

**SOUTH DAKOTA HISTORICAL  
SOCIETY FOUNDATION**

Financial Report (Reviewed)  
December 31, 2016

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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, 2016, and the related statements of activities and cash flows for the year 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 review, 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.

### Prior Period Financial Statements

The December 31, 2015 financial statements were audited by us, and we expressed an unmodified opinion on them in our report dated June 30, 2016, but we have not performed any auditing procedures since that date.

*Clausen & Rice, LLP*

Pierre, South Dakota  
July 26, 2017

# SOUTH DAKOTA HISTORICAL SOCIETY FOUNDATION

## STATEMENTS OF FINANCIAL POSITION

December 31, 2016 and 2015

See Independent Accountant's Review Report

<b>Assets</b>	<b>2016</b>	<b>2015</b>
Cash and cash equivalents	\$ 953,334	\$ 893,087
Receivables (Note 6)	31,442	231,588
Inventory	83,999	89,832
Investments (Note 2 and 3)	1,574,621	1,484,334
Prepaid expenses	440	3,761
Furniture and Equipment, net of accumulated depreciation of \$31,592 and \$30,284	6,489	4,923
<b>Total assets</b>	<b>2,650,325</b>	<b>2,707,525</b>
<b>Liabilities and Net Assets</b>		
Liabilities		
Accounts payable	\$ 5,337	\$ 240,629
Deferred revenue	1,000	1,500
Accrued expenses	25,264	16,805
<b>Total liabilities</b>	<b>31,601</b>	<b>258,934</b>
Net Assets (Note 5)		
Permanently restricted	271,001	271,001
Temporarily restricted	226,893	206,452
Unrestricted:		
Designated	1,185,905	1,123,043
Undesignated	934,925	848,095
<b>Total net assets</b>	<b>2,618,724</b>	<b>2,448,591</b>
<b>Total liabilities and net assets</b>	<b>\$ 2,650,325</b>	<b>\$ 2,707,525</b>

See Notes to Financial Statements.

# SOUTH DAKOTA HISTORICAL SOCIETY FOUNDATION

## STATEMENTS OF ACTIVITIES

Years Ended December 31, 2016 and 2015

See Independent Accountant's Review Report

	2016	2015
Changes in unrestricted net assets:		
Revenues and gains:		
Book sales	\$ 500,646	\$ 2,974,693
Heritage Store revenue	94,226	163,263
Income on investments	88,626	(6,880)
Heritage Circle memberships	58,961	58,869
Contributions	54,791	42,325
Grants	30,693	70,697
Contracts	30,350	69,750
Sponsorship income	24,950	7,775
Contributed services	21,500	20,775
Special events	4,713	65,177
Cookbook sales	1,176	2,460
Print Sales	593	1,575
Bequests	-	118,254
Other income	37,535	29,669
Net assets released from restrictions	46,729	41,785
<b>Total unrestricted revenues and gains</b>	<b>995,489</b>	<b>3,660,187</b>
Expenses:		
Program services	585,216	2,119,802
Fundraising	49,002	52,962
Administrative expenses	109,796	88,618
Heritage store	97,903	155,876
Special events	3,910	6,752
<b>Total expenses</b>	<b>845,827</b>	<b>2,424,010</b>
<b>Increase in unrestricted net assets</b>	<b>149,662</b>	<b>1,236,177</b>
Changes in temporarily restricted net assets:		
Contributions	67,200	72,165
Net assets released from restrictions	(46,729)	(41,785)
<b>Increase in temporarily restricted net assets</b>	<b>20,471</b>	<b>30,380</b>
<b>Increase in net assets</b>	<b>170,133</b>	<b>1,266,557</b>
Net assets at beginning of year	2,448,591	1,182,034
Net assets at end of year	<b>\$ 2,618,724</b>	<b>\$ 2,448,591</b>

See Notes to Financial Statements.



# SOUTH DAKOTA HISTORICAL SOCIETY FOUNDATION

## STATEMENTS OF CASH FLOWS

Years Ended December 31, 2016 and 2015

See Independent Accountant's Review Report

	2016	2015
Cash Flows From Operating Activities		
Change in net assets	\$ 170,133	\$ 1,266,557
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	1,308	1,004
Net unrealized and realized (gains) on investments	(60,182)	31,382
Changes in assets and liabilities:		
(Increase) decrease in receivables	200,146	(190,865)
(Increase) decrease in inventory	5,833	(7,499)
(Increase) decrease in prepaid expenses	3,321	(1,635)
Increase (decrease) in accounts payable	(235,292)	208,783
Increase (decrease) in deferred revenue	(500)	1,500
Increase in accrued expenses	8,459	3,855
<b>Net cash provided by operating activities</b>	<b>93,226</b>	<b>1,313,082</b>
Cash Flows From Investing Activities		
Purchase of furniture and equipment	(2,874)	-
Proceeds from sale of investments	1,125,322	250,807
Purchase of investments	(1,155,427)	(891,997)
<b>Net cash (used in) investing activities</b>	<b>(32,979)</b>	<b>(641,190)</b>
<b>Net increase in cash</b>	<b>60,247</b>	<b>671,892</b>
Cash		
Beginning	893,087	221,195
Ending	<b>\$ 953,334</b>	<b>\$ 893,087</b>

