

St. Louis County Historical Society

Annual Financial Statements

Years Ended December 31, 2023 and 2022



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 of St. Louis County Historical Society (the Society), a nonprofit organization, which comprise the accompanying statements of financial position as of December 31, 2023 and 2022, 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, 2023 and 2022, 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 GAAP, 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.

Wipfli LLP

Wipfli LLP

September 2, 2024

Duluth, Minnesota

St. Louis County Historical Society

Statements of Financial Position

December 31,

Assets	2023	2022
Current assets		
Cash and cash equivalents	\$ 506,978	\$ 417,723
Grants receivable	5,000	-
Prepaid insurance	4,219	4,037
Inventory	28,922	31,283
Total current assets	545,119	453,043
Other assets		
Assets held by others	93,235	160,018
Collections and exhibits	3,103,006	3,096,051
Property and equipment		
Furniture, fixtures and equipment	565,887	567,237
Leasehold improvements	21,689	29,689
Construction in progress	96,200	96,200
Accumulated depreciation	(546,376)	(533,796)
Net property and equipment	137,400	159,330
Right of use asset - finance Lease	395	2,763
Total assets	\$ 3,879,155	\$ 3,871,205
Liabilities and Net Assets	2023	2022
Current liabilities		
Current portion of finance lease liability	\$ 419	\$ 2,475
Accounts payable	1,675	1,386
Accrued payroll and taxes	5,352	8,479
Deferred revenue	4,797	4,797
Refundable advance liability	20,000	-
Total current liabilities	32,243	17,137
Finance lease liability, net of current portion	-	419
Net assets		
Without donor restrictions		
Undesignated	3,674,194	3,582,043
Board designated	93,235	160,018
With donor restrictions	79,483	111,588
Total net assets	3,846,912	3,853,649
Total liabilities and net assets	\$ 3,879,155	\$ 3,871,205

See accompanying notes to the financial statements.

St. Louis County Historical Society

Statements of Activities

For the Years Ended December 31,

	2023			2022		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Public support and revenue						
Public support						
St. Louis County	\$ 595,998	\$ -	\$ 595,998	\$ 545,998	\$ -	\$ 545,998
Collections contributed	12,815	-	12,815	889	-	889
Contributions and grants	14,918	4,445	19,363	88,143	16,368	104,511
Donated rents	40,824	-	40,824	40,824	-	40,824
Total public support	664,555	4,445	669,000	675,854	16,368	692,222
Revenue						
Memberships	9,596	-	9,596	8,880	-	8,880
Interest income	206	-	206	21	-	21
Change in value of assets held by others	21,401	-	21,401	(35,628)	-	(35,628)
Book sales, net of cost of goods sold of \$2,361 and \$3,117	1,682	-	1,682	2,484	-	2,484
Special events and tours, net of expenses of \$5,471 and \$5,422	7,951	-	7,951	874	-	874
Miscellaneous	255	-	255	5,945	-	5,945
Total revenue	41,091	-	41,091	(17,424)	-	(17,424)
Total public support and revenue	705,646	4,445	710,091	658,430	16,368	674,798
Net assets released from restrictions	36,550	(36,550)	-	36,853	(36,853)	-
Expenses						
Unallocated payments to affiliated organizations	106,116	-	106,116	100,116	-	100,116
Deaccessions	5,860	-	5,860	-	-	-
Total	111,976	-	111,976	100,116	-	100,116
Functional expenses						
Program services						
Historical preservation	367,797	-	367,797	456,593	-	456,593
Supporting services						
Management and general	189,082	-	189,082	125,622	-	125,622
Fundraising	47,973	-	47,973	51,648	-	51,648
Total functional expenses	604,852	-	604,852	633,863	-	633,863
Total expenses	716,828	-	716,828	733,979	-	733,979
Change in net assets	25,368	(32,105)	(6,737)	(38,696)	(20,485)	(59,181)
Net assets, beginning of year	3,742,061	111,588	3,853,649	3,780,757	132,073	3,912,830
Net assets, end of year	\$ 3,767,429	\$ 79,483	\$ 3,846,912	\$ 3,742,061	\$ 111,588	\$ 3,853,649

See accompanying notes to the financial statements.

