

SOUTH DAKOTA HISTORICAL SOCIETY FOUNDATION

FINANCIAL STATEMENTS

DECEMBER 31, 2020 AND 2019



**thurman,
comes,
foley
& co., llp**

certified public accountants
and consultants

SOUTH DAKOTA HISTORICAL SOCIETY FOUNDATION

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INDEPENDENT ACCOUNTANTS' REVIEW REPORT

To the Board of Directors and Management
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, 2020 and the related statements of activities and changes in net assets, functional expenses, 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 the 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.

Accountants' 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.

Accountants' 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.

Report on 2019 Financial Statements

The financial statements of South Dakota Historical Society Foundation as of December 31, 2019 were reviewed by other accountants whose report dated October 28, 2020 stated that based on their procedures, they are not aware of any material modifications that should be made to the financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

Thurman, Comes, Foley & Co., LLP

Sioux Falls, South Dakota
October 13, 2021

SOUTH DAKOTA HISTORICAL SOCIETY FOUNDATION
STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 272,659	\$ 205,977
Restricted cash and cash equivalents	44,645	-
Accounts receivable	21,983	19,867
Current pledges receivable	81,476	-
Inventories	84,594	80,899
Investments	1,850,109	1,953,889
Prepaid expenses	1,765	10,930
Total current assets	<u>2,357,231</u>	<u>2,271,562</u>
NONCURRENT ASSETS		
Long-term pledges receivable, net of discounts	<u>44,743</u>	<u>-</u>
Total noncurrent assets	44,743	-
PROPERTY AND EQUIPMENT, net	<u>687</u>	<u>2,114</u>
TOTAL ASSETS	<u>\$ 2,402,661</u>	<u>\$ 2,273,676</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 8,339	\$ 3,778
Accrued expenses	<u>31,714</u>	<u>19,737</u>
Total current liabilities	40,053	23,515
NET ASSETS		
Without donor restrictions	1,496,923	1,448,075
With donor restrictions	<u>865,685</u>	<u>802,086</u>
Total net assets	<u>2,362,608</u>	<u>2,250,161</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 2,402,661</u>	<u>\$ 2,273,676</u>

**SOUTH DAKOTA HISTORICAL SOCIETY FOUNDATION
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019**

	<u>2020</u>	<u>2019</u>
CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS:		
REVENUES AND GAINS		
Contributions	\$ 251,765	\$ 52,695
Contributed services	247,214	21,500
Book sales	170,063	248,593
Contracts	98,268	110,483
Heritage store revenue	74,353	96,045
Gain on forgiveness of PPP loan	73,000	-
Investment income	59,302	155,161
Heritage Circle memberships	57,738	63,178
Grants	30,223	40,022
Other income	13,781	17,665
Print sales	660	520
Special events	-	11,550
Sponsorship income	-	3,000
Net assets released from restrictions	2,110	2,286
Total revenues and gains	<u>1,078,477</u>	<u>822,698</u>
EXPENSES		
Program services	555,629	759,305
Heritage store	81,087	92,082
Management and general	65,453	73,435
Fundraising	327,460	85,166
Total expenses	<u>1,029,629</u>	<u>1,009,988</u>
Increase (decrease) in net assets without donor restrictions	48,848	(187,290)
CHANGES IN NET ASSETS WITH DONOR RESTRICTIONS:		
Contributions	46,445	3,211
Investment income	19,264	106,869
Net assets released from restrictions	(2,110)	(2,286)
Increase (decrease) in net assets with donor restrictions	<u>63,599</u>	<u>107,794</u>
Increase (decrease) in net assets	112,447	(79,496)
NET ASSETS, Beginning of year	<u>2,250,161</u>	<u>2,329,657</u>
NET ASSETS, End of year	<u>\$ 2,362,608</u>	<u>\$ 2,250,161</u>

