

SOUTH DAKOTA HISTORICAL SOCIETY FOUNDATION

FINANCIAL STATEMENTS

DECEMBER 31, 2021 AND 2020

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 statements of financial position as of December 31, 2021 and 2020, and the related statements of activities and changes in net assets, functional expenses, 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.

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.

We are required to be independent of South Dakota Historical Society Foundation and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our review.

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.

Paceline Accounting Group, LLP

Sioux Falls, South Dakota
August 30, 2022

**SOUTH DAKOTA HISTORICAL SOCIETY FOUNDATION
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2021 AND 2020**

ASSETS	<u>2021</u>	<u>2020</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 167,786	\$ 234,326
Restricted cash and cash equivalents	154,034	82,978
Accounts receivable	29,125	21,983
Current pledges receivable	61,161	81,476
Inventories	85,564	84,594
Investments	1,893,966	1,850,109
Prepaid expenses	224	1,765
Total current assets	<u>2,391,860</u>	<u>2,357,231</u>
NONCURRENT ASSETS		
Long-term pledges receivable, net of discounts	907	44,743
Total noncurrent assets	<u>907</u>	<u>44,743</u>
PROPERTY AND EQUIPMENT, net	<u>304</u>	<u>687</u>
TOTAL ASSETS	<u><u>\$ 2,393,071</u></u>	<u><u>\$ 2,402,661</u></u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 8,779	\$ 8,339
Accrued expenses	39,654	31,714
Total current liabilities	<u>48,433</u>	<u>40,053</u>
NET ASSETS		
Without donor restrictions	1,304,049	1,458,590
With donor restrictions	1,040,589	904,018
Total net assets	<u>2,344,638</u>	<u>2,362,608</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 2,393,071</u></u>	<u><u>\$ 2,402,661</u></u>

See independent accountants' review report and accompanying notes.

**SOUTH DAKOTA HISTORICAL SOCIETY FOUNDATION
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020**

	<u>2021</u>	<u>2020</u>
CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS:		
REVENUES AND GAINS		
Book sales	\$ 250,309	\$ 170,063
Contributed services	189,921	247,214
Heritage store revenue	116,596	74,353
Investment income	101,790	59,302
Contracts	88,000	98,268
Heritage Circle memberships	75,797	57,738
Contributions	65,380	213,432
Grants	20,770	30,223
Other income	16,692	13,781
Print sales	720	660
Gain on forgiveness of PPP loan	-	73,000
Net assets released from restrictions	<u>39,716</u>	<u>2,110</u>
Total revenues and gains	965,691	1,040,144
EXPENSES		
Program services	715,458	555,629
Heritage store	103,652	81,087
Management and general	86,731	65,453
Fundraising	<u>214,392</u>	<u>327,460</u>
Total expenses	<u>1,120,233</u>	<u>1,029,629</u>
(Decrease) increase in net assets without donor restrictions	(154,542)	10,515
CHANGES IN NET ASSETS WITH DONOR RESTRICTIONS:		
Grants	86,851	-
Investment income	77,341	19,264
Contributions	11,096	84,778
Memorials	1,000	-
Net assets released from restrictions	<u>(39,716)</u>	<u>(2,110)</u>
Increase in net assets with donor restrictions	136,572	101,932
(Decrease) increase in net assets	(17,970)	112,447
NET ASSETS, Beginning of year	<u>2,362,608</u>	<u>2,250,161</u>
NET ASSETS, End of year	<u>\$ 2,344,638</u>	<u>\$ 2,362,608</u>

