

**SOUTH DAKOTA HISTORICAL  
SOCIETY FOUNDATION**

Financial Report (Reviewed)  
December 31, 2019

# Clausen & Rice, INC

Certified Public Accountants and Business Consultants

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## Independent Accountant's Review Report

To the Board of Directors  
South Dakota Historical Society Foundation  
Pierre, South Dakota

We have reviewed the accompanying financial statements of South Dakota Historical Society Foundation (a nonprofit organization), which comprise the statement of financial position as of December 31, 2019 and 2018, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

### 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 of America; 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.

### Accountant's Responsibility

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

### Accountant's Conclusion

Based on our reviews, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

*Clausen & Rice*

Pierre, South Dakota  
October 28, 2020

**SOUTH DAKOTA HISTORICAL SOCIETY FOUNDATION**

**STATEMENTS OF FINANCIAL POSITION**

December 31, 2019 and 2018

See Independent Accountant's Review Report

<b>Assets</b>	<b>2019</b>	<b>2018</b>
Cash and cash equivalents	\$ 196,004	\$ 399,937
Receivables (Note 6)	29,840	61,213
Inventory	80,899	82,306
Investments (Note 2 and 4)	1,953,889	1,814,349
Prepaid expenses	10,930	1,767
Furniture and Equipment, net of accumulated depreciation of \$35,967 and \$34,541	2,114	3,540
<b>Total assets</b>	<b>2,273,676</b>	<b>2,363,112</b>
<b>Liabilities and Net Assets</b>		
Liabilities		
Accounts payable	\$ 3,778	\$ 12,494
Deferred revenue	300	325
Accrued expenses	19,437	20,636
<b>Total liabilities</b>	<b>23,515</b>	<b>33,455</b>
Net Assets		
Without donor restrictions	1,448,075	1,635,365
With donor restrictions	802,086	694,292
<b>Total net assets</b>	<b>2,250,161</b>	<b>2,329,657</b>
<b>Total liabilities and net assets</b>	<b>\$ 2,273,676</b>	<b>\$ 2,363,112</b>

See Notes to Financial Statements.

**SOUTH DAKOTA HISTORICAL SOCIETY FOUNDATION**

**STATEMENTS OF ACTIVITIES**

Years Ended December 31, 2019 and 2018

See Independent Accountant's Review Report

	2019	2018
Changes in net assets without donor restrictions:		
Revenues and gains:		
Book sales	\$ 248,593	\$ 256,516
Investment income	155,161	(46,325)
Contracts	110,483	102,028
Heritage Store revenue	96,045	104,218
Heritage Circle memberships	63,178	74,533
Contributions	52,695	152,692
Grants	40,022	60,501
Contributed services	21,500	21,500
Other income	17,665	22,487
Special events	11,550	7,585
Sponsorship income	3,000	6,500
Print Sales	520	-
Net assets released from restrictions	2,286	12,730
<b>Total revenues and gains</b>	<b>822,698</b>	<b>774,965</b>
Expenses:		
Program services	759,167	610,139
Fundraising	85,006	91,345
Administrative expenses	74,133	58,499
Heritage store	91,682	105,215
Special events	-	155
<b>Total expenses</b>	<b>1,009,988</b>	<b>865,353</b>
<b>(Decrease) in net assets without donor restrictions</b>	<b>(187,290)</b>	<b>(90,388)</b>
Changes in net assets with donor restrictions:		
Contributions	3,211	-
Investment income	106,869	(34,015)
Net assets released from restrictions	(2,286)	(12,730)
<b>Increase (decrease) in net assets with donor restrictions</b>	<b>107,794</b>	<b>(46,745)</b>
<b>(Decrease) in net assets</b>	<b>(79,496)</b>	<b>(137,133)</b>
Net assets at beginning of year	2,329,657	2,466,790
Net assets at end of year	<b>\$ 2,250,161</b>	<b>\$ 2,329,657</b>

See Notes to Financial Statements.

