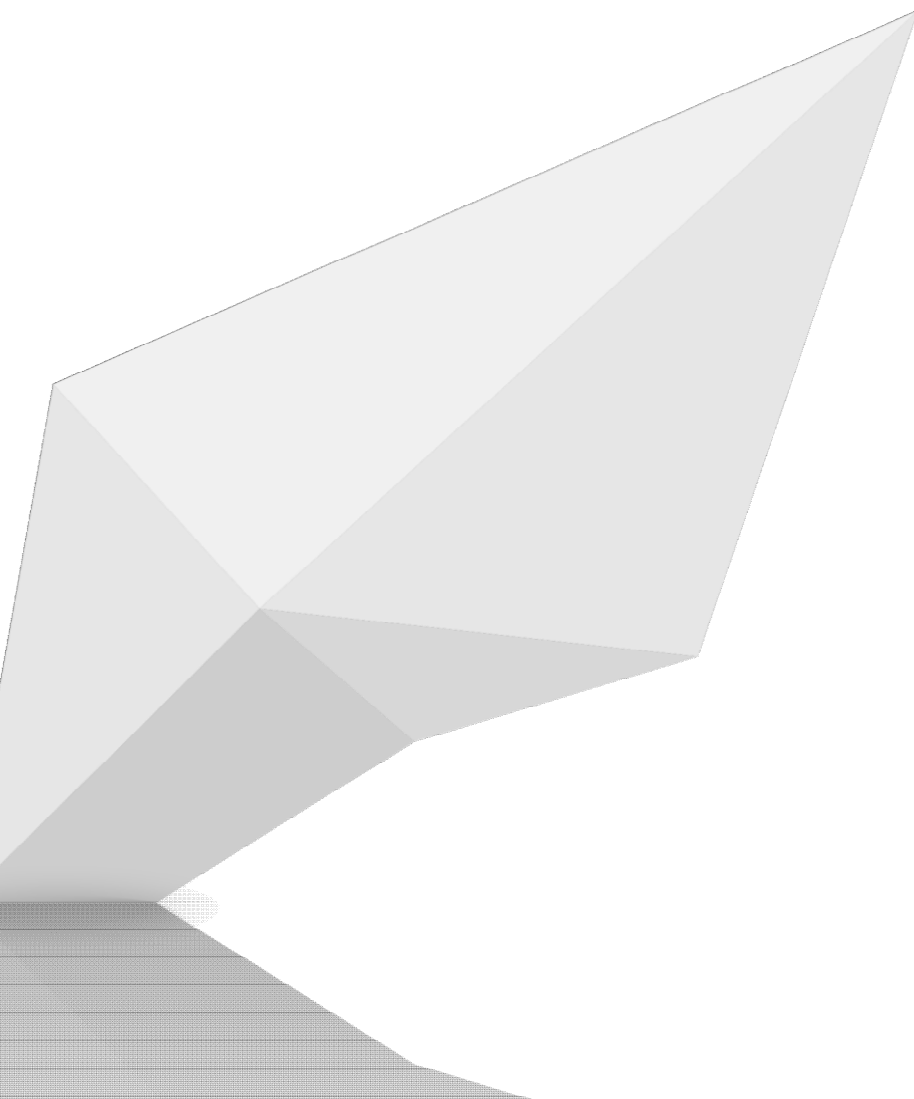


# St. Louis County Historical Society

Annual Financial Statements

Years Ended December 31, 2020 and 2019



**WIPFLI**

## **Independent Auditor's Report**

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

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

We have audited the accompanying financial statements of St. Louis County Historical Society (the Society), which comprise the statements of financial position as of December 31, 2020 and 2019, and the related statements of activities, functional expenses, and cash flows for the years then ended and the related notes to the financial statements.

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

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

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of St. Louis County Historical Society as of December 31, 2020 and 2019, and the change in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States.

## Emphasis of Matter

As discussed in Note 1 of the financial statements, St. Louis County Historical Society adopted the Accounting Standards Updates (ASU) No. 2014-09, *Revenue from Contracts with Customers* (Topic 606) and ASU 2019-03, *Updating the Definition of Collections* as of and for the year ended December 31, 2020. Our opinion is not modified with respect to these matters.

A handwritten signature in cursive script that reads "Wipfli LLP".