SOUTH DAKOTA HISTORICAL SOCIETY FOUNDATION

STATEMENTS OF FUNCTIONAL EXPENSES

FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

	2021					2020				
	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	\$ 278,032	\$ 25,000	\$ 42,645	\$ 39,731	\$ 385,408	\$ 229,806	\$ 25,000	\$ 25,569	\$ 80,867	\$ 361,242
Contract services	83,983	-	-	-	83,983	116,275	-	-	-	116,275
Payroll taxes	21,200	-	5,158	3,030	29,388	14,673	-	3,229	5,163	23,065
Retirement plan contributions	12,976	-	3,258	1,921	18,155	6,677	-	1,545	3,898	12,120
	<u>396,191</u>	<u>25,000</u>	<u>51,061</u>	<u>44,682</u>	<u>516,934</u>	<u>367,431</u>	<u>25,000</u>	<u>30,343</u>	<u>89,928</u>	<u>512,702</u>
In-kind expense	-	-	-	165,921	165,921	-	-	-	223,214	223,214
Pioneer Girl Project	112,995	-	-	-	112,995	32,349	-	-	-	32,349
Cost of goods sold	-	64,520	-	-	64,520	-	44,427	-	-	44,427
Printing and publication	47,336	-	-	-	47,336	49,767	-	-	-	49,767
Royalty expense	45,463	-	-	-	45,463	39,287	-	-	-	39,287
Program service expense	29,781	-	-	-	29,781	-	-	-	-	-
In-kind rent expense	-	-	20,000	-	20,000	-	-	20,000	-	20,000
Advertising	13,408	2,700	-	-	16,108	11,146	2,796	-	-	13,942
Website/internet expense	15,421	-	-	-	15,421	5,810	-	-	-	5,810
Dues and subscriptions	5,349	4,339	-	-	9,688	18,515	575	-	-	19,090
Meetings	8,642	-	-	-	8,642	3,822	-	-	-	3,822
Travel	7,279	-	-	-	7,279	2,689	-	-	-	2,689
Legal and professional fees	-	-	7,189	-	7,189	-	-	5,724	-	5,724
Bank and credit card fees	2,579	3,760	-	-	6,339	3,128	2,770	-	-	5,898
Design services	6,000	-	-	-	6,000	-	-	-	-	-
Postage and shipping	4,458	1,364	-	-	5,822	5,282	1,686	-	-	6,968
Insurance	-	1,309	3,377	-	4,686	-	1,119	3,449	-	4,568
Exhibits	4,390	-	-	-	4,390	445	-	-	-	445
In-kind administrative expense	-	-	4,000	-	4,000	-	-	4,000	-	4,000
Supplies	3,043	660	-	-	3,703	4,307	135	-	-	4,442
Repairs and maintenance	3,500	-	-	-	3,500	3,500	-	-	-	3,500
Office expense	-	-	1,104	2,204	3,308	-	729	1,937	-	2,666
Professional speaker/writer travel	1,800	-	-	-	1,800	-	-	-	-	-
Telephone	1,726	-	-	-	1,726	1,422	-	-	-	1,422
Women's Suffrage Project	-	-	-	1,585	1,585	-	-	-	14,318	14,318
Awards	1,542	-	-	-	1,542	292	-	-	-	292
CHC events	1,368	-	-	-	1,368	2,157	-	-	-	2,157
Database - membership and donor	1,334	-	-	-	1,334	1,334	-	-	-	1,334
Miscellaneous	705	-	-	-	705	993	1,850	-	-	2,843
Copyright fees	500	-	-	-	500	376	-	-	-	376
Depreciation	383	-	-	-	383	1,426	-	-	-	1,426
Training	178	-	-	-	178	109	-	-	-	109
Books and reference materials	87	-	-	-	87	42	-	-	-	42
	<u>319,267</u>	<u>78,652</u>	<u>35,670</u>	<u>169,710</u>	<u>603,299</u>	<u>188,198</u>	<u>56,087</u>	<u>35,110</u>	<u>237,532</u>	<u>516,927</u>
Total expenses	\$ <u>715,458</u>	\$ <u>103,652</u>	\$ <u>86,731</u>	\$ <u>214,392</u>	\$ <u>1,120,233</u>	\$ <u>555,629</u>	\$ <u>81,087</u>	\$ <u>65,453</u>	\$ <u>327,460</u>	\$ <u>1,029,629</u>

See independent accountants' review report and accompanying notes.