**SOUTH DAKOTA HISTORICAL SOCIETY FOUNDATION**

**STATEMENTS OF CASH FLOWS**

**Years Ended December 31, 2019 and 2018**

**See Independent Accountant's Review Report**

	2019	2018
Cash Flows From Operating Activities		
Change in net assets	\$ (79,496)	\$ (137,133)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	1,426	1,474
Net unrealized and realized (gains) losses on investments	(216,714)	120,908
Changes in assets and liabilities:		
(Increase) decrease in receivables	31,373	(14,371)
(Increase) decrease in inventory	1,407	(1,997)
(Increase) in prepaid expenses	(9,163)	(1,217)
(Decrease) in accounts payable	(8,716)	(12,949)
(Decrease) in deferred revenue	(25)	(175)
(Decrease) in accrued expenses	(1,199)	(14,111)
<b>Net cash (used in) operating activities</b>	<u>(281,107)</u>	<u>(59,571)</u>
Cash Flows From Investing Activities		
Proceeds from sale of investments	373,532	913,092
Purchase of investments	(296,358)	(1,145,664)
<b>Net cash provided by (used in) investing activities</b>	<u>77,174</u>	<u>(232,572)</u>
<b>Net (decrease) in cash</b>	<u>(203,933)</u>	<u>(292,143)</u>
Cash		
Beginning	399,937	692,080
Ending	<u>\$ 196,004</u>	<u>\$ 399,937</u>

See Notes to Financial Statements.

# SOUTH DAKOTA HISTORICAL SOCIETY FOUNDATION

## NOTES TO FINANCIAL STATEMENTS

See Independent Accountant's Review Report

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### **Note 1. Nature of Activities and Significant Accounting Policies**

Nature of activities: The South Dakota Historical Society Foundation is organized as a nonprofit organization and is engaged in the planning and conduct of all lawful activities which will encourage and foster the preservation, study, research and dissemination of information of the prehistoric and historic heritage of South Dakota and of educational programs relating to these purposes and to assist and support the purposes and work of the South Dakota State Historical Society in all its endeavors. The Foundation is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code.

A summary of the South Dakota Historical Society Foundation's significant accounting policies is as follows:

Implementation of new accounting standard: As of January 1, 2018, the Foundation adopted the provisions of Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements for Not-For-Profit Entities*. The provisions of the ASU replace the existing three classes of net assets with two new classes (net assets without donor restrictions and net assets with donor restrictions). The ASU introduces new disclosure requirements to improve a financial statement user's ability to assess the Foundation's liquidity and exposure to risk. The ASU also introduces new reporting requirements to present expenses by both function and natural classification in a single location. The Foundation has adopted this standard as management believes the standard improves the usefulness and understandability of the Foundation's financial reporting.

Basis of presentation: The financial statements of the Foundation are prepared under the accrual method of accounting. The Foundation classifies its net assets, its revenues and expenses and gains and losses based on the existence or absence of donor-imposed restrictions. Accordingly, net assets 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 restrictions

*Net Assets With Donor Restrictions* - Net assets subject to donor-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. The Foundation reports contributions restricted by donors as increases in net assets with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, 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. There were net assets with donor restrictions of \$802,086 and \$694,292 for the years ended December 31, 2019 and 2018, respectively.

Use of estimates: The preparation of financial statements in conformity with generally accepted accounting principals requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

## SOUTH DAKOTA HISTORICAL SOCIETY FOUNDATION

### NOTES TO FINANCIAL STATEMENTS

See Independent Accountant's Review Report

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#### Note 1. Nature of Activities and Significant Accounting Policies (continued)

Revenue recognition: Contributions are recognized as income in the period in which they are received at their fair values. Unconditional promises to give are recognized as income in the period in which the promise is received, at its fair value. Conditional promises to give are recognized at the time the condition is substantially met. Income from investments and merchandise is recognized when earned.

Cash and cash equivalents: For financial statement purposes, the Foundation considers all bank cash accounts and those money market accounts not designated as investments to be cash equivalents. The amount on deposit at December 31, 2019 and 2018 exceeded the insurance limits of the Federal Deposit Insurance Corporation by approximately \$0 and \$162,600, respectively.