Wipfli LLP  
August 6, 2021  
Duluth, Minnesota

# St. Louis County Historical Society

## Statements of Financial Position

December 31,

<b>Assets</b>	<b>2020</b>	<b>2019 As Restated</b>
Current assets		
Cash and cash equivalents	\$ 401,901	\$ 401,990
Accounts receivable	1,530	1,975
Grants receivable	44,983	
Prepaid insurance	3,474	2,762
Inventory	39,216	82,123
<b>Total current assets</b>	<b>491,104</b>	<b>488,850</b>
Other assets		
Assets held by others	184,791	112,794
<b>Collections and exhibits</b>	<b>3,090,546</b>	<b>3,075,321</b>
Property and equipment		
Furniture, fixtures and equipment	540,425	530,175
Leasehold improvements	29,689	29,689
Construction in progress	48,700	8,000
Accumulated depreciation	(424,575)	(346,132)
<b>Net property and equipment</b>	<b>194,239</b>	<b>221,732</b>
<b>Total assets</b>	<b>\$ 3,960,680</b>	<b>\$ 3,898,697</b>
<b>Liabilities and Net Assets</b>	<b>2020</b>	<b>2019 As Restated</b>
Current liabilities		
Current portion of capital lease payable	\$ 2,074	\$ 1,934
Accounts payable	13,404	5,314
Accrued payroll and taxes	7,535	12,535
Deferred revenue	4,797	4,797
<b>Total current liabilities</b>	<b>27,810</b>	<b>24,580</b>
<b>Capital lease payable, net of current portion</b>	<b>5,232</b>	<b>7,306</b>
Net assets		
Without donor restrictions		
Undesignated	3,547,529	3,470,633
Board designated	184,791	112,794
With donor restrictions	195,318	283,384
<b>Total net assets</b>	<b>3,927,638</b>	<b>3,866,811</b>
<b>Total liabilities and net assets</b>	<b>\$ 3,960,680</b>	<b>\$ 3,898,697</b>

See accompanying notes to the financial statements.

# St. Louis County Historical Society

## Statements of Activities

For the Years Ended December 31,

	2020			2019, As Restated		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Public support and revenue						
Public support						
St. Louis County	\$ 524,434	\$ -	\$ 524,434	\$ 416,998	\$ -	\$ 416,998
Collections contributed	15,225	-	15,225	15,310	-	15,310
Contributions and grants	53,277	54,885	108,162	8,673	78,676	87,349
Donated rents	40,824	-	40,824	40,824	-	40,824
<b>Total public support</b>	<b>633,760</b>	<b>54,885</b>	<b>688,645</b>	<b>481,805</b>	<b>78,676</b>	<b>560,481</b>
Revenue						
Memberships	7,977	-	7,977	8,035	-	8,035
Interest income	166	-	166	229	-	229
Change in value of assets held by others	22,362	-	22,362	15,904	-	15,904
Book sales, net of cost of goods sold of \$9,853 and \$30,976	12,599	-	12,599	6,155	-	6,155
Special events and tours, net of expenses of \$181 and \$17,115	6,094	-	6,094	26,798	-	26,798
Miscellaneous	931	-	931	2,902	-	2,902
<b>Total revenue</b>	<b>50,129</b>	<b>-</b>	<b>50,129</b>	<b>60,023</b>	<b>-</b>	<b>60,023</b>
<b>Total public support and revenue</b>	<b>683,889</b>	<b>54,885</b>	<b>738,774</b>	<b>541,828</b>	<b>78,676</b>	<b>620,504</b>
Net assets released from restrictions	142,951	(142,951)	-	91,732	(91,732)	-
Expenses						
Unallocated payments to affiliated organizations	79,116	-	79,116	73,116	-	73,116
Functional expenses						
Program services						
Historical preservation	395,938	-	395,938	351,299	-	351,299
Supporting services						
Management and general	150,495	-	150,495	153,652	-	153,652
Fundraising	52,399	-	52,399	45,873	-	45,873
<b>Total functional expenses</b>	<b>598,831</b>	<b>-</b>	<b>598,831</b>	<b>550,824</b>	<b>-</b>	<b>550,824</b>
<b>Total expenses</b>	<b>677,947</b>	<b>-</b>	<b>677,947</b>	<b>623,940</b>	<b>-</b>	<b>623,940</b>
Change in net assets	148,893	(88,066)	60,827	9,620	(13,056)	(3,436)
Net assets, beginning of year	3,583,427	283,384	3,866,811	3,573,807	296,440	3,870,247
Net assets, end of year	\$ 3,732,320	\$ 195,318	\$ 3,927,638	\$ 3,583,427	\$ 283,384	\$ 3,866,811

See accompanying notes to the financial statements.