St. Louis County Historical Society

Statement of Functional Expenses

For the Year Ended December 31, 2023

	Program Services			Supporting Services		Total
	Historical Preservation	Management and General		Fundraising		
Salaries	\$ 152,320	\$ 82,979	\$ 27,238		262,537	
Payroll taxes and related payroll expenses	15,459	5,080	1,546		22,085	
Employee health insurance	8,813	7,875	2,063		18,751	
Pension	2,579	1,780	411		4,770	
Total salaries and related expenses	179,171	97,714	31,258		308,143	
Advertising	995	497	497		1,989	
Common area maintenance	36,572	18,287	6,096		60,955	
Cost of goods sold	2,361	-	-		2,361	
Dues and subscriptions	2,358	589	-		2,947	
Insurance	9,772	6,515	-		16,287	
Interest	20	14	6		40	
Miscellaneous	3,407	3,406	1,703		8,516	
Office supplies	1,494	1,494	747		3,735	
Postage	516	516	258		1,290	
Print and reproduce	1,422	996	427		2,845	
Professional services	24,699	19,760	4,940		49,399	
Project costs	7,587	843	-		8,430	
Rent - donated	20,412	20,412	-		40,824	
Repairs and maintenance	47,792	5,310	-		53,102	
Supplies and other for special events	-	-	5,471		5,471	
Communications	4,954	2,477	826		8,257	
Travel and staff expense	1,175	1,176	-		2,351	
Museum - exhibits and supplies, conservation, repair, and acquisition of collection	10,872	572	-		11,444	
Total functional expenses before depreciation	355,579	180,578	52,229		588,386	
Depreciation and amortization	14,579	8,504	1,215		24,298	
Total expenses	370,158	189,082	53,444		612,684	
Less expenses included with revenue on the statement of activities:						
Cost of goods sold	(2,361)	-	-		(2,361)	
Direct cost of special events	-	-	(5,471)		(5,471)	
Total functional expenses	\$ 367,797	\$ 189,082	\$ 47,973	\$ 604,852		

See accompanying notes to the financial statements.

St. Louis County Historical Society

Statement of Functional Expenses

For the Year Ended December 31, 2022

	Program Services		Supporting Services		Total
	Historical Preservation	Management and General	Fundraising		
Salaries	\$ 232,870	\$ 52,975	\$ 30,400	\$ 316,245	
Payroll taxes and related payroll expenses	19,254	5,501	2,751	27,506	
Employee health insurance	10,813	5,406	1,802	18,021	
Pension	2,580	1,278	1,286	5,144	
Total salaries and related expenses	265,517	65,160	36,239	366,916	
Advertising	1,992	-	1,991	3,983	
Common area maintenance	13,067	1,633	1,633	16,333	
Cost of goods sold	3,117	-	-	3,117	
Dues and subscriptions	2,102	526	-	2,628	
Insurance	9,443	6,296	-	15,739	
Interest	58	29	29	116	
Miscellaneous	1,638	1,638	819	4,095	
Office supplies	1,829	1,829	914	4,572	
Postage	930	930	464	2,324	
Print and reproduce	245	245	123	613	
Professional services	23,956	29,946	5,989	59,891	
Project costs	13,161	693	-	13,854	
Rent - donated	38,783	2,041	-	40,824	
Repairs and maintenance	16,801	1,867	-	18,668	
Supplies and other for special events	-	-	5,422	5,422	
Communications	4,844	2,422	807	8,073	
Travel and staff expense	2,445	2,445	-	4,890	
Museum - exhibits and supplies, conservation, repair, and acquisition of collection	17,533	-	-	17,533	
Total functional expenses before depreciation	417,461	117,700	54,430	589,591	
Depreciation and amortization	42,249	7,922	2,640	52,811	
Total expenses	459,710	125,622	57,070	642,402	
Less expenses included with revenue on the statement of activities:					
Cost of goods sold	(3,117)	-	-	(3,117)	
Direct cost of special events	-	-	(5,422)	(5,422)	
Total functional expenses	\$ 456,593	\$ 125,622	\$ 51,648	\$ 633,863	

See accompanying notes to the financial statements.

St. Louis County Historical Society

Statements of Cash Flows

For the Years Ended December 31,

	2023	2022
Cash flows from operating activities		
Change in net assets	\$ (6,737)	\$ (59,181)
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation and amortization	24,298	52,811
Collections contributed	(12,815)	(889)
Deaccessions	5,860	-
Change in value of assets held by others	(21,401)	35,628
Change in operating assets and liabilities		
(Increase) decrease in		
Grants receivable	(5,000)	-
Prepaid insurance	(182)	3,594
Inventory	2,361	3,117
Increase (decrease) in		
Accounts payable	289	(2,500)
Accrued payroll and taxes	(3,127)	(2,030)
Refundable advance liability	20,000	-
Net cash provided by operating activities	3,546	30,550
Cash flows from investing activities		
Withdrawal from assets held by others	88,184	5,468
Purchase of property and equipment	-	(41,133)
Net cash used in investing activities	88,184	(35,665)
Cash flows from financing activities		
Payments on finance lease liability	(2,475)	(2,338)
Net cash used in financing activities	(2,475)	(2,338)
Net increase (decrease) in cash and cash equivalents	89,255	(7,453)
Cash and cash equivalents, beginning of year	417,723	425,176
Cash and cash equivalents, end of year	\$ 506,978	\$ 417,723
Supplemental disclosures		
Interest paid	\$ 40	\$ 116
Contributions of collection items	12,815	889

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 at December 31, 2023 and 2022, is included in cash and cash equivalents in the accompanying financial statements. The certificate bears interest at 0.145 percent and matures August 29, 2024, 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)

Grants Receivable

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.