Investments: The Foundation states its investments in money market accounts, marketable equity securities, all debt securities at fair value with both realized and unrealized gains and losses included in revenues and gains. Fair value is generally determined by reference to quoted market values.

Furniture and equipment: Furniture and equipment is stated at cost. Depreciation is computed on the straight-line method over estimated useful lives of the assets.

Inventory: Inventory at the Heritage Store includes merchandise for sale and is recorded at the lower of cost or market.

Accrued leave: It is the Foundation's policy to accrue a liability for vested annual leave that is not used by employees at the end of the year. At December 31, 2019 and 2018 the amount of accrued leave is \$15,057 and \$14,231, respectively, and is included in accrued expenses on the statement of financial position.

Subsequent events: The South Dakota Historical Society Foundation has evaluated subsequent events through October 28, 2020, which is the date the financial statements were available to be issued.

Federal income taxes: The Foundation is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code.

Accounting standards prescribe a recognition threshold of more likely than not, and a measurement attribute for all tax positions taken or expected to be taken on a tax return, in order for those tax positions to be recognized in the financial statements. At December 31, 2019, the Foundation believes that there are no uncertain tax positions or liabilities, or interest and penalties associated with uncertain tax positions. If the Foundation had interest and penalties related to uncertain tax positions, it would be accounted for as a component of income tax expense.

As of December 31, 2019, the Foundation is no longer subject to examinations for returns filed with the Internal Revenue Service for the years ended prior to December 31, 2016.

**SOUTH DAKOTA HISTORICAL SOCIETY FOUNDATION**

**NOTES TO FINANCIAL STATEMENTS**

See Independent Accountant's Review Report

**Note 2. Investments**

Investments at December 31, 2019 that are carried at fair value consist of the following:

	Cost	Fair Value
Cash management and money markets accounts	\$ 92,051	\$ 92,051
Investments - stocks, mutual funds and debt securities	\$ 1,509,548	\$ 1,861,838
	<u>\$ 1,601,599</u>	<u>\$ 1,953,889</u>

Proceeds from the sale of investments were \$373,532 in 2019 and realized gains were \$9,264.

Investments at December 31, 2018 that are carried at fair value consist of the following:

	Cost	Fair Value
Cash management and money markets accounts	\$ 75,945	\$ 75,945
Investments - stocks, mutual funds and debt securities	\$ 1,618,263	\$ 1,738,404
	<u>\$ 1,694,208</u>	<u>\$ 1,814,349</u>

Proceeds from the sale of investments were \$913,092 in 2018 and realized gains were \$11,126.

Net income on investments for the years ended December 31, 2019 and 2018 consist of the following:

	2019	2018
Interest on money market and savings account	\$ 186	\$ 289
Interest, dividends and capital gain distributions received on mutual funds, marketable debt equity securities	56,652	51,588
Net unrealized and realized gains (losses) on investment securities	216,714	(120,908)
Trustee fees	(11,522)	(11,309)
	<u>\$ 262,030</u>	<u>\$ (80,340)</u>

**Note 3. Liquidity and Availability**

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following as of December 31, 2019:

Cash and cash equivalents	\$ 196,004
Accounts receivable	29,840
Investments	1,151,803
	<u>\$ 1,377,647</u>



**SOUTH DAKOTA HISTORICAL SOCIETY FOUNDATION**

**NOTES TO FINANCIAL STATEMENTS**

**See Independent Accountant's Review Report**

**Note 4. Fair Value Measurements**

Fair value measurements are classified in a three-level hierarchy that prioritizes the inputs used to measure fair value. This hierarchy requires entities to maximize the use of observable inputs and minimize the use of unobservable inputs. The three levels of inputs used to measure fair value are as follows:

Level 1 - Quoted prices in active markets for identical assets or liabilities that the Foundation can access at the measurement date.

Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, and market corroborated inputs.

Level 3 - Unobservable inputs for the asset or liability. In these situations, the Foundation develops inputs using the best information available in the circumstances.

