u>
Total liabilities and net assets	<u>\$ 3,646,334</u>	<u>\$ 3,538,633</u>

See accompanying notes to financial statements.

ST. LOUIS COUNTY HISTORICAL SOCIETY
DULUTH, MINNESOTA

STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31,

	2015			2014		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Public support and revenue						
Public support						
St. Louis County	\$ 347,565	\$ 25,000	\$ 372,565	\$ 317,998	\$	\$ 317,998
Collections	719		719	2,728		2,728
Contributions and grants	3,160	154,110	157,270	37,439		37,439
Donated rents	40,045		40,045	40,045		40,045
Total public support	391,489	179,110	570,599	398,210		398,210
Revenue						
Memberships	9,771		9,771	9,652		9,652
Interest income	148		148	109		109
Change in value of assets held by others	(4,996)		(4,996)	(1,577)		(1,577)
Book sales	2,608		2,608	657		657
Special events and tours, net of expenses of \$5,958 in 2015 and \$9,739 in 2014	15,857		15,857	4,481		4,481
Loss on disposal of property and equipment	(199)		(199)			
Insurance proceeds				7,215		7,215
Miscellaneous	2,558		2,558	2,795		2,795
Total revenue	25,747		25,747	23,232		23,232
Total public support and revenue	417,236	179,110	596,346	421,442		421,442
Net assets released from restrictions	77,872	(77,872)		66,849	(66,649)	
Expenses						
Unallocated payments to affiliated organizations	58,116		58,116	58,040		58,040
Functional expenses						
Program services						
Historical preservation	263,885		263,885	266,274		266,274
Supporting services						
Management and general	164,442		164,442	125,023		125,023
Total functional expenses	428,327		428,327	391,297		391,297
Total expenses	486,443		486,443	449,337		449,337
Change in net assets	8,465	101,438	109,903	38,754	(66,649)	(27,895)
Net assets, beginning of year	3,408,406	99,601	3,508,007	3,369,652	168,250	3,535,902
Net assets, end of year	\$ 3,416,871	\$ 201,039	\$ 3,617,910	\$ 3,408,406	\$ 99,601	\$ 3,508,007

See accompanying notes to financial statements.

ST. LOUIS COUNTY HISTORICAL SOCIETY
DULUTH, MINNESOTA

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31,

	<u>2015</u>	<u>2014</u>
Cash flows from operating activities		
Change in net assets	\$ 109,903	\$ (27,895)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation	33,230	16,873
Collections	(719)	(2,728)
Loss on disposal of asset	199	
Change in value of assets held by others	4,996	1,577
Change in operating assets and liabilities (increase) decrease in		
Accounts receivable	1,570	38,222
Grants receivable	(14,500)	(5,000)
Prepaid insurance	2,402	99
Increase (decrease) in		
Accounts payable	449	(54,093)
Accrued payroll and taxes	261	764
Deferred membership revenue	(1,016)	588
Net cash provided by (used in) operating activities	<u>136,775</u>	<u>(31,593)</u>
Cash flows from investing activities		
Withdrawal from assets held by others	10,024	
Purchase of property and equipment	(31,860)	(33,815)
Net cash used in investing activities	<u>(21,836)</u>	<u>(33,815)</u>
Cash flows from financing activities		
Payments on capital lease payable	(1,896)	(900)
Net increase (decrease) in cash	113,043	(66,308)
Cash, beginning of year	<u>73,156</u>	<u>139,464</u>
Cash, end of year	<u>\$ 186,199</u>	<u>\$ 73,156</u>
Supplemental disclosures		
Interest paid	\$ 617	\$ 357
Noncash investing and financing transactions		
Furniture, fixture and equipment financed through capital lease	\$	\$ 10,578

See accompanying notes to financial statements.

ST. LOUIS COUNTY HISTORICAL SOCIETY
DULUTH, MINNESOTA

NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

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 accompanying financial statements are presented on the accrual basis.

Basis of Presentation - The Society reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Cash - Cash consists of demand deposits and a certificate of deposit.

Accounts and Grants Receivable - Accounts and grants receivable are stated at the amount management expects to collect from balances outstanding 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 realization losses on balances outstanding at year-end are 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.

