

**SOUTH DAKOTA HISTORICAL  
SOCIETY FOUNDATION**

Financial Report (Reviewed)  
December 31, 2018

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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, 2018 and 2017, 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, LLP*

Pierre, South Dakota  
October 31, 2019

# SOUTH DAKOTA HISTORICAL SOCIETY FOUNDATION

## STATEMENTS OF FINANCIAL POSITION

December 31, 2018 and 2017

See Independent Accountant's Review Report

<b>Assets</b>	<b>2018</b>	<b>2017</b>
Cash and cash equivalents	\$ 399,937	\$ 692,080
Receivables (Note 6)	61,213	46,842
Inventory	82,306	80,309
Investments (Note 2 and 4)	1,814,349	1,702,685
Prepaid expenses	1,767	550
Furniture and Equipment, net of accumulated depreciation of \$34,541 and \$33,067	3,540	5,014
<b>Total assets</b>	<b>2,363,112</b>	<b>2,527,480</b>
<b>Liabilities and Net Assets</b>		
Liabilities		
Accounts payable	\$ 12,494	\$ 25,443
Deferred revenue	325	500
Accrued expenses	20,636	34,747
<b>Total liabilities</b>	<b>33,455</b>	<b>60,690</b>
Net Assets		
Without donor restrictions	1,635,365	1,725,753
With donor restrictions	694,292	741,037
<b>Total net assets</b>	<b>2,329,657</b>	<b>2,466,790</b>
<b>Total liabilities and net assets</b>	<b>\$ 2,363,112</b>	<b>\$ 2,527,480</b>

See Notes to Financial Statements.

# SOUTH DAKOTA HISTORICAL SOCIETY FOUNDATION

## STATEMENTS OF ACTIVITIES

Years Ended December 31, 2018 and 2017

See Independent Accountant's Review Report

	2018	2017
Changes in net assets without donor restrictions:		
Revenues and gains:		
Book sales	\$ 256,516	\$ 299,871
Contributions	152,692	125,628
Heritage Store revenue	104,218	90,267
Contracts	102,028	57,000
Heritage Circle memberships	74,533	67,464
Grants	60,501	24,254
Other income	22,487	32,050
Contributed services	21,500	21,500
Special events	7,585	8,950
Sponsorship income	6,500	10,000
Print Sales	-	1,145
Cookbook sales	-	552
Investment income	(46,325)	77,423
Net assets released from restrictions	12,730	-
<b>Total revenues and gains</b>	<b>774,965</b>	<b>816,104</b>
Expenses:		
Program services	610,139	747,183
Fundraising	91,345	94,156
Administrative expenses	58,499	86,112
Heritage store	105,215	100,530
Special events	155	2,659
<b>Total expenses</b>	<b>865,353</b>	<b>1,030,640</b>
<b>(Decrease) in net assets without donor restrictions</b>	<b>(90,388)</b>	<b>(214,536)</b>
Changes in net assets with donor restrictions:		
Contributions	-	668
Investment income	(34,015)	61,934
Net assets released from restrictions	(12,730)	-
<b>Increase (decrease) in net assets with donor restrictions</b>	<b>(46,745)</b>	<b>62,602</b>
<b>(Decrease) in net assets</b>	<b>(137,133)</b>	<b>(151,934)</b>
Net assets at beginning of year	2,618,724	2,618,724
Net assets at end of year	<b>\$ 2,481,591</b>	<b>\$ 2,466,790</b>

See Notes to Financial Statements.

# SOUTH DAKOTA HISTORICAL SOCIETY FOUNDATION

## STATEMENTS OF CASH FLOWS

Years Ended December 31, 2018 and 2017

See Independent Accountant's Review Report

	2018	2017
Cash Flows From Operating Activities		
Change in net assets	\$ (137,133)	\$ (151,934)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	1,474	1,475
Net unrealized and realized (gains) losses on investments	120,908	(106,112)
Changes in assets and liabilities:		
(Increase) in receivables	(14,371)	(15,400)
(Increase) decrease in inventory	(1,997)	3,690
(Increase) in prepaid expenses	(1,217)	(110)
Increase (decrease) in accounts payable	(12,949)	20,106
(Decrease) in deferred revenue	(175)	(500)
Increase (decrease) in accrued expenses	(14,111)	9,483
<b>Net cash (used in) operating activities</b>	<b>(59,571)</b>	<b>(239,302)</b>
Cash Flows From Investing Activities		
Proceeds from sale of investments	913,092	62,987
Purchase of investments	(1,145,664)	(84,939)
<b>Net cash (used in) investing activities</b>	<b>(232,572)</b>	<b>(21,952)</b>
<b>Net (decrease) in cash</b>	<b>(292,143)</b>	<b>(261,254)</b>
Cash		
Beginning	692,080	953,334
Ending	<b>\$ 399,937</b>	<b>\$ 692,080</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:

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 \$694,292 and \$741,037 for the years ended December 31, 2018 and 2017, 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, 2018 and 2017 exceeded the insurance limits of the Federal Deposit Insurance Corporation by approximately \$162,600 and \$444,200, 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, 2018 and 2017 the amount of accrued leave is \$14,231 and \$26,567, 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 31, 2019, 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, 2018, 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, 2018, the Foundation is no longer subject to examinations for returns filed with the Internal Revenue Service for the years ended prior to December 31, 2015.