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:

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. It requires that amounts for each of three classes of net assets (permanently restricted, temporarily restricted and unrestricted) be displayed in a statement of financial position and that the amounts of the change in each of the three classes of net assets be displayed in a statement of activities.

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.

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, 2016 and 2015 exceeded the insurance limits of the Federal Deposit Insurance Corporation by approximately \$690,800 and \$651,000, 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, 2016 and 2015 the amount of accrued leave is \$17,641 and \$10,341, respectively, and is included in accrued expenses on the statement of financial position.



## NOTES TO FINANCIAL STATEMENTS

## See Independent Accountant's Review Report

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

Subsequent events: The South Dakota Historical Society Foundation has evaluated subsequent events through July 26, 2017, 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, 2016, 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, 2016, the Foundation is no longer subject to examinations for returns filed with the Internal Revenue Service for the years ended prior to December 31, 2013.

**Note 2. Investments**

Investments at December 31, 2016 that are carried at fair value consist of the following:

	Cost	Fair Value
Cash management and money markets accounts	\$ 65,229	\$ 65,229
Investments - stocks and mutual funds	\$ 1,447,239	\$ 1,509,392
	<u>\$ 1,512,468</u>	<u>\$ 1,574,621</u>

Proceeds from the sale of investments were \$1,125,322 in 2016 and realized gains were \$62,547.

Investments at December 31, 2015 that are carried at fair value consist of the following:

	Cost	Fair Value
Cash management and money markets accounts	\$ 685,739	\$ 685,739
Investments - stocks and mutual funds	\$ 734,559	\$ 798,595
	<u>\$ 1,420,298</u>	<u>\$ 1,484,334</u>

Proceeds from the sale of investments were \$250,807 in 2015 and realized gains were \$24,054.



# SOUTH DAKOTA HISTORICAL SOCIETY FOUNDATION

## NOTES TO FINANCIAL STATEMENTS See Independent Accountant's Review Report

Net income on investments for the years ended December 31, 2016 and 2015 consist of the following:

	2016	2015
Interest on money market and savings account	\$ 504	\$ 12
Interest, dividends and capital gain distributions received	37,091	30,509
on mutual funds, marketable debt equity securities	60,182	(31,382)
Net unrealized and realized gains (losses) on investment securities	(9,151)	(6,019)
Trustee fees	\$ 88,626	\$ (6,880)

### Note 3. Fair Value Measurements

Fair value measurements are classified in a three-level hierarchy. Level one of the fair value hierarchy consists of observable inputs such as quoted market prices for identical assets in active markets. Level two of the fair value hierarchy consists of quoted prices that are not active or model inputs that are observable either directly or indirectly for substantially the full term of the asset. Level three of the fair value hierarchy consists of unobservable inputs based on prices or valuation techniques that require significant judgments or estimation.

The following assets are measured on a recurring basis and are included in the fair value hierarchy as December 31, 2016 and 2015.

	2016			Total
	Level One	Level Two	Level Three	
Cash and Cash Equivalents	\$ 953,334	\$ -	\$ -	\$ 953,334
<i>Included in Investments:</i>				
Money Market Accounts	65,229	-	-	65,229
Stocks and Mutual Funds	1,435,670	-	-	1,435,670
Debt Securities	-	73,722	-	73,722
	\$ 2,454,233	\$ 73,722	\$ -	\$ 2,527,955

	2015			Total
	Level One	Level Two	Level Three	
Cash and Cash Equivalents	\$ 893,087	\$ -	\$ -	\$ 893,087
<i>Included in Investments:</i>				
Money Market Accounts	685,739	-	-	685,739
Stocks and Mutual Funds	760,257	-	-	760,257
Debt Securities	-	38,338	-	38,338
	\$ 2,339,083	\$ 38,338	\$ -	\$ 2,377,421

# **SOUTH DAKOTA HISTORICAL SOCIETY FOUNDATION**

## **NOTES TO FINANCIAL STATEMENTS**

### **See Independent Accountant's Review Report**

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#### **Note 4. Contributions Receivable**

Contributions receivable are unconditional promises to be collected. For the years ended December 31, 2016 and 2015, there were no contributions receivable.