# St. Louis County Historical Society

## Statement of Functional Expenses

For the Year Ended December 31, 2020

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

See accompanying notes to the financial statements.

# St. Louis County Historical Society

## Statement of Functional Expenses

For the Year Ended December 31, 2019, as restated

	Program Services		Supporting Services		Total
	Historical Preservation	Management and General	Fundraising		
Salaries	\$ 151,794	\$ 77,227	\$ 21,036	\$ 250,057	
Payroll taxes and related payroll expenses	14,013	7,129	1,942	23,084	
Employee health insurance	9,760	4,965	1,351	16,076	
Pension	2,888	1,392	484	4,764	
<b>Total salaries and related expenses</b>	<b>178,455</b>	<b>90,713</b>	<b>24,813</b>	<b>293,981</b>	
Advertising	1,224	-	1,224	2,448	
Common area maintenance	10,742	1,343	1,343	13,428	
Cost of goods sold	30,976	-	-	30,976	
Donations	4,958	-	-	4,958	
Dues and subscriptions	1,466	366	-	1,832	
Insurance	7,761	5,174	-	12,935	
Interest	303	110	138	550	
Miscellaneous	2,733	2,733	1,367	6,833	
Office supplies	3,517	3,517	1,759	8,793	
Postage	1,921	1,921	961	4,803	
Printing and reproduction	842	842	421	2,106	
Professional services	15,283	30,566	5,094	50,943	
Project costs	5,643	705	705	7,054	
Rent - donated	38,783	2,041	-	40,824	
Repairs and maintenance	6,227	692	-	6,919	
Supplies and other for special events	-	-	17,115	17,115	
Communications	1,582	3,163	527	5,272	
Travel and staff expense	2,243	2,243	-	4,485	
Museum - exhibits and supplies, conservation, repair, and acquisition of collection	7,440	-	-	7,440	
<b>Total functional expenses before depreciation</b>	<b>322,099</b>	<b>146,130</b>	<b>55,466</b>	<b>523,695</b>	
Depreciation	60,176	7,522	7,522	75,220	
<b>Total expenses</b>	<b>382,275</b>	<b>153,652</b>	<b>62,988</b>	<b>598,915</b>	
Less expenses included with revenue on the statement of activities:					
Cost of goods sold	(30,976)	-	-	(30,976)	
Direct cost of special events	-	-	(17,115)	(17,115)	
<b>Total functional expenses</b>	<b>\$ 351,299</b>	<b>\$ 153,652</b>	<b>\$ 45,873</b>	<b>\$ 550,824</b>	

See accompanying notes to the financial statements.

# St. Louis County Historical Society

## Statements of Cash Flows

For the Years Ended December 31,

	2020	2019 As Restated
Cash flows from operating activities		
Change in net assets	\$ 60,827	\$ (3,436)
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	80,532	75,220
Collections contributed	(15,225)	(15,310)
Change in value of assets held by others	(22,362)	(15,904)
Change in operating assets and liabilities		
(Increase) decrease in		
Accounts receivable	445	235
Grants receivable	(44,983)	37,139
Prepaid insurance	(712)	717
Inventory	42,907	5,901
Increase (decrease) in		
Accounts payable	8,090	658
Accrued payroll and taxes	(5,000)	808
Deferred revenue		(11,172)
<b>Net cash provided by operating activities</b>	<b>104,519</b>	<b>74,856</b>
Cash flows from investing activities		
Contribution to assets held by others	(55,055)	
Withdrawal from assets held by others	5,420	5,146
Purchase of property and equipment	(53,039)	(19,445)
<b>Net cash used in investing activities</b>	<b>(102,674)</b>	<b>(14,299)</b>
Cash flows from financing activities		
Payments on capital lease payable	(1,934)	(2,596)
<b>Net cash used in financing activities</b>	<b>(1,934)</b>	<b>(2,596)</b>
Net increase (decrease) in cash and cash equivalents	(89)	57,961
Cash and cash equivalents, beginning of year	401,990	344,029
Cash and cash equivalents, end of year	\$ 401,901	\$ 401,990
Supplemental disclosures		
Interest paid	\$ 586	\$ 550
Contributions of collection items	15,225	15,310
Supplemental investing and financing disclosures		
Purchase of equipment with capital lease		10,605

See accompanying notes to the financial statements.