Furniture, Fixtures, Equipment, Leasehold Improvements, and Construction in Progress - Purchased assets over \$500 are stated 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 unrestricted net assets 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 restricted contributions. Absent donor stipulations regarding how long those donated assets must be maintained, the Society reports expirations of donor restriction when the donated or acquired assets are placed in service as instructed by the donor. The Society reclassifies temporarily restricted net assets to unrestricted net assets at that time. 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 \$33,230 and \$16,873 for the years ended December 31, 2015 and 2014, respectively.

Unrestricted Net Assets - Used to account for resources currently available for use over which the Governing Board has discretionary control in carrying on the operations and purpose of the Society. Board designated funds are unrestricted fund balances designated by the Board of Directors to be used for specific purposes.

Temporarily Restricted Net Assets - Used to account for resources whose use is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the Society.

ST. LOUIS COUNTY HISTORICAL SOCIETY
DULUTH, MINNESOTA

NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014
(Continued)

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Permanently Restricted Net Assets - Used to account for resources required by donor to be maintained in perpetuity by the Society. The Society did not have any permanently restricted net assets at December 31, 2015 and 2014.

Contributions - Contributions are recognized when the donor makes a promise to give to the Society that is, in substance, unconditional. Donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

Advertising - The Society expenses advertising costs as incurred.

Functional Expenses - Expenses incurred specifically for program services or supporting services are charged directly to that function. Expenses incurred that benefit both program and supporting services are allocated in a manner to reflect a fair breakdown of expenses by function. No allocation of expense has been made to fund raising or public education, within the meaning of the state laws related to Minnesota charities, as they are not material program or supporting services of the Society.

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

Restricted and Unrestricted Revenue - Contributions, and related investment income, that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions.

Income Tax Status - The Society is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. However, income from certain activities, if any, not directly related to the Society's exempt purpose would subject the Society to taxation as unrelated business income. The Society's tax years prior to 2012 are no longer open for examination by federal and state taxing authorities.

Reclassifications - Certain accounts in the prior year financial statements have been reclassified for comparative purposes to conform with the presentation in the current year financial statements.

Subsequent Events - In preparing these financial statements, the Society has evaluated events and transactions for potential recognition or disclosure through July 29, 2016, the date the financial statements were available to be issued.

ST. LOUIS COUNTY HISTORICAL SOCIETY
DULUTH, MINNESOTA

NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014
(Continued)

NOTE 2 FAIR VALUE OF FINANCIAL INSTRUMENTS

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 include quoted 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 represents the balances of assets and liabilities measured at fair value on a recurring basis by level within the fair value hierarchy at December 31, 2015:

	Fair Value Measurements Using			Total Assets at Fair Value
	Level 1	Level 2	Level 3	Total
Assets held by others	\$	\$	\$ 106,986	\$ 106,986
Total	\$	\$	\$ 106,986	\$ 106,986

The following table represents the balances of assets and liabilities measured at fair value on a recurring basis by level within the fair value hierarchy at December 31, 2014:

	Fair Value Measurements Using			Total Assets at Fair Value
	Level 1	Level 2	Level 3	Total
Assets held by others	\$	\$	\$ 121,986	\$ 121,986
Total	\$	\$	\$ 121,986	\$ 121,986

ST. LOUIS COUNTY HISTORICAL SOCIETY
DULUTH, MINNESOTA

NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014
(Continued)

NOTE 2 FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

Information regarding the changes in fair value of the Society's assets using significant unobservable inputs (Level 3) follows at December 31:

	Assets Held By Others	
	2015	2014
Balance, beginning of year	\$ 121,986	\$ 123,563
Withdrawals	(10,024)	
Change in value	(4,996)	(1,577)
Balance, end of the year	<u>\$ 106,966</u>	<u>\$ 121,986</u>

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

The following tables represent 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.

As of December 31, 2015				
Assets	Fair Value	Valuation Technique	Significant Unobservable Inputs	Range
Assets held by others	\$ 106,966	Quoted Market Prices or Third Party Pricing	Market price of assets held	Unknown

As of December 31, 2014				
Assets	Fair Value	Valuation Technique	Significant Unobservable Inputs	Range
Assets held by others	\$ 121,986	Quoted Market Prices or Third Party Pricing	Market price of assets held	Unknown

NOTE 3 ASSETS HELD BY OTHERS

The Mike Colafillo 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.