SOUTH DAKOTA HISTORICAL SOCIETY FOUNDATION

STATEMENTS OF FUNCTIONAL EXPENSES

FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

	2020					2019				
	Program Services		Supporting Services			Program Services		Supporting Services		
	Historical Society Foundation	Heritage Store	Management and General	Fund-Raising	Total	Historical Society Foundation	Heritage Store	Management and General	Fund-Raising	Total
Salaries	\$ 229,806	\$ 25,000	\$ 25,569	\$ 80,867	\$ 361,242	\$ 251,160	\$ 25,000	\$ 34,588	\$ 74,697	\$ 385,445
Contract services	116,275	-	-	-	116,275	154,433	125	-	-	154,558
Payroll taxes	14,673	-	3,229	5,163	23,065	19,172	-	4,549	5,702	29,423
Retirement plan contributions	6,677	-	1,545	3,898	12,120	11,250	-	2,899	3,670	17,819
	<u>367,431</u>	<u>25,000</u>	<u>30,343</u>	<u>89,928</u>	<u>512,702</u>	<u>436,015</u>	<u>25,125</u>	<u>42,036</u>	<u>84,069</u>	<u>587,245</u>
In-kind expense	-	-	-	223,214	223,214	-	-	-	-	-
Printing and publication	49,767	-	-	-	49,767	78,149	-	-	-	78,149
Cost of goods sold	-	44,427	-	-	44,427	-	53,429	-	-	53,429
Royalty expense	39,287	-	-	-	39,287	44,265	-	-	-	44,265
Pioneer Girl Project	32,349	-	-	-	32,349	57,239	-	-	-	57,239
In-kind rent expense	-	-	20,000	-	20,000	-	-	18,500	-	18,500
Dues and subscriptions	18,515	575	-	-	19,090	6,779	475	-	-	7,254
Women's Suffrage Project	-	-	-	14,318	14,318	-	-	-	-	-
Advertising	11,146	2,796	-	-	13,942	14,720	2,894	-	-	17,614
Postage and shipping	5,282	1,686	-	-	6,968	3,447	999	-	-	4,446
Bank and credit card fees	3,128	2,770	-	-	5,898	3,074	2,927	-	-	6,001
Website/internet expense	5,810	-	-	-	5,810	2,682	-	-	-	2,682
Legal and professional fees	-	-	5,724	-	5,724	2,053	-	5,426	-	7,479
Insurance	-	1,119	3,449	-	4,568	-	1,094	3,547	-	4,641
Supplies	4,307	135	-	-	4,442	5,442	716	-	-	6,158
In-kind administrative expense	-	-	4,000	-	4,000	-	-	3,000	-	3,000
Meetings	3,822	-	-	-	3,822	23,096	-	-	-	23,096
Repairs and maintenance	3,500	-	-	-	3,500	-	-	-	-	-
Miscellaneous	993	1,850	-	-	2,843	686	2,473	-	1,097	4,256
Travel	2,689	-	-	-	2,689	26,085	-	-	-	26,085
Office expense	-	729	1,937	-	2,666	-	1,950	926	-	2,876
CHC events	2,157	-	-	-	2,157	1,935	-	-	-	1,935
Depreciation	1,426	-	-	-	1,426	1,426	-	-	-	1,426
Telephone	1,422	-	-	-	1,422	1,339	-	-	-	1,339
Database - membership and donor	1,334	-	-	-	1,334	1,334	-	-	-	1,334
Exhibits	445	-	-	-	445	17,611	-	-	-	17,611
Copyright fees	376	-	-	-	376	1,153	-	-	-	1,153
Awards	292	-	-	-	292	370	-	-	-	370
Training	109	-	-	-	109	99	-	-	-	99
Books and reference materials	42	-	-	-	42	107	-	-	-	107
Program service expense	-	-	-	-	-	19,445	-	-	-	19,445
Design services	-	-	-	-	-	8,500	-	-	-	8,500
Professional speaker/writer travel	-	-	-	-	-	2,254	-	-	-	2,254
	<u>188,198</u>	<u>56,087</u>	<u>35,110</u>	<u>237,532</u>	<u>516,927</u>	<u>323,290</u>	<u>66,957</u>	<u>31,399</u>	<u>1,097</u>	<u>422,743</u>
Total expenses	\$ <u>555,629</u>	\$ <u>81,087</u>	\$ <u>65,453</u>	\$ <u>327,460</u>	\$ <u>1,029,629</u>	\$ <u>759,305</u>	\$ <u>92,082</u>	\$ <u>73,435</u>	\$ <u>85,166</u>	\$ <u>1,009,988</u>