# St. Louis County Historical Society

## Notes to Financial Statements

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### Note 1: Summary of Significant Accounting Policies

#### Organization

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

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

#### Basis of Accounting

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

#### Net Assets

Net assets and revenues, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Society and changes therein are classified and reported as follows:

**Net assets without donor restrictions:** Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board has designated, from net assets without donor restrictions, net assets for a board-designated endowment.

**Net assets with donor restrictions:** Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

#### Cash and Cash Equivalents

The Society classifies as cash and cash equivalents, all checking, savings and investments maturing within ninety days from the date of purchase which are not restricted by donors for long-term purposes. A certificate of deposit with a balance of \$12,136 and \$12,016 at December 31, 2020 and 2019, respectively, is included in cash and cash equivalents in the accompanying financial statements. The certificate bears interest at 0.35 percent and matures March 29, 2022, with penalties for early withdrawal. The certificate can easily be converted to cash and any penalties for early withdrawal would not have a material effect on the financial statements, and therefore management considers the certificate of deposit a cash equivalent.

# St. Louis County Historical Society

## Notes to Financial Statements

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

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

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

#### **Collections and Exhibits**

The Society capitalizes its collections. Accessions are capitalized at cost if purchased and at appraised or fair value at date of accession if received by donation. Exhibits are considered temporary and are expensed as they are purchased. 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, 2020 and 2019, the Society had construction in progress of \$48,700 and \$8,000, respectively, for the Erie Mining Fixed Exhibit and the Joe Gomer Project. Depreciation of furniture and equipment is computed using the straight-line method over estimated useful lives of three to ten years. Depreciation of leasehold improvements is computed using the straight-line method over fifteen years. Depreciation expense was \$80,532 and \$75,220 for the years ended December 31, 2020 and 2019.

#### **Advertising and Promotion**

Advertising and promotion costs are charged to operations when incurred. For the years ended December 31, 2020 and 2019, the amount charged to expense was \$3,971 and \$2,448, respectively.

# St. Louis County Historical Society

## Notes to Financial Statements

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### 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, 2020 and 2019:

#### 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

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### 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 revenues.

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

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

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

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

#### **Use of Estimates**

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

#### **Income Taxes**

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

#### **Subsequent Events**

The Society has evaluated events and transactions for potential recognition or disclosure in the financial statements through August 6, 2021, which is the date the financial statements were available to be issued.

#### **Change in Accounting Policy**

In May 2014, the FASB issued ASU 2014-09 *Revenue From Contracts with Customers* (Topic 606). The amendments in this ASU, along with numerous clarifications and modifications, require an entity to recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The Society adopted this guidance as of January 1, 2020 and applied Topic 606 on a retrospective basis to all periods presented, with no effect on net assets or previously issued financial statements.

In March 2019, the FASB issued ASU 2019-03, *Updating the Definition of Collections*. The amendments in this ASU modify the condition so that proceeds from the sale of the collections can be used to support the direct care of existing collections in addition to the current requirement that proceeds from sales of collection items be used to acquire other items for collections. The Society adopted this guidance as of January 1, 2020, on a prospective basis.

# St. Louis County Historical Society

## Notes to Financial Statements

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

#### Accounting Standards Updates

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

### Note 2: Accounts Receivable and Contract Balances

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

	12/31/2020	12/31/2019	1/1/2019
Contract assets	\$ -	\$ -	-
Contract liabilities	4,797	4,797	4,797
Accounts receivable	\$ 1,530	\$ 1,975	\$ 2,210

Contract assets arise when the Society transfers goods or services to a customer in advance of receiving consideration and the right to consideration is conditioned on something other than the passage of time. Contract assets are transferred to receivables when the right to receive consideration becomes unconditional and the Society is able to invoice the customer. There were no contract assets at December 31, 2020 or 2019 or January 1, 2019. 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, 2020, December 31, 2019 and January 1, 2019 consist of deferred membership fees.

### Note 3: Fair Value Measurements

The Society categorizes its assets and liabilities measured at fair value into a three-level hierarchy based on the priority of the inputs to the valuation technique used to determine fair value. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used in the determination of the fair value measurement fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement. Assets and liabilities valued at fair value are categorized based on the inputs to the valuation techniques as follow:

# St. Louis County Historical Society

## Notes to Financial Statements

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### Note 3: Fair Value Measurements (Continued)

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

Level 2 - Inputs that included quoted market prices for similar assets and liabilities in active markets and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument. Fair values for these instruments are estimated using pricing models, quoted prices of securities with similar characteristics, or discounted cash flows.