The following investment assets are measured on a recurring basis and are included in the fair value hierarchy at December 31, 2019 and 2018:

	2019			Total
	Level One	Level Two	Level Three	
Cash and Cash Equivalents	\$ 196,004	\$ -	\$ -	\$ 196,004
<i>Included in Investments:</i>				
Money Market Accounts	92,051	-	-	92,051
Stocks and Mutual Funds	1,114,839	-	-	1,114,839
Fixed Income Debt Securities	-	746,999	-	746,999
	<u>\$ 1,402,894</u>	<u>\$ 746,999</u>	<u>\$ -</u>	<u>\$ 2,149,893</u>

	2018			Total
	Level One	Level Two	Level Three	
Cash and Cash Equivalents	\$ 399,937	\$ -	\$ -	\$ 399,937
<i>Included in Investments:</i>				
Money Market Accounts	75,945	-	-	75,945
Stocks and Mutual Funds	1,032,960	-	-	1,032,960
Fixed Income Debt Securities	-	705,444	-	705,444
	<u>\$ 1,508,842</u>	<u>\$ 705,444</u>	<u>\$ -</u>	<u>\$ 2,214,286</u>

At each measurement date, the Foundation estimate the fair value of the financial instruments using various valuation techniques. The Foundation utilizes, to the extent available, quoted market prices in active markets or observable market inputs in estimating the fair value of investments. When quoted market prices or observable market inputs are not available, the Foundation utilizes valuation techniques that rely on unobservable inputs to estimate the fair value of investments. The following describes the valuation techniques used to determine the fair value of investments held as of December 31, 2019 and 2018.

## **SOUTH DAKOTA HISTORICAL SOCIETY FOUNDATION**

### **NOTES TO FINANCIAL STATEMENTS**

**See Independent Accountant's Review Report**

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#### **Note 4. Fair Value Measurements (continued)**

The money market fund is valued at the net asset value of \$1 per share, as determined by the investment broker. Since these do have observable inputs in an active market, they are included in level one of the fair value hierarchy.

Mutual funds are valued at the net asset value per share as determined by the investment broker. Since these do have observable inputs in active market, they are included in level one of the fair value hierarchy.

Fixed income securities are valued by custodians of securities using pricing models based on credit quality, time to maturity, stated interest rates and market assumptions, and are classified as Level 2.

#### **Note 5. Contributions Receivable**

Contributions receivable are unconditional promises to be collected. For the years ended December 31, 2019 and 2018, there were no contributions receivable.

#### **Note 6. Receivable from South Dakota Community Foundation**

In October of 2004, an agreement was entered into with the South Dakota Community Foundation establishing an Endowment Fund. Contributions made to the Endowment Fund are irrevocable and all of the rights and title of the contributions transfer to the South Dakota Community Foundation. The South Dakota Historical Society Foundation is entitled to an earnings distribution from the Endowment Fund based on the funds average fair market value for the trailing sixteen quarters. For the year ended December 31, 2019, the Historical Society Foundation had \$19,022 available for distribution and this amount has been included in receivables on the statement of financial position.

The market value of the Endowment Fund at December 31, 2019 and 2018 was \$439,847 and \$410,446 respectively.

#### **Note 7. Contributed Services**

The State of South Dakota contributes administrative support and office space to the Foundation. The value of the services provided for 2019 and 2018 include \$3,000 and \$3,000, respectively for administrative support and \$18,500 and \$18,500, respectively for office space. The amounts have been included as contributed services revenue and administrative expenses in the financial statements.

#### **Note 8. Retirement Plan**

The Foundation has a retirement plan for all of its employees. The Foundation makes matching contributions of up to 5% of each employee's wages. The Foundation made contributions of \$17,819 and \$15,948 for the years ended December 31, 2019 and 2018, respectively.

## **SOUTH DAKOTA HISTORICAL SOCIETY FOUNDATION**

### **NOTES TO FINANCIAL STATEMENTS**

**See Independent Accountant's Review Report**

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#### **Note 1. Subsequent Events**

##### **Investments**

Subsequent to year-end, the United States and global markets experienced significant declines in value resulting from uncertainty caused by the world-wide coronavirus pandemic. South Dakota Historical Society Foundation is closely monitoring its investment portfolio and its liquidity and is actively working to minimize the impact of these declines. South Dakota Historical Society Foundation's financial statements do not include adjustments to fair value that have resulted from these declines.