See independent accountants' review report and accompanying notes.

**SOUTH DAKOTA HISTORICAL SOCIETY FOUNDATION
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019**

	<u>2020</u>	<u>2019</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 112,447	\$ (79,496)
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Depreciation	1,426	1,426
Net unrealized and realized gain on investments	(41,163)	(216,714)
Changes in operating assets and liabilities:		
Accounts receivable	(2,116)	41,346
Pledges receivable	(126,219)	-
Inventories	(3,695)	1,407
Prepaid expenses	9,165	(9,163)
Accounts payable	4,561	(8,716)
Accrued expenses	11,977	(1,224)
	<hr/>	<hr/>
Net cash used by operating activities	(33,617)	(271,134)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of investments	560,842	373,532
Purchase of investments	(415,898)	(296,358)
	<hr/>	<hr/>
Net cash provided by investing activities	144,944	77,174
Net increase (decrease) in cash and cash equivalents	111,327	(193,960)
CASH AND CASH EQUIVALENTS, Beginning of year	<hr/>	<hr/>
	205,977	399,937
CASH AND CASH EQUIVALENTS, End of year	<hr/> <hr/>	<hr/> <hr/>
	\$ 317,304	\$ 205,977

SOUTH DAKOTA HISTORICAL SOCIETY FOUNDATION

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

a. Nature of Activities

The South Dakota Historical Society Foundation (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.

b. Basis of Presentation

The financial statements of the Foundation have been prepared using the accrual basis of accounting in accordance with U.S. generally accepted accounting principles, which requires that resources be classified for reporting purposes based on the existence or absence of donor-imposed restrictions. This is accomplished by classification of resources into two classes of net assets: without donor restrictions and with donor restrictions. Accordingly, the net assets of the Foundation and changes therein are classified as follows:

- Net Assets Without Donor Restrictions – Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Foundation. The Foundation's board may designate assets without restrictions for specific operational purposes from time to time.
- Net Assets With Donor Restrictions – Net assets with donor restrictions are resources that are restricted by a donor for use for a particular purpose or in a particular future period. Some donor-imposed restrictions are temporary in nature, and the restriction will expire when the resources are used in accordance with the donor's instructions or when the stipulated time has passed. Other donor-imposed restrictions are perpetual in nature; the Foundation must continue to use the resources in accordance with the donor's instructions.

c. Use of Estimates

The presentation of financial statements in conformity with accounting principles generally accepted in the United States of America 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, as well as the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

d. 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. These balances may, at times, exceed Federal Deposit Insurance Corporation limits of \$250,000. At December 31, 2020 and 2019, the Foundation's uninsured cash balances totaled approximately \$71,445 and \$0.

SOUTH DAKOTA HISTORICAL SOCIETY FOUNDATION

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

e. **Restricted Cash**

Restricted cash has been restricted by donors and is not available for operating purposes. The Foundation has adopted the accounting guidance in FASB Account Standards Update (ASU) No. 2016-18, *Restricted Cash (Topic 230): Statement of Cash Flows*. ASU 2016-18 requires organizations to explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. Therefore, amounts generally described as restricted cash should be included with cash when reconciling the beginning-of-period and end-of-period total amounts shown on the statements of cash flows. The adoption of the standard had no effect on previously reported net assets.

f. **Contributions**

Unconditional promises to give (pledges) that are expected to be received within one year are recorded at their net realizable value (gross amount of promise net the allowance for uncollectibles). Unconditional promises to give that are expected to be received in more than one year are recorded at the present value of the estimated future cash flows using a discount rate which approximates long-term money market rates of return. Amortization of the discount is included in contribution revenue.