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

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

The following table presents the balances of assets and liabilities measured at fair value on a recurring basis by level within the fair value hierarchy at December 31, 2020:

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

The following table presents the balances of assets and liabilities measured at fair value on a recurring basis by level within the fair value hierarchy at December 31, 2019:

<i>Fair Value Measurements Listing</i>	Level 1	Level 2	Level 3	Total Assets at Fair Value
Assets held by others	\$ -	\$ -	\$ 112,794	\$ 112,794
<b>Total</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 112,794</b>	<b>\$ 112,794</b>

There were no assets or liabilities measured at fair value on a nonrecurring basis as of December 31, 2020 and 2019.

# St. Louis County Historical Society

## Notes to Financial Statements

### Note 3: Fair Value Measurements (Continued)

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

<i>Years Ended December 31,</i>	2020	2019
Balance, beginning of year	\$ 112,794	\$ 102,036
Contributions	55,055	200
Withdrawals	(5,420)	(5,346)
Change in value	22,362	15,904
Balance, end of year	\$ 184,791	\$ 112,794

### 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 12/31/20	Fair Value 12/31/19	Principle Valuation Technique	Unobservable Inputs	Range
Assets held by others	\$ 184,791	\$ 112,794	Quoted Market Prices or Third Party Pricing	Market price of assets held	Unknown

### Note 4: Assets Held by Others

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

The Erie Mining Company Scholarship Fund was established with the Duluth-Superior Area Community 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

## Notes to Financial Statements

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### Note 4: Assets Held by Others (Continued)

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 \$184,791 and \$112,794 as of December 31, 2020 and 2019.

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

### Note 5: Endowment Funds

The Board has established an Endowment Fund. The assets of the fund are held by the Duluth-Superior Area Community Foundation (DSACF) and the Depot Foundation (Depot) (see Note 4). DSACF and the Depot have authority to hold, manage and invest the funds held on behalf of the Society.

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

Changes in Board Designated Endowment for the years ended December 31, 2020 and 2019, were as follows:

	2020	2019
Balance, January 1	\$ 112,794	\$ 102,036
Investment fees	(490)	(233)
Contributions	55,055	200
Withdrawals	(5,420)	(5,346)
Net appreciation - realized and unrealized	22,852	16,137
<b>Balance, December 31</b>	<b>\$ 184,791</b>	<b>\$ 112,794</b>

# St. Louis County Historical Society

## Notes to Financial Statements

### Note 6: Net Assets with Donor Restrictions

Net assets with donor restrictions are restricted for the following purposes or periods at December 31, 2020 and 2019.

	2020	2019
American Indian Project	\$ -	\$ 14,463
Scholarships-VMH	20,082	20,082
Erie Mining Project	80,067	147,247
Collection Care	3,307	3,307
Veterans Memorial Hall - Joe Gomer Project	5,088	9,039
Eli's Farm	7,280	7,280
Veterans Oral History/Traveling Exhibit	10,000	10,000
Ryan Room	24,600	24,600
County Built on Iron	40,000	40,000
Fessler Gallery Project	4,894	5,366
Civil War Reenactors	-	2,000
<b>Total</b>	<b>\$ 195,318</b>	<b>\$ 283,384</b>

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

<i>Years Ended December 31,</i>	2020	2019
American Indian Project	\$ 14,873	\$ 27,511
Erie Mining Project	121,655	46,309
Scholarships-VMH	-	5,132
Veteran Memorial Hall - Joe Gomer Project	3,951	6,555
Fessler Gallery Project	472	6,225
Civil War Reenactors	2,000	-
<b>Total</b>	<b>\$ 142,951</b>	<b>\$ 91,732</b>

# St. Louis County Historical Society

## Notes to Financial Statements

### Note 7: Amounts Paid to Affiliated Organizations

For the years ended December 31, 2020 and 2019, the Society distributed the following amounts to other regional historical societies and museums pursuant to its funding agreement with St. Louis County:

<i>Years Ended December 31,</i>	2020	2019
Ely-Winton Historical Society	\$ 17,164	\$ 16,164
Hibbing Historical Society	15,596	14,596
Tower-Soudan Historical Society	10,108	9,108
Virginia Historical Society	15,696	14,696
Museum of Mining	12,372	11,372
Sisu Heritage, Inc.	8,180	7,180
<b>Total</b>	<b>\$ 79,116</b>	<b>\$ 73,116</b>