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 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, 2023 and 2022, 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 \$21,930 and \$50,443 for the years ended December 31, 2023 and 2022.

St. Louis County Historical Society

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Property and Equipment (Continued)

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 2023 and 2022.

ASC 842 Lease Accounting

The Society is a lessee in a noncancelable financing lease. If the contract provides the Society the right to substantially all the economic benefits and the right to direct the use of the identified asset, it is considered to be or contain a lease. Right-of-use (ROU) assets and lease liabilities are recognized at the lease commencement date based on the present value of the future lease payments over the expected lease term. The ROU asset is also adjusted for any lease prepayments made, lease incentives received, and initial direct costs incurred.

The lease liability is initially and subsequently recognized based on the present value of its future lease payments. Variable payments are included in the future lease payments when those variable payments depend on an index or a rate. Increases (decreases) to variable lease payments due to subsequent changes in an index or rate are recorded as variable lease expense (income) in the future period in which they are incurred.

The Society has elected to use a risk-free rate for a term similar to the underlying lease as the discount rate if the implicit rate in the lease contract is not readily determinable.

The ROU asset for finance leases is amortized on a straight-line basis over the lease term.

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 are deemed short-term leases 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, 2023 and 2022, the amount charged to expense was \$1,989 and \$3,983, respectively.

St. Louis County Historical Society

Notes to Financial Statements

Note 1: 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. The Society records the following exchange transaction revenue in its statements of activities for the years ending December 31, 2023 and 2022:

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.

St. Louis County Historical Society

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Revenue Recognition (Continued)

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.

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.

St. Louis County Historical Society

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Functional Allocation of Expenses

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

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.

Subsequent Events

The Society has evaluated events and transactions for potential recognition or disclosure in the financial statements through September 2, 2024, which is the date the financial statements were available to be issued.

St. Louis County Historical Society

Notes to Financial Statements

Note 2: Liquidity and Availability of Financial Resources

The following table reflects the Society's financial assets as of December 31, 2023, and 2022, 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>	2023	2022
Cash	\$ 506,978	\$ 417,723
Grants receivable	5,000	-
Total financial assets as of end of year	511,978	417,723
Less: Net assets with donor restrictions	(79,483)	(111,588)
Financial assets available to meet cash needs for general expenditure within one year	\$ 432,495	\$ 306,135

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 7. 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.

Note 3: Accounts Receivable and Contract Balances

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

	12/31/2023	12/31/2022	1/1/2022
Contract liabilities	\$ 4,797	\$ 4,797	\$ 4,797

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 or accounts receivable at December 31, 2023 or 2022 or January 1, 2022. 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, 2023, December 31, 2022 and January 1, 2022 consist of deferred membership fees.

St. Louis County Historical Society

Notes to Financial Statements

Note 4: Leases

The Society had a one-year lease with St. Louis County through December 2022. When this lease expired the Society entered into a one-year operating lease with St. Louis County through December 2023 that included 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 \$60,955 and \$16,333 for years ended December 31, 2023 and 2022, respectively. This lease is considered short-term, therefore the ROU asset and liability was \$0 both at December 31, 2023 and 2022. A new lease with the St. Louis County is in place starting January 2024.

The Society leases a copier from Metro Sales, Inc. with lease payment of \$210 per month beginning March 2019 through February 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 depreciable 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 expense were as follows for the years ended December 31, 2023 and 2022:

	2023	2022
Lease cost		
Finance lease cost:		
Interest	\$ 40	\$ 102
Amortization of right-of-use asset	2,368	2,368
Short-term lease cost	60,955	16,333
Total lease cost	\$ 63,363	\$ 18,803

St. Louis County Historical Society

Notes to Financial Statements

Note 4: Leases (Continued)

Supplemental cash flow information related to leases is as follows for the years ended December 31, 2023 and 2022:

	2023	2022
<hr/>		
Other information		
Operating cash flows from finance leases	\$ 40	\$ 102
Financing cash flows from finance leases	\$ 2,475	\$ 2,470
	<hr/>	<hr/>
	2023	2022
Weighted-average remaining lease term - Finance leases	0.08 years	1.08 years
Weighted-average discount rate - Finance leases	2.56 %	2.56 %

Maturities of lease liabilities are as follows as of December 31, 2023:

	Finance lease	
	<hr/>	<hr/>
2024	\$	420
Total lease payments		420
Less imputed interest		(1)
	<hr/>	<hr/>
Total	\$	419

Note 5: 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.