The allowance for uncollectible pledges is recorded based upon a review by management of the outstanding pledges, including pledges that are past due, and other judgmental factors. Pledges written off, net of changes in the allowance for uncollectible pledges, are reported as a provision for uncollectible pledges. There was no allowance for uncollectible pledges at December 31, 2020 and 2019.

Gifts of cash and other assets are presented as donor advised support 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 statements of activities as net assets released from restrictions. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as net assets without donor restrictions.

g. **Contributions, In-Kind**

Supplies, services, and the use of facilities received as contributions are recognized at their estimated fair market values on the date they are received.

The State of South Dakota contributes administrative support and office space to the Foundation. The value of the services provided for the years ended December 31, 2020 and 2019 include \$4,000 and \$3,000, respectively, for administrative support and \$20,000 and \$18,500, respectively, for office space. These amounts have been included as contributed services revenue and in-kind expenses on the statements of activities and functional expenses.

SOUTH DAKOTA HISTORICAL SOCIETY FOUNDATION

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

h. Inventory

Inventory consists of merchandise for sale at the Heritage Store and is recorded at the lower of cost or market. Cost is determined using the first in, first out (FIFO) method.

i. Investments

Investments in marketable securities are stated at fair value, which is determined by quoted market prices in active markets. Realized and unrealized gains and losses are included in the statements of activities. Realized gains and losses are determined using the specific identification method. Interest and dividend income are reported as income when earned. Investment return is reported net of external and direct internal investment expenses.

j. Property and Equipment

Property and equipment are recorded at cost if purchased and at fair market value if donated. The Foundation capitalizes all property and equipment with a cost of \$300 or more if purchased, and a fair value of \$300 or more at the date of donation if received by contribution. Depreciation is computed using the straight-line method over the following estimated useful lives:

Equipment and furnishings	5-7 years
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Repairs and maintenance are expensed as incurred. Betterments and renewals are capitalized. When property and equipment are sold or otherwise disposed of, the asset accounts and accumulated depreciation accounts are relieved, and any gain or loss is included in operations.

Depreciation expense was \$1,426 for the years ended December 31, 2020 and 2019.

k. Income Taxes

The Foundation is exempt from federal income tax under section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision or liability for federal income taxes has been included in the accompanying financial statements.

The Foundation has adopted the provisions of Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 740-10. The Foundation undergoes an annual analysis of its various tax positions, assessing the likelihood of those positions being upheld upon examination with relevant tax authorities.

Management evaluated the Foundation's tax positions and concluded that the Foundation had taken no uncertain tax positions that require recognition in the financial statements. The Foundation files information returns as a tax-exempt organization. Should that status be challenged in the future, all years since inception could be subject to review by the IRS.

SOUTH DAKOTA HISTORICAL SOCIETY FOUNDATION

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

i. Functional Allocation of Expenses

Expenses that can be identified with a specific program or supporting service are charged directly to the program or supporting service. Expenses which apply to more than one functional category have been allocated based on estimates made by management and are summarized on a functional basis in the statement of functional expenses.

m. Concentration of Credit Risk

The Foundation's financial instruments that are exposed to concentrations of credit risk consist primarily of cash, cash equivalents, restricted cash, and investments. The Foundation believes it places its cash and temporary cash investments with high quality credit institutions. At times, the Foundation may have cash in excess of the FDIC insurance limit. Cash equivalents, other securities, and limited amounts of cash held in brokerage accounts are protected by the Securities Investor Protection Corporation (SIPC) in the event of broker-dealer failure. The SIPC insurance does not protect against market losses or investments. At times, the Foundation had investments that exceeded the SIPC limit.

n. Fair Value Measurements

Certain assets and liabilities are reported at fair value in the financial statements. Fair value is defined as "the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date."

