

RAMSEY COUNTY
HISTORICAL SOCIETY, INC.
AUDITED FINANCIAL STATEMENTS
June 30, 2020 and 2019

Mark D. Harrington, CPA
Wayne A. Langer, CPA
Nichole Fairbanks, CPA
Jesse Fraley, CPA
Anna Anderson, CPA



Gregory W. Heck, CPA, CVA
Greg L. Emmerich, CPA
Michael Belknap, CPA
Benjamin J. Roff, CPA, CVA

563 PHALEN BOULEVARD • ST. PAUL, MN 55130
phone 651.481.1128 • fax 651.481.0982

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Ramsey County Historical Society, Inc.
St. Paul, Minnesota

We have audited the accompanying financial statements of Ramsey County Historical Society, Inc. (a non-profit organization), which comprise the statements of financial position as of June 30, 2020 and 2019, and the related statements of activities, cash flows, functional expenses, and the related notes to the financial statements.

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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Ramsey County Historical Society, Inc. as of June 30, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Harrington Langer & Associates

October 6, 2020

RAMSEY COUNTY HISTORICAL SOCIETY, INC.
STATEMENTS OF FINANCIAL POSITION
June 30, 2020 and 2019

	2020	2019
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 200,106	\$ 432,922
Accounts receivable	12,733	13,429
Inventory	16,450	19,101
Prepaid expenses	9,143	4,524
TOTAL CURRENT ASSETS	238,432	469,976
PROPERTY AND EQUIPMENT, net	2,010,781	1,580,029
OTHER ASSETS		
Investments	2,533,791	2,667,101
Funds held by others	60,548	65,290
TOTAL OTHER ASSETS	2,594,339	2,732,391
TOTAL ASSETS	\$ 4,843,552	\$ 4,782,396

	<u>2020</u>	<u>2019</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 38,443	\$ 28,625
Accrued expenses	39,700	34,975
Deferred revenue	7,900	9,500
Note payable	<u>134,300</u>	<u>-</u>
TOTAL CURRENT LIABILITIES	<u>220,343</u>	<u>73,100</u>
LONG-TERM LIABILITIES		
Note payable	<u>10,000</u>	<u>-</u>
TOTAL LIABILITIES	<u>230,343</u>	<u>73,100</u>
NET ASSETS		
Without donor restrictions		
Undesignated	1,681,281	1,408,890
Board designated	451,391	450,324
With donor restrictions	<u>2,480,537</u>	<u>2,850,082</u>
TOTAL NET ASSETS	<u>4,613,209</u>	<u>4,709,296</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 4,843,552</u></u>	<u><u>\$ 4,782,396</u></u>

RAMSEY COUNTY HISTORICAL SOCIETY, INC.

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2020

(With Comparative Totals for 2019)

	<u>Without Donor</u>	<u>With Donor</u>	<u>Total</u>	<u>Total</u>
	<u>Restrictions</u>	<u>Restrictions</u>	<u>2020</u>	<u>2019</u>
SUPPORT AND REVENUE				
Contributions	\$ 583,110	\$ 94,232	\$ 677,342	\$ 759,772
Appropriation from Ramsey County	85,504	-	85,504	83,916
Government contributions	40,336	-	40,336	194,008
In-kind contributions	141,687	-	141,687	45,636
Gibbs Farm admissions	54,708	-	54,708	100,646
Program revenue	39,386	-	39,386	82,821
Membership dues	52,012	-	52,012	72,341
Books and merchandise sales, net	1,843	-	1,843	2,424
Contract revenue	15,100	-	15,100	16,250
Parking revenue	12,845	-	12,845	15,570
Investment income, net	787	(15,711)	(14,924)	172,246
Miscellaneous	9,440	-	9,440	7,831
Net assets released from restrictions	448,066	(448,066)	-	-
	<u>1,484,824</u>	<u>(369,545)</u>	<u>1,115,279</u>	<u>1,553,461</u>
TOTAL SUPPORT AND REVENUE				
EXPENSES				
Program Services:				
Membership and programming	336,167	-	336,167	400,224
Gibbs Farm operations	540,958	-	540,958	461,226
Magazine and publications	125,431	-	125,431	89,324
Total Program Services	1,002,556	-	1,002,556	950,774
Support Services:				
Management and general	77,676	-	77,676	84,075
Fundraising	131,134	-	131,134	139,314
	<u>1,211,366</u>	<u>-</u>	<u>1,211,366</u>	<u>1,174,163</u>
TOTAL EXPENSES				
CHANGE IN NET ASSETS	273,458	(369,545)	(96,087)	379,298
NET ASSETS, BEGINNING OF YEAR	<u>1,859,214</u>	<u>2,850,082</u>	<u>4,709,296</u>	<u>4,329,998</u>
NET ASSETS, END OF YEAR	<u>\$ 2,132,672</u>	<u>\$ 2,480,537</u>	<u>\$ 4,613,209</u>	<u>\$ 4,709,296</u>

RAMSEY COUNTY HISTORICAL SOCIETY, INC.
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2019