ST. LOUIS COUNTY HISTORICAL SOCIETY
DULUTH, MINNESOTA

NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014
(Continued)

NOTE 3 ASSETS HELD BY OTHERS (Continued)

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 \$106,966 and \$121,986 as of December 31, 2015 and 2014, respectively.

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

NOTE 4 ENDOWMENT FUND

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 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 Unrestricted Net Assets - Board Designated Endowment for the years ended December 31, 2015 and 2014 is as follows:

Balance, December 31, 2013	\$	123,563
Investment fees		(336)
Net depreciation - realized and unrealized		<u>(1,241)</u>
Balance, December 31, 2014		121,986
Investment fees		(297)
Withdrawals		(10,024)
Net depreciation - realized and unrealized		<u>(4,699)</u>
Balance, December 31, 2015	\$	<u>106,966</u>

NOTE 5 NET ASSETS

Board designated net assets consisted of the following at December 31:

	2015	2014
Endowment	\$ 106,966	\$ 121,986
Other	<u>807</u>	<u>807</u>
Total Board designated net assets	<u>\$ 107,773</u>	<u>\$ 122,793</u>

ST. LOUIS COUNTY HISTORICAL SOCIETY
DULUTH, MINNESOTA

NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014
(Continued)

NOTE 5 NET ASSETS (Continued)

Temporarily restricted net assets consisted of the following at December 31:

	<u>2015</u>	<u>2014</u>
American Indian Project	\$ 51,207	\$ 58,783
Fessler Gallery Project	1,206	990
Great Hall Exhibit		29
Scholarships-VMH	29,615	28,322
Mezzanine Project		7,413
Erie Mining Book Project	66,322	504
Veterans Memorial Hall Website Maintenance	4,500	
Veterans Memorial Hall Oral History Project	3,000	
Veterans Memorial Hall Gomer / Wheat Statue Maintenance	6,559	
Museum Shelving	5,000	
Exhibit Designer	3,140	
Collection Care	7,930	
Veterans Memorial Hall - Archives	<u>22,560</u>	<u>3,550</u>
Total temporarily restricted net assets	<u>\$ 201,039</u>	<u>\$ 99,601</u>

NOTE 6 AMOUNTS PAID TO AFFILIATED ORGANIZATIONS

For the years ended December 31, 2015 and 2014, the Society distributed the following amounts to other regional St. Louis County historical societies and museums:

	<u>2015</u>	<u>2014</u>
Ely-Winton Historical Society	\$ 13,664	\$ 13,664
Hibbing Historical Society	12,096	12,095
Tower-Soudan Historical Society	6,608	6,564
Virginia Historical Society	12,196	12,197
Museum of Mining	8,872	8,872
Sisu Heritage, Inc.	<u>4,680</u>	<u>4,648</u>
Total	<u>\$ 58,116</u>	<u>\$ 58,040</u>

ST. LOUIS COUNTY HISTORICAL SOCIETY
DULUTH, MINNESOTA

NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014
(Continued)

NOTE 7 DONATED RENTS AND SERVICES

Space and professional fees are being donated at the University of Minnesota-Duluth for use by the Society. The following donated rent and services are shown in the accompanying financial statements as both contribution income and expenses.

	Donated Value	
	2015	2014
U.M.D. (space)	\$ 40,045	\$ 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 \$29,900 and \$10,200 for the years ended December 31, 2015 and 2014, respectively.

NOTE 8 PENSION PLAN

The Society participates in a defined contribution plan through the TIAA-CREF. This plan covers employees who work at least 1000 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 \$3,670 and \$3,984 for the years ended December 31, 2015 and 2014, respectively.

NOTE 9 LEASE AGREEMENT

The Society has an annual renewable lease with St. Louis County (See Note 7). The lease has been extended verbally on an annual basis. The lease is for the use of office and exhibit space located at 508 West Michigan Street.

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 base amount. The common area maintenance charges to the Society were \$11,604 and \$11,052 for the years ended December 31, 2015 and 2014, respectively.