St. Louis County Historical Society

Notes to Financial Statements

Note 5: Fair Value Measurements (Continued)

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. See Note 7.

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, 2023:

<i>Fair Value Measurements Listing</i>	Level 1	Level 2	Level 3	Total Assets at Fair Value
Assets held by others	\$ -	\$ -	\$ 93,235	\$ 93,235
Total	\$ -	\$ -	\$ 93,235	\$ 93,235

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, 2022:

<i>Fair Value Measurements Listing</i>	Level 1	Level 2	Level 3	Total Assets at Fair Value
Assets held by others	\$ -	\$ -	\$ 160,018	\$ 160,018
Total	\$ -	\$ -	\$ 160,018	\$ 160,018

There were no assets or liabilities measured at fair value on a nonrecurring basis as of December 31, 2023 and 2022.

St. Louis County Historical Society

Notes to Financial Statements

Note 5: Fair Value Measurements (Continued)

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 12/31/2023	Fair Value 12/31/2022	Principle Valuation Technique	Unobservable Inputs	Range
Assets held by others	\$ 93,235	\$ 160,018	Quoted Market Prices or Third Party Pricing	Market price of assets held	Unknown

Note 6: 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 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. This fund was fully withdrawn during the year ended December 31, 2023.

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 \$93,235 and \$160,018 as of December 31, 2023 and 2022.

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

Note 7: 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 6). DSACF and the Depot have authority to hold, manage and invest the funds held on behalf of the Society.

St. Louis County Historical Society

Notes to Financial Statements

Note 7: Endowment Funds (Continued)

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, 2023 and 2022, were as follows:

	2023	2022
Balance, January 1	\$ 160,018	\$ 201,114
Investment fees	(1,334)	(1,600)
Withdrawals	(88,184)	(6,969)
Net appreciation and depreciation - realized and unrealized	22,735	(32,527)
Balance, December 31	\$ 93,235	\$ 160,018

Note 8: Net Assets with Donor Restrictions

Net assets with donor restrictions are restricted for the following purposes or periods at December 31, 2023 and 2022.

<i>As of December 31,</i>	2023	2022
American Indian Project	\$ 839	\$ -
Scholarships-VMH	15,728	24,605
Erie Mining Project	27,385	28,334
Collection Care	3,807	3,807
Veterans Memorial Hall - Joe Gomer Project	304	304
Fessler Gallery Project	4,894	4,894
Medal of Honor Row	26,526	26,526
SLCHS Centennial	-	4,334
Exhibit Cases	-	18,784
Total	\$ 79,483	\$ 111,588

St. Louis County Historical Society

Notes to Financial Statements

Note 8: Net Assets with Donor Restrictions (Continued)

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

<i>For the Years Ended December 31,</i>	2023	2022
Scholarships-VMH	\$ 9,813	\$ -
Erie Mining Project	3,619	-
SLCHS Centennial	4,334	13,372
Exhibit cases	18,784	23,481
Total	\$ 36,550	\$ 36,853

Note 9: 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>	2023	2022
Contribution revenue	\$ 7,951	\$ 874
Exchange transaction revenue (benefit to customer)	5,471	5,422
Total special event revenue	\$ 13,422	\$ 6,296

Note 10: Donated Rents and Services

Space is being donated at the University of Minnesota-Duluth (U.M.D) 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.

<i>Years Ended December 31,</i>	2023	2022
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 \$31,900 and \$39,600 for the years ended December 31, 2023 and 2022, respectively.

St. Louis County Historical Society

Notes to Financial Statements

Note 11: 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 \$4,770 and \$5,144 for the years ended December 31, 2023 and 2022, respectively.

Note 12: Amounts Paid to Affiliated Organizations

For the years ended December 31, 2023 and 2022, 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>	2023	2022
Ely-Winton Historical Society	\$ 21,664	\$ 20,664
Hibbing Historical Society	20,096	19,096
Tower-Soudan Historical Society	14,608	13,608
Virginia Historical Society	20,196	19,196
Museum of Mining	16,872	15,872
Sisu Heritage, Inc.	12,680	11,680
Total	\$ 106,116	\$ 100,116