**SOUTH DAKOTA HISTORICAL SOCIETY FOUNDATION
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020**

	<u>2021</u>	<u>2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (17,970)	\$ 112,447
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Depreciation	383	1,426
Net unrealized and realized gain on investments	(151,484)	(41,163)
Changes in operating assets and liabilities:		
Accounts receivable	(7,142)	(2,116)
Pledges receivable	64,151	(126,219)
Inventories	(970)	(3,695)
Prepaid expenses	1,541	9,165
Accounts payable	440	4,561
Accrued expenses	7,940	11,977
	<hr/>	<hr/>
Net cash used by operating activities	(103,111)	(33,617)
 CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of investments	393,017	560,842
Purchase of investments	(285,390)	(415,898)
	<hr/>	<hr/>
Net cash provided by investing activities	107,627	144,944
Net increase in cash and cash equivalents	4,516	111,327
 CASH AND CASH EQUIVALENTS, Beginning of year	<hr/>	<hr/>
	317,304	205,977
 CASH AND CASH EQUIVALENTS, End of year	<hr/> <hr/>	<hr/> <hr/>
	\$ 321,820	\$ 317,304

See independent accountants' review report and accompanying notes.

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, 2021 and 2020, the Foundation's uninsured cash balances totaled approximately \$78,284 and \$71,445.

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.

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, 2021 and 2020.

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, 2021 and 2020 include \$4,000 for administrative support and \$20,000 for office space. These amounts have been included as contributed services revenue and in-kind expenses on the statements of activities and functional expenses.

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.

SOUTH DAKOTA HISTORICAL SOCIETY FOUNDATION

NOTES TO FINANCIAL STATEMENTS

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

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 \$383 and \$1,426 for the years ended December 31, 2021 and 2020, respectively.

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.

l. 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.

SOUTH DAKOTA HISTORICAL SOCIETY FOUNDATION

NOTES TO FINANCIAL STATEMENTS

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

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.

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.

SOUTH DAKOTA HISTORICAL SOCIETY FOUNDATION

NOTES TO FINANCIAL STATEMENTS

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

p. Advertising

Advertising costs are expensed as they are incurred. Advertising expense for the years ended December 31, 2021 and 2020 was \$16,108 and \$13,942, 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 August 30, 2022, the date the financial statements were available to be issued.

2. RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

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, 2021, the South Dakota Historical Society Foundation had \$19,770 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, 2021 and 2020 was \$493,008 and \$479,434, 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, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Due in less than one year	\$ 61,161	\$ 81,476
Due in one to four years	999	47,027
Less: Discount to present value on long-term pledges	<u>(92)</u>	<u>(2,284)</u>
Total	62,068	126,219
Less: Long-term pledges, net of discount	<u>(907)</u>	<u>(44,743)</u>
	<u>\$ 61,161</u>	<u>\$ 81,476</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, 2021 and 2020.

5. INVESTMENTS

The fair value of investments as of December 31, 2021 and 2020 was as follows:

	<u>2021</u>		
	<u>Cost</u>	<u>Fair Value</u>	<u>Unrealized Gains</u>
Operating Investments	\$ 80,012	\$ 109,293	\$ 29,281
2015 – Press Investments	460,988	687,926	226,938
2018 – SDSHS Press Investments	95,672	120,941	25,269
2018 – Deadwood Press Investments	53,577	69,434	15,857
2018 – Publications Investments	16,505	19,817	3,312
Restricted Investments	<u>595,515</u>	<u>886,555</u>	<u>291,040</u>
	<u>\$ 1,302,269</u>	<u>\$ 1,893,966</u>	<u>\$ 591,697</u>
	<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>

SOUTH DAKOTA HISTORICAL SOCIETY FOUNDATION

NOTES TO FINANCIAL STATEMENTS

5. INVESTMENTS (CONTINUED)

	<u>2021</u>	<u>2020</u>
Investments at Fair Value:		
Cash and money market	\$ 227,011	\$ 286,328
Stocks and mutual funds	908,179	923,158
Fixed income	<u>758,776</u>	<u>640,623</u>
Total Investments at Fair Value	<u>\$ 1,893,966</u>	<u>\$ 1,850,109</u>