Generally accepted accounting principles establish a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements).

The three levels of the fair value hierarchy are as follows:

- Level 1 inputs are unadjusted quoted market prices in active markets for identical assets or liabilities that the Foundation has the ability to access at the measurement date.
- Level 2 inputs are based on significant observable inputs, including unadjusted quoted market prices for similar assets and liabilities in active markets, unadjusted quoted prices for identical or similar assets or liabilities in markets that are not active, or inputs other than quoted prices that are observable for the asset or liability.
- Level 3 inputs are significant unobservable inputs for the asset or liability.

SOUTH DAKOTA HISTORICAL SOCIETY FOUNDATION

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

o. Revenue Recognition

The Foundation recognizes revenue in accordance with FASB ASC 606, *Revenue from Contracts with Customers* ("ASC 606"). In accordance with ASC 606, the Foundation identifies a contract when it has approval and commitment from both parties, the rights of the parties are identified, payment terms are identified, the contract has commercial substance, and collectability of consideration is probable. Revenue is recognized when obligations under the terms of the contract with the customer are satisfied; generally, this occurs with the transfer of control of the goods or services to the customer. Revenue is measured as the amount of consideration the Foundation expects to receive in exchange for transferring goods or providing services.

p. Advertising

Advertising costs are expensed as they are incurred. Advertising expense for the years ended December 31, 2020 and 2019 was \$13,942 and \$17,614, respectively.

q. Reclassifications

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

r. Subsequent Events

In preparing these financial statements, the Foundation has evaluated for recognition or disclosure the events or transactions that occurred through October 13, 2021, the date the financial statements were available to be issued.

2. RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

Adopted Accounting Standards

Effective January 1, 2020, the Foundation adopted Accounting Standards Update (ASU) 2014-09 *Revenue from Contracts with Customers (Topic 606)* and all subsequently issued clarifying ASUs, which replaced most existing revenue recognition guidance in generally accepted accounting principles in the United States of America (GAAP). The new guidance requires the Foundation to recognize revenue to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the Foundation expects to be entitled in exchange for those goods or services. The new guidance also requires expanded disclosures related to the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The adoption of this new guidance did not result in a material impact to the Foundation's financial statements. There was no significant effect on the financial statements related to the adoption of this new standard which would require a cumulative effect adjustment to net assets at the date of adoption under the modified retrospective method.

SOUTH DAKOTA HISTORICAL SOCIETY FOUNDATION

NOTES TO FINANCIAL STATEMENTS

2. RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS (CONTINUED)

Effective January 1, 2020, the Foundation adopted Accounting Standards Update (ASU) 2018-08 *Not-for-Profit Entities, Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (Topic 958)*. This ASU intends to clarify and improve current accounting guidance to determine when a transaction should be accounted for as a contribution or as an exchange transaction and provides additional guidance about how to determine whether a contribution is conditional. The adoption of this new guidance did not result in a material impact to the Foundation's financial statements. There was no significant effect on the financial statements related to the adoption of this new standard which would require a cumulative effect adjustment to net assets at the date of adoption under the modified retrospective method.

Effective January 1, 2020, the Foundation adopted Accounting Standards Update (ASU) 2018-13 *Changes to the Disclosure Requirements for Fair Value Measurement (Topic 820)*. This ASU removes and modifies certain fair value hierarchy leveling disclosures. Implementation resulted in financial statement disclosure modifications only.