## **SOUTH DAKOTA HISTORICAL SOCIETY FOUNDATION**

### **NOTES TO FINANCIAL STATEMENTS**

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

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#### **Note 2. Investments**

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.

Investments at December 31, 2017 that are carried at fair value consist of the following:

	Cost	Fair Value
Cash management and money markets accounts	\$ 113,908	\$ 113,908
Investments - stocks, mutual funds and debt securities	\$ 1,420,616	\$ 1,588,777
	<u>\$ 1,534,524</u>	<u>\$ 1,702,685</u>

Proceeds from the sale of investments were \$62,987 in 2017 and realized gains were \$892.

Net income on investments for the years ended December 31, 2018 and 2017 consist of the following:

	2018	2017
Interest on money market and savings account	\$ 289	\$ 409
Interest, dividends and capital gain distributions received on mutual funds, marketable debt equity securities	51,588	43,346
Net unrealized and realized gains (losses) on investment securities	(120,908)	106,112
Trustee fees	(11,309)	(10,510)
	<u>\$ (80,340)</u>	<u>\$ 139,357</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, 2018:

Cash and cash equivalents	\$ 399,937
Accounts receivable	61,213
Investments	1,120,057
	<u>\$ 1,581,207</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, 2018 and 2017:

	2018			
	Level One	Level Two	Level Three	Total
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>

  

	2017			
	Level One	Level Two	Level Three	Total
Cash and Cash Equivalents	\$ 692,080	\$ -	\$ -	\$ 692,080
<i>Included in Investments:</i>				
Money Market Accounts	113,908	-	-	113,908
Stocks and Mutual Funds	1,513,267	-	-	1,513,267
Fixed Income Debt Securities	-	75,510	-	75,510
	<u>\$ 2,319,255</u>	<u>\$ 75,510</u>	<u>\$ -</u>	<u>\$ 2,394,765</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, 2018 and 2017.

## **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, 2018 and 2017, 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, 2018, the Historical Society Foundation had \$19,129 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, 2018 and 2017 was \$410,446 and \$458,600 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 2018 and 2017 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 \$15,948 and \$14,550 for the years ended December 31, 2018 and 2017, respectively.

# Clausen & Rice, LLP

Certified Public Accountants and Business Consultants

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**Daniel T. Rice, CPA**

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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 2018 and 2017 supplementary information included on pages 11 and 12 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 31, 2019

*Clausen & Rice, LLP*

# **SOUTH DAKOTA HISTORICAL SOCIETY FOUNDATION**

## **SCHEDULES OF EXPENSES**

**Years Ended December 31, 2018 and 2017**

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

	2018	2017
Program Services		
Salaries	\$ 197,905	\$ 215,386
Contract services	112,386	75,825
Pioneer Girl Project	58,551	184,445
Printing and publication	50,576	88,380
Royalty expense	47,648	47,270
Meetings	29,216	33,175
Travel	23,303	18,097
Advertising	19,088	12,000
Payroll taxes	15,140	16,477
Retirement plan	9,425	7,282
Exhibits	7,865	389
Postage and shipping	6,698	8,887
Web site/internet expense	5,326	2,816
Professional speaker/writer travel	4,272	3,083
Supplies	3,852	1,585
Bank fees	3,153	3,864
Dues and subscriptions	2,814	3,634
Program service expense	1,766	629
Telephone	1,600	1,992
Depreciation	1,426	1,427
Copyright fees	1,380	405
Awards	1,355	271
Database - membership and donor	1,334	1,334
CHC events	902	-
Books and reference materials	327	2,196
Training	147	833
Design services	-	12,862
Legal and professional fees	-	188
Miscellaneous	2,684	2,451
	<u>\$ 610,139</u>	<u>\$ 747,183</u>
Fundraising		
Salaries	\$ 75,529	\$ 78,893
Payroll taxes	5,778	6,035
Cost of Cookbooks sold	5,577	714
Retirement plan	3,669	3,945
Cost of Prints sold	-	2,097
Miscellaneous	792	2,472
	<u>\$ 91,345</u>	<u>\$ 94,156</u>

# **SOUTH DAKOTA HISTORICAL SOCIETY FOUNDATION**

## **SCHEDULES OF EXPENSES**

**Years Ended December 31, 2018 and 2017**

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

	2018	2017
Administrative expenses		
Salaries	\$ 31,194	\$ 36,450
In-kind rent expense	18,500	18,500
Accounting	5,006	4,579
Payroll taxes	4,681	5,084
Insurance	3,759	3,540
In-kind administrative expense	3,000	3,000
Retirement plan	2,854	3,323
Office expense	1,841	2,710
Increase (decrease) in accrued annual leave	(12,336)	8,926
	<u>\$ 58,499</u>	<u>\$ 86,112</u>
Heritage store		
Cost of goods sold	\$ 61,038	\$ 57,846
Salaries	30,000	30,000
Office supplies	4,335	1,872
Credit card processing fees	2,818	2,285
Advertising	2,409	2,644
Store supplies	1,572	2,522
Insurance	1,004	898
Postage & Shipping	882	751
Dues and subscriptions	475	625
Outside service expense	197	75
Depreciation	48	48
Promotional expense	-	73
Miscellaneous	437	891
	<u>\$ 105,215</u>	<u>\$ 100,530</u>