Investment return as of December 31, 2021 and 2020 was as follows:

	<u>2021</u>	<u>2020</u>
Interest and dividends	\$ 37,927	\$ 47,446
Net unrealized and realized gain on investments	151,484	41,163
Investment fees	<u>(10,280)</u>	<u>(10,043)</u>
Investment income	<u>\$ 179,131</u>	<u>\$ 78,566</u>

6. FAIR VALUE OF INVESTMENTS

The following table presents investments that are measured at fair value on a recurring basis at December 31, 2021 and 2020:

	<u>2021</u>		
	Quoted Prices in Active Markets (Level 1)	Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)
Investments			
Cash and money market	\$ 227,011	\$ -	\$ -
Stocks and mutual funds	908,179	-	-
Fixed income	<u>-</u>	<u>758,776</u>	<u>-</u>
	<u>\$ 1,135,190</u>	<u>\$ 758,776</u>	<u>\$ -</u>
	<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>

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>2021</u>	<u>2020</u>
Endowment Funds Without Donor Restrictions		
Unrestricted funds	\$ 1,007,411	\$ 1,029,069
Endowment Funds With Donor Restrictions		
Donor-restricted funds	<u>886,555</u>	<u>821,040</u>
Total Endowment Funds	<u>\$ 1,893,966</u>	<u>\$ 1,850,109</u>

The changes in endowment net assets as of December 31, 2021 and 2020 are as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</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	1,029,069	821,040	1,850,109
Contributions	3,992	241	4,233
Investment income	93,350	77,340	170,690
Distributions	<u>(119,000)</u>	<u>(12,066)</u>	<u>(131,066)</u>
Endowment Net Assets, December 31, 2021	<u>\$ 1,007,411</u>	<u>\$ 886,555</u>	<u>\$ 1,893,966</u>

8. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist of the following at December 31, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Donor-restricted net assets:		
Restricted investments	\$ 886,555	\$ 821,040
Donations	1,950	-
WS Endowment	1,275	1,275
Oral History	8,869	3,569
WS Ed & Advocacy	33,333	38,333
SD Stories	6,429	5,499
WS Preserve Artifact	24,227	34,302
Memorials	1,000	-
Grants	<u>76,951</u>	<u>-</u>
Total Net Assets With Donor Restrictions	<u>\$ 1,040,589</u>	<u>\$ 904,018</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, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
WS Ed & Advocacy	\$ 5,000	\$ -
WS Preserve Artifact	12,750	-
Grants	9,900	-
Restricted investments	<u>12,066</u>	<u>2,110</u>
Total	<u>\$ 39,716</u>	<u>\$ 2,110</u>

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, 2021 and 2020, respectively, are as follows:

	<u>2021</u>	<u>2020</u>
Financial Assets:		
Cash and cash equivalents	\$ 167,786	\$ 234,326
Accounts receivable	29,125	21,983
Current pledges receivable	61,161	81,476
Investments	<u>1,893,966</u>	<u>1,850,109</u>
Total Financial Assets	<u>2,152,038</u>	<u>2,187,894</u>
Less Financial Assets Held to Meet Donor Restrictions:		
Donor-Restricted Funds	<u>1,040,589</u>	<u>904,018</u>
Total Financial Assets Held to Meet Donor Restrictions	<u>1,040,589</u>	<u>904,018</u>
Amounts Available for General Expenditure Within One Year	<u>\$ 1,111,449</u>	<u>\$ 1,283,876</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, 2021 and 2020 are as follows:

	<u>2021</u>	<u>2020</u>
Pledges receivable due from board members and officers	\$ 3,260	\$ 5,820
Pledges received from board members and officers	2,560	300
Accounts payable due to related entity	-	1,027

SOUTH DAKOTA HISTORICAL SOCIETY FOUNDATION

NOTES TO FINANCIAL STATEMENTS

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, 2021 and 2020, the amount of accrued leave was \$24,833 and \$21,673, 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 \$18,155 and \$12,120 for the years ended December 31, 2021 and 2020, 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.