Accounting Standards Not Yet Adopted

In February 2016, FASB issued ASU 2016-02, *Leases (Topic 842)*, which provides guidance for accounting for leases. The new guidance requires companies to recognize the assets and liabilities for the rights and obligations created by leased assets, initially measured at the present value of the lease payments. The accounting guidance for lessors is largely unchanged. This ASU is effective for fiscal years beginning after December 15, 2021 and interim periods within fiscal years beginning after December 15, 2022, with early adoption permitted. It is to be adopted using the modified retrospective approach. The Foundation is currently evaluating this guidance to determine the impact it may have on its financial statements.

3. 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 fund's average fair market value for the trailing sixteen quarters. For the year ended December 31, 2020, the South Dakota Historical Society Foundation had \$19,223 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, 2020 and 2019 was \$479,434 and \$439,847, respectively. These funds are reflected as designated funds of the South Dakota Community Foundation and are not reflected in the South Dakota Historical Society Foundation's financial statements.

SOUTH DAKOTA HISTORICAL SOCIETY FOUNDATION

NOTES TO FINANCIAL STATEMENTS

4. PLEDGES RECEIVABLE

Pledges receivable consist of the following at December 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Due in less than one year	\$ 81,476	\$ -
Due in one to four years	47,027	-
Less: Discount to present value on long-term pledges	<u>(2,284)</u>	<u>-</u>
Total	126,219	-
Less: Long-term pledges, net of discount	<u>(44,743)</u>	<u>-</u>
	<u>\$ 81,476</u>	<u>\$ -</u>

Pledges have been discounted at a 5% annual rate of interest. Management has determined that the pledges receivable are fully collectible; therefore, no allowance for uncollectible accounts is considered necessary at December 31, 2020.

5. INVESTMENTS

The fair value of investments as of December 31, 2020 and 2019 was as follows:

	<u>2020</u>		
	<u>Cost</u>	<u>Fair Value</u>	<u>Unrealized Gains</u>
Operating Investments	\$ 66,056	\$ 99,873	\$ 33,817
2015 – Press Investments	430,541	629,037	198,496
2018 – SDSHS Press Investments	190,827	218,650	27,823
2018 – Deadwood Press Investments	43,525	63,528	20,003
2018 – Publications Investments	13,090	17,981	4,891
Restricted Investments	<u>543,218</u>	<u>821,040</u>	<u>277,822</u>
	<u>\$ 1,287,257</u>	<u>\$ 1,850,109</u>	<u>\$ 562,852</u>
	<u>2019</u>		
	<u>Cost</u>	<u>Fair Value</u>	<u>Unrealized Gains</u>
Operating Investments	\$ 81,331	\$ 93,366	\$ 12,035
2015 – Press Investments	493,347	602,709	109,362
2018 – SDSHS Press Investments	339,232	379,364	40,132
2018 – Deadwood Press Investments	53,716	59,588	5,872
2018 – Publications Investments	15,290	16,776	1,486
Restricted Investments	<u>618,683</u>	<u>802,086</u>	<u>183,403</u>
	<u>\$ 1,601,599</u>	<u>\$ 1,953,889</u>	<u>\$ 352,290</u>

SOUTH DAKOTA HISTORICAL SOCIETY FOUNDATION

NOTES TO FINANCIAL STATEMENTS

5. INVESTMENTS (CONTINUED)

	<u>2020</u>	<u>2019</u>
Investments at Fair Value:		
Cash and money market	\$ 286,328	92,051
Stocks and mutual funds	923,158	1,114,839
Fixed income	<u>640,623</u>	<u>746,999</u>
Total Investments at Fair Value	<u>\$ 1,850,109</u>	<u>\$ 1,953,889</u>

Investment return as of December 31, 2020 and 2019 was as follows:

	<u>2020</u>	<u>2019</u>
Interest and dividends	\$ 47,446	\$ 56,838
Net unrealized and realized gain on investments	41,163	216,714
Investment fees	<u>(10,043)</u>	<u>(11,522)</u>
Investment income	<u>\$ 78,566</u>	<u>\$ 262,030</u>