##### **General Operations**

Subsequent to year-end, South Dakota Historical Society Foundation may be negatively impacted by the effects of the world-wide coronavirus pandemic. South Dakota Historical Society Foundation is closely monitoring its operations, liquidity, and capital resources and is actively working to minimize the current and future impact of this unprecedented situation. As of the date of issuance of these financial statements, the full impact to South Dakota Historical Society Foundation's financial position is not known.

# Clausen & Rice, INC

Certified Public Accountants and Business Consultants

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## **Independent Accountant's Review Report on the Supplementary Information**

To the Board of Directors  
South Dakota Historical Society Foundation  
Pierre, South Dakota

The 2019 and 2018 supplementary information included on pages 12 and 13 is presented for purposes of additional analysis and is not a required part of the basic 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 supplementary information has been subjected to the review procedures applied in our review of the basic financial statements. We are not aware of any material modifications that should be made to the supplementary information. We have not audited the supplementary information and do not express an opinion on such information.

Pierre, South Dakota  
October 28, 2020

*Clausen & Rice*

**SOUTH DAKOTA HISTORICAL SOCIETY FOUNDATION**

**SCHEDULES OF EXPENSES**

Years Ended December 31, 2019 and 2018

See Independent Accountant's Review Report on the Supplementary Information

	2019	2018
Program Services		
Salaries	\$ 250,622	\$ 197,905
Contract services	154,433	112,386
Printing and publication	78,149	50,576
Pioneer Girl Project	57,239	58,551
Royalty expense	44,265	47,648
Travel		
Meetings	26,085	23,303
Program service expense	23,096	29,216
Payroll taxes	19,445	1,766
Exhibits	19,172	15,140
	17,611	7,865
Advertising	14,720	19,088
Retirement plan	11,250	9,425
Design services	8,500	-
Dues and subscriptions	6,779	2,814
Supplies	5,442	3,852
Postage and shipping		
Bank fees	3,447	6,698
Web site/internet expense	3,074	3,153
Professional speaker/writer travel	2,682	5,326
Legal and professional fees	2,254	4,272
	2,053	-
CHC events	1,935	902
Depreciation	1,426	1,426
Telephone	1,339	1,600
Database - membership and donor	1,334	1,334
Copyright fees	1,153	1,380
Awards	370	1,355
Books and reference materials	107	327
Training	99	147
Miscellaneous	1,086	2,684
	<u>\$ 759,167</u>	<u>\$ 610,139</u>
Fundraising		
Salaries	\$ 74,537	\$ 75,529
Payroll taxes	5,702	5,778
Retirement plan	3,670	3,669
Cost of Cookbooks sold	-	5,577
Miscellaneous	1,097	792
	<u>\$ 85,006</u>	<u>\$ 91,345</u>

**SOUTH DAKOTA HISTORICAL SOCIETY FOUNDATION**

**SCHEDULES OF EXPENSES**

**Years Ended December 31, 2019 and 2018**

**See Independent Accountant's Review Report on the Supplementary Information**

	2019	2018
Administrative expenses		
Salaries	\$ 34,460	\$ 31,194
In-kind rent expense	18,500	18,500
Accounting	5,426	5,006
Payroll taxes	4,549	4,681
Insurance	3,547	3,759
In-kind administrative expense	3,000	3,000
Retirement plan	2,899	2,854
Office expense	926	1,841
Increase (decrease) in accrued annual leave	826	(12,336)
	<u>\$ 74,133</u>	<u>\$ 58,499</u>
Heritage store		
Cost of goods sold	\$ 53,429	\$ 61,038
Salaries	25,000	30,000
Credit card processing fees	2,927	2,818
Advertising	2,894	2,409
Office supplies	1,950	4,335
Insurance	1,094	1,004
Postage & Shipping	999	882
Store supplies	716	1,572
Dues and subscriptions	475	475
Outside service expense	125	197
Depreciation	-	48
Miscellaneous	2,073	437
	<u>\$ 91,682</u>	<u>\$ 105,215</u>