### Note 8: Special Event Revenue

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

<i>For the Years Ended December 31,</i>	2020	2019
Contribution revenue	\$ 5,913	\$ 9,683
Exchange transaction revenue (benefit to customer)	181	17,115
<b>Total special event revenue</b>	<b>\$ 6,094</b>	<b>\$ 26,798</b>

### Note 9: Donated Rents and Services

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

<i>Years Ended December 31,</i>	2020	2019
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 \$24,821 and \$54,238 for the years ended December 31, 2020 and 2019, respectively.

# St. Louis County Historical Society

## Notes to Financial Statements

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### Note 10: Pension Plan

The Society participates in a defined contribution plan through TIAA-CREF. This plan covers employees who work at least 1,000 hours per year, are twenty-one years of age and older, and have at least eighteen months of service. Contributions are three percent of each covered employee's salary and totaled \$5,411 and \$4,764 for the years ended December 31, 2020 and 2019, respectively.

### Note 11: Operating Leases

The Society has an annual renewable lease with St. Louis County through December 2020. The lease is for the use of office and exhibit space located at 506 West Michigan Street, which includes common area maintenance. The rent expense (including common area maintenance) was \$13,428 for both years ended December 31, 2020 and 2019, respectively.

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

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

<i>Years Ended December 31,</i>	<b>2020</b>
2021	\$ 13,252
2022	12,956
<b>Total</b>	<b>\$ 26,208</b>

### Note 12: Capital Lease Obligation

The Society leases a copier with lease payments of \$210 per month beginning March 2019 through February 2024. A capital lease obligation has been recorded at the present value of future minimum lease payments, discounted at an interest rate of 7 percent. The capitalized cost of \$10,605 less accumulated depreciation of \$3,889 and \$1,768 at December 31, 2020 and 2019, respectively, is included in furniture, fixtures and equipment in the accompanying financial statements.

The Society incurred interest expense on the leases of \$586 and \$550 during the years ended December 31, 2020 and 2019, respectively.

Depreciation expense for equipment was \$2,121 and \$2,650 for the years ended December 31, 2020 and 2019, respectively.

# St. Louis County Historical Society

## Notes to Financial Statements

### Note 12: Capital Lease Obligation (Continued)

The future minimum lease payments under the current capital lease and the net present value of future minimum lease payments are as follows as of December 31, 2020:

<i>Year Ending December 31,</i>			
2021	\$		2,520
2022			2,520
2023			2,520
2024			630
<hr/>			
Future minimum lease payments			8,190
Less amount representing interest			(884)
<hr/>			
Total capital lease obligation	\$		7,306

### Note 13: Liquidity and Availability of Financial Resources

The following table reflects the Society's financial assets as of December 31, 2020, and 2019, 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>		2020		2019
Cash	\$	401,901	\$	401,990
Accounts receivable		1,530		1,975
Grants receivable		44,983		-
<hr/>				
Total financial assets as of end of year		448,414		403,965
Less: Net assets with donor restrictions		(195,318)		(283,384)
<hr/>				
Financial assets available to meet cash needs for general expenditure within one year	\$	253,096	\$	120,581

As part of the Society's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. To help manage unanticipated liquidity needs, the Society holds money in a certificate of deposit further described in Note 1. Additionally, the Society has a board-designated endowment, further described in Note 5. Although the Society does not intend to spend from its Board-designated endowment other than amounts distributed for general expenditure, amounts from its Board-designated endowment could be made available if necessary.

# St. Louis County Historical Society

## Notes to Financial Statements

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### **Note 14: Business Conditions**

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

### **Note 15: Restatement of Previously Issued Financial Statement [Prior Period Adjustment]**

The financial statements as of and for the year ended December 31, 2019, have been restated to correct an error that was detected during the audit for the year ended December 31, 2020.

During a previous fiscal year, the Society purchased books for the purpose of reselling them. This was recorded as an expense when purchased rather than inventory. To correct this error, inventory increased by the cost of books on hand at December 31, 2019 in the amount of \$82,123, and beginning net assets without donor restrictions as of January 1, 2019 was increased by \$88,024. The total effect on the change in net assets as of December 31, 2019 was a decrease of \$5,901.