6. FAIR VALUE OF INVESTMENTS

The following table presents investments that are measured at fair value on a recurring basis at December 31, 2020 and 2019:

	<u>2020</u>		
	Quoted Prices in Active Markets (Level 1)	Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)
Investments			
Cash and money market	\$ 286,328	\$ -	\$ -
Stocks and mutual funds	923,158	-	-
Fixed income	<u>-</u>	<u>640,623</u>	<u>-</u>
	<u>\$ 1,209,486</u>	<u>\$ 640,623</u>	<u>\$ -</u>
	<u>2019</u>		
	Quoted Prices in Active Markets (Level 1)	Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)
Investments			
Cash and money market	\$ 92,051	\$ -	\$ -
Stocks and mutual funds	1,114,839	-	-
Fixed income	<u>-</u>	<u>746,999</u>	<u>-</u>
	<u>\$ 1,206,890</u>	<u>\$ 746,999</u>	<u>\$ -</u>

SOUTH DAKOTA HISTORICAL SOCIETY FOUNDATION

NOTES TO FINANCIAL STATEMENTS

7. ENDOWMENTS

As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Directors of the Foundation has interpreted the South Dakota Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the prudent expenditure of donor-restricted endowment funds. Unless stated otherwise in the gift instrument, the assets in an endowment fund are donor-restricted assets until appropriated for expenditure by the Foundation. As a result of this interpretation, the Foundation classifies as net assets with donor restrictions (perpetual endowments) (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified as perpetual endowments is classified as term endowments until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA.

As a result of this interpretation, the Foundation would consider the fund to be underwater if the fair value of the fund is less than the sum of (1) the original value of initial and subsequent gifts donated to the fund and (2) any accumulations to the fund that are required to be maintained in perpetuity in accordance with the applicable donor gift instrument. The Foundation has interpreted UPMIFA to permit spending from underwater funds in accordance with prudent measures required under the law. The fund is not currently underwater.

In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the fund, (2) the purposes of the donor-restricted endowment fund, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Foundation, and (7) the investment policies of the Foundation.

The Foundation has adopted an investment objective to provide income, which lends financial stability to the work of the South Dakota State Historical Society and secures the quality of its program and institutions.

UPMIFA permits the prudent expenditure of donor-restricted endowment funds. The Foundation has approved a distribution policy for a percentage of the endowment fund's earnings. The net amount for annual distribution shall be calculated by taking a rolling three-year average return minus inflation (yearly CPI) and minus account expenses, not to exceed 5% of the market value at the beginning of the year.

SOUTH DAKOTA HISTORICAL SOCIETY FOUNDATION

NOTES TO FINANCIAL STATEMENTS

7. ENDOWMENTS (CONTINUED)

The composition of endowment net assets for these funds at December 31, 2021 and 2020 are as follows:

	<u>2020</u>	<u>2019</u>
Endowment Funds Without Donor Restrictions		
Unrestricted funds	\$ 1,029,069	\$ 1,151,803
Endowment Funds With Donor Restrictions		
Donor-restricted funds	<u>821,040</u>	<u>802,086</u>
Total Endowment Funds	<u>\$ 1,850,109</u>	<u>\$ 1,953,889</u>

The changes in endowment net assets as of December 31, 2020 and 2019 are as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment Net Assets, December 31, 2018	\$ 1,120,057	\$ 694,292	\$ 1,814,349
Contributions	8,641	3,211	11,852
Investment income	147,263	106,869	254,132
Distributions	<u>(124,158)</u>	<u>(2,286)</u>	<u>(126,444)</u>
Endowment Net Assets, December 31, 2019	1,151,803	802,086	1,953,889
Contributions	1,248	1,800	3,048
Investment income	51,018	19,264	70,282
Distributions	<u>(175,000)</u>	<u>(2,110)</u>	<u>(177,110)</u>
Endowment Net Assets, December 31, 2020	<u>\$ 1,029,069</u>	<u>\$ 821,040</u>	<u>\$ 1,850,109</u>

8. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist of the following at December 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Donor-restricted net assets:		
Restricted investments	\$ 821,040	\$ 802,086
WS Endowment	1,275	-
Oral History	3,569	-
SD Stories	5,499	-
WS Preserve Artifact	<u>34,302</u>	<u>-</u>
Total Net Assets With Donor Restrictions	<u>\$ 865,685</u>	<u>\$ 802,086</u>

SOUTH DAKOTA HISTORICAL SOCIETY FOUNDATION

NOTES TO FINANCIAL STATEMENTS

9. NET ASSETS RELEASED FROM DONOR RESTRICTIONS

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors, primarily due to the passage of time. The following summarizes the net assets released from restriction for the years ended December 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Restricted investments	\$ 2,110	\$ 2,286

10. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

Financial assets available for general expenditure, without donor or other restrictions limiting their use, within one year of December 31, 2020 and 2019, respectively, are as follows:

	<u>2020</u>	<u>2019</u>
Financial Assets:		
Cash and cash equivalents	\$ 272,659	\$ 205,977
Accounts receivable	21,983	19,867
Current pledges receivable	81,476	-
Investments	<u>1,850,109</u>	<u>1,953,889</u>
Total Financial Assets	<u>2,226,227</u>	<u>2,179,733</u>
Less Financial Assets Held to Meet Donor Restrictions:		
Donor-Restricted Funds	<u>865,685</u>	<u>802,086</u>
Total Financial Assets Held to Meet Donor Restrictions	<u>865,685</u>	<u>802,086</u>
Amounts Available for General Expenditure Within One Year	<u>\$ 1,360,542</u>	<u>\$ 1,377,647</u>

The Foundation's financial assets have been reduced by amounts not available for general use because of donor imposed restrictions within one year of the statement of financial position date.

The Foundation has a liquidity management policy to structure its financial assets to be available for its general expenditures, liabilities, and as other obligations come due.

11. RELATED PARTY TRANSACTIONS

The Foundation has engaged in transactions with individuals and other entities to which it is related. Related party transactions for the years ended December 31, 2020 and 2019 are as follows:

	<u>2020</u>	<u>2019</u>
Pledges receivable due from board members and officers	\$ 5,820	\$ -
Pledges received from board members and officers	300	-
Accounts payable due to related entity	1,027	139

SOUTH DAKOTA HISTORICAL SOCIETY FOUNDATION

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12. 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, 2020 and 2019, the amount of accrued leave was \$21,673 and \$15,057, respectively, and was included in accrued expenses on the statements of financial position.

13. RETIREMENT PLAN

The Foundation has a retirement plan for all of its employees. Eligible employees may elect to contribute up to 5% of their salaries. The Foundation makes matching contributions of up to 5% of each employee's wages. The Foundation made contributions of \$12,120 and \$17,819 for the years ended December 31, 2020 and 2019, respectively.

14. PAYCHECK PROTECTION PROGRAM (PPP LOAN)

In March 2020, the Coronavirus Aid, Relief and Economic Security (CARES) Act was signed into law. Part of the CARES Act was the Paycheck Protection Program (PPP), which allowed for companies to apply for a potentially forgivable loan if the proceeds were used for the specified purposes. On May 6, 2020, the Foundation received a PPP loan of \$73,000. On December 31, 2020, the Foundation received a forgiveness letter from BankWest, Inc. for the full amount received. The loan forgiveness was booked as a gain on forgiveness of PPP loan in the statements of activities and changes in net assets in the current period.

15. RISKS AND UNCERTAINTIES

In March 2020, the World Health Organization declared the novel strain of coronavirus (COVID-19) a global pandemic and recommended containment and mitigation measures worldwide. The Foundation cannot reasonably estimate the length or severity of this pandemic, or the extent to which the disruption from this pandemic may impact the Foundation's operations and financial statements.