ST. LOUIS COUNTY HISTORICAL SOCIETY
DULUTH, MINNESOTA

NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014
(Continued)

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 payments, discounted at an interest rate of 7 percent. The capitalized cost of \$10,578 less accumulated depreciation of \$3,350 and \$1,234 at December 31, 2015 and 2014, respectively, is included in furniture, fixtures and equipment in the accompanying financial statements. Depreciation expense for the equipment was \$2,116 and \$1,234 for the years ended December 31, 2015 and 2014, respectively.

The Society incurred interest expense on the lease of \$617 and \$367 during the years ended December 31, 2015 and 2014, respectively.

The future minimum lease payments under the capital lease and the net present value of future minimum lease payments are as follows as of December 31, 2015:

Year Ending December 31,

2016	\$ 2,513
2017	2,513
2018	2,513
2019	<u>1,258</u>
Future minimum lease payments	8,797
Less amount representing interest	<u>(1,015)</u>
Present value of future minimum payments	<u>\$ 7,782</u>

SUPPLEMENTAL INFORMATION

ST. LOUIS COUNTY HISTORICAL SOCIETY
DULUTH, MINNESOTA

SCHEDULE OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2016

	Program Services <u>Historical Preservation</u>	Supporting Services <u>Management and General</u>	<u>Total</u>
Salaries	\$ 101,209	\$ 77,442	\$ 178,651
Payroll taxes and related payroll expenses	8,494	6,500	14,994
Employee health insurance	5,701	4,363	10,064
Pension	1,600	2,070	3,670
Total salaries and related expenses	<u>117,004</u>	<u>90,375</u>	<u>207,379</u>
Advertising	391		391
Common area maintenance	10,444	1,160	11,604
Dues and subscriptions	915	229	1,144
Insurance	13,737		13,737
Interest	494	123	617
Miscellaneous	2,583	2,583	5,166
Office supplies	2,958	2,958	5,916
Postage	1,048	349	1,397
Printing and reproduction	1,795	449	2,244
Professional services		53,849	53,849
Project costs	28,818		28,818
Rent - donated	38,043	2,002	40,045
Repairs and maintenance	5,065	563	5,628
Telephone	6,163	2,054	8,217
Travel and staff expense	2,950	4,425	7,375
Museum - exhibits and supplies, conservation, repair, and acquisition of collection	1,570		1,570
Total functional expenses before depreciation	<u>233,978</u>	<u>161,119</u>	<u>395,097</u>
Depreciation	<u>29,907</u>	<u>3,323</u>	<u>33,230</u>
Total functional expenses	<u>\$ 263,885</u>	<u>\$ 164,442</u>	<u>\$ 428,327</u>

ST. LOUIS COUNTY HISTORICAL SOCIETY
DULUTH, MINNESOTA

SCHEDULE OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2014

	Program Services <u>Historical Preservation</u>	Supporting Services <u>Management and General</u>	<u>Total</u>
Salaries	\$ 108,552	\$ 68,814	\$ 177,366
Payroll taxes and related payroll expenses	9,311	5,903	15,214
Employee health insurance	11,500	7,290	18,790
Pension	2,140	1,844	3,984
Total salaries and related expenses	<u>131,503</u>	<u>83,851</u>	<u>215,354</u>
Advertising	319		319
Common area maintenance	9,947	1,105	11,052
Dues and subscriptions	943	236	1,179
Insurance	15,042		15,042
Interest	286	71	357
Miscellaneous	3,026	3,026	6,052
Office supplies	3,608	3,607	7,215
Postage	1,175	392	1,567
Printing and reproduction	1,974	494	2,468
Professional services		24,395	24,395
Project costs	35,499		35,499
Rent - donated	38,043	2,002	40,045
Repairs and maintenance	3,160	351	3,511
Telephone	4,151	1,384	5,535
Travel and staff expense	1,614	2,422	4,036
Museum - exhibits and supplies, conservation, repair, and acquisition of collection	798		798
Total functional expenses before depreciation	<u>251,088</u>	<u>123,336</u>	<u>374,424</u>
Depreciation	15,186	1,687	16,873
Total functional expenses	<u>\$ 266,274</u>	<u>\$ 125,023</u>	<u>\$ 391,297</u>