#### **Note 5. Net Assets**

Permanently restricted net assets are restricted to amounts contributed specifically by donors. The income derived from these funds, including net appreciation in value of investments, is generally designated for certain purposes and programs. As of December 31, 2016, there was \$1,185,905 designated for such purposes, which is reported as unrestricted, designated net assets in the accompanying statement of financial position.

Temporarily restricted net assets consist of contributions received from donors who specified how contributions are to be used.

The unrestricted, undesignated net assets in the accompanying statement of financial position are for the general operating activities of the Foundation.

#### **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, 2016, the Historical Society Foundation had \$19,346 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, 2016 and 2015 was \$423,402 and \$403,833 respectively.

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

The State of South Dakota contributes administrative support and office space to the Heritage Fund. The value of the services provided for 2016 and 2015 include \$3,000 and \$2,675, respectively for administrative support and \$18,500 and \$18,100, 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 \$11,042 and \$8,596 for the years ended December 31, 2016 and 2015, respectively.

# Clausen & Rice, LLP

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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 2016 supplementary information included on pages 10 and 11 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.

The 2015 financial statements were audited by us, and we expressed an unmodified opinion on them in our report dated June 30, 2016. In addition, the 2015 supplementary information contained on pages 10 and 11 was subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. Our report stated that the information was fairly stated in all material respects in relation to the financial statements as a whole. We have not performed any auditing procedures on either the financial statements or on the supplementary information since June 30, 2016.

*Clausen & Rice, LLP*

Pierre, South Dakota  
July 26, 2017



# **SOUTH DAKOTA HISTORICAL SOCIETY FOUNDATION**

## **SCHEDULES OF EXPENSES**

**Years Ended December 31, 2016 and 2015**

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

	2016	2015
Program Services		
Salaries	\$ 179,038	\$ 153,247
Pioneer Girl Project	91,961	885,309
Royalty expense	85,510	856,342
Contract services	49,071	13,505
Printing and publication	39,571	48,738
Travel	20,323	24,605
Design services	17,670	13,723
Exhibits	15,315	27,224
Advertising	13,815	10,250
Payroll taxes	13,696	11,723
Meetings	11,603	11,641
Postage and shipping	8,195	8,983
Dues and subscriptions	5,943	5,153
Retirement plan	5,717	4,717
Professional speaker/writer travel	3,853	6,495
Supplies	3,762	2,953
Bank fees	3,398	8,059
Repair and maintenance	3,124	896
Program service expense	2,641	1,434
Web site/internet expense	2,125	3,219
Database - membership and donor	1,834	1,334
Telephone	1,788	1,870
Depreciation	1,260	956
Training	631	1,459
Books and reference materials	583	6,364
Donor recognition	308	1,716
Fawn Motel sign expenses	-	4,370
Legal and professional fees	-	500
Miscellaneous	2,481	3,017
	<u>\$ 585,216</u>	<u>\$ 2,119,802</u>
Fundraising		
Salaries	\$ 42,666	\$ 43,169
Payroll taxes	3,264	3,302
Retirement plan	2,027	1,526
Cost of Prints sold	859	50
Cost of Cookbooks sold	186	2,499
Miscellaneous	-	2,416
	<u>\$ 49,002</u>	<u>\$ 52,962</u>



# **SOUTH DAKOTA HISTORICAL SOCIETY FOUNDATION**

## **SCHEDULES OF EXPENSES**

**Years Ended December 31, 2016 and 2015**

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

	2016	2015
Administrative expenses		
Salaries	\$ 55,249	\$ 47,129
In-kind rent expense	18,500	18,100
Accounting	8,644	5,464
Annual leave	7,300	1,675
Payroll taxes	6,522	6,053
Office expense	4,806	3,751
Retirement plan	3,298	2,353
In-kind administrative expense	3,000	2,675
Insurance	2,477	1,418
	<u>\$ 109,796</u>	<u>\$ 88,618</u>
Heritage store		
Cost of goods sold	\$ 56,812	\$ 109,531
Salaries	30,000	32,000
Advertising	3,343	3,521
Credit card processing fees	2,560	4,649
Promotional expense	1,000	-
Insurance	883	443
Store supplies	652	2,744
Office supplies	598	846
Postage & Shipping	276	14
Dues and subscriptions	175	450
Outside service expense	50	50
Depreciation	48	48
Miscellaneous	1,506	1,580
	<u>\$ 97,903</u>	<u>\$ 155,876</u>