	<u>Without Donor</u> <u>Restrictions</u>	<u>With Donor</u> <u>Restrictions</u>	<u>Total</u>
SUPPORT AND REVENUE			
Contributions	\$ 481,659	\$ 278,113	\$ 759,772
Appropriation from Ramsey County	83,916	-	83,916
Government contributions	194,008	-	194,008
In-kind contributions	45,636	-	45,636
Gibbs Farm admissions	100,646	-	100,646
Gibbs Farm programs	82,821	-	82,821
Membership dues	72,341	-	72,341
Books and merchandise sales, net	2,424	-	2,424
Contract revenue	16,250	-	16,250
Parking revenue	15,570	-	15,570
Investment income, net	24,659	147,587	172,246
Miscellaneous	7,831	-	7,831
Net assets released from restrictions	<u>224,638</u>	<u>(224,638)</u>	<u>-</u>
TOTAL SUPPORT AND REVENUE	<u>1,352,399</u>	<u>201,062</u>	<u>1,553,461</u>
EXPENSES			
Program Services:			
Membership and programming	400,224	-	400,224
Gibbs Farm operations	461,226	-	461,226
Magazine and publications	89,324	-	89,324
Total Program Services	<u>950,774</u>	<u>-</u>	<u>950,774</u>
Support Services:			
Management and general	84,075	-	84,075
Fundraising	139,314	-	139,314
TOTAL EXPENSES	<u>1,174,163</u>	<u>-</u>	<u>1,174,163</u>
CHANGE IN NET ASSETS	178,236	201,062	379,298
NET ASSETS, BEGINNING OF YEAR	<u>1,680,978</u>	<u>2,649,020</u>	<u>4,329,998</u>
NET ASSETS, END OF YEAR	<u>\$ 1,859,214</u>	<u>\$ 2,850,082</u>	<u>\$ 4,709,296</u>

RAMSEY COUNTY HISTORICAL SOCIETY, INC.
STATEMENTS OF CASH FLOWS
For the Years Ended June 30, 2020 and 2019

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (96,087)	\$ 379,298
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Net realized and unrealized (gains) losses on investments	71,308	(123,468)
Interest and dividends reinvested, net of fees	(55,857)	(48,674)
Depreciation	27,666	29,297
Donated investments	-	(14,201)
Decrease (increase) in:		
Accounts receivable	696	(2,179)
Promises to give	-	17,000
Inventory	2,651	(815)
Prepaid expenses	(4,619)	(1,404)
Increase (decrease) in:		
Accounts payable	9,818	22,413
Accrued expenses	4,725	(5,183)
Deferred revenue	(1,600)	4,350
	NET CASH PROVIDED BY (USED IN)	OPERATING ACTIVITIES
	(41,299)	256,434
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from investments	152,599	324,084
Purchases of investments	(30,000)	(234,533)
Purchase of property and equipment	(458,416)	(98,020)
	NET CASH USED IN INVESTING ACTIVITIES	(8,469)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from notes payable	144,300	-
	INCREASE (DECREASE) IN CASH AND	CASH EQUIVALENTS
	(232,816)	247,965
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	432,922	184,957
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 200,106	\$ 432,922
SUPPLEMENTAL CASH FLOW DISCLOSURES		
Interest paid	\$ 23	\$ 22

RAMSEY COUNTY HISTORICAL SOCIETY, INC.
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2020

	Program Expenses				Support Services			Total
	Membership & Programming	Gibbs Farm Operations	Magazine & Publications	Total Program	Management and General	Fund-raising	Total Support	
Salaries	\$ 140,291	\$ 251,897	\$ 27,394	\$ 419,582	\$ 46,106	\$ 82,366	\$ 128,472	\$ 548,054
Payroll taxes	11,762	22,344	2,316	36,422	519	7,147	7,666	44,088
Employee benefits	27,999	29,025	901	57,925	4,946	9,473	14,419	72,344
Total Personnel Expenses	180,052	303,266	30,611	513,929	51,571	98,986	150,557	664,486
Cost of goods sold	-	3,718	15,096	18,814	-	-	-	18,814
Occupancy	49,255	56,794	59	106,108	10,573	8,774	19,347	125,455
Professional services	91,100	115,017	64,990	271,107	7,031	8,180	15,211	286,318
Insurance	3,102	12,408	-	15,510	1,574	-	1,574	17,084
Postage	872	735	1,843	3,450	176	1,157	1,333	4,783
Supplies	1,627	2,199	244	4,070	181	1,086	1,267	5,337
Travel	471	2,284	1,066	3,821	500	12	512	4,333
Memberships and subscriptions	455	603	78	1,136	2,988	-	2,988	4,124
Meetings	10	58	119	187	(242)	368	126	313
Hospitality costs	-	547	20	567	1,996	322	2,318	2,885
Program events and activities	6,845	18,785	25,794	51,424	-	10,589	10,589	62,013
Miscellaneous	130	1,891	-	2,021	-	-	-	2,021
Interest expense	-	-	-	-	23	-	23	23
Bank and credit card fees	663	1,818	301	2,782	389	1,354	1,743	4,525
Depreciation	1,585	24,553	306	26,444	916	306	1,222	27,666
Total Expenses by Function	336,167	544,676	140,527	1,021,370	77,676	131,134	208,810	1,230,180
Less Expenses included with Revenues on the Statement of Activities	-	(3,718)	(15,096)	(18,814)	-	-	-	(18,814)
Total Expenses	\$ 336,167	\$ 540,958	\$ 125,431	\$ 1,002,556	\$ 77,676	\$ 131,134	\$ 208,810	\$ 1,211,366

See notes to financial statements

RAMSEY COUNTY HISTORICAL SOCIETY, INC.
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2019

	Program Expenses			Support Services			Total	
	Membership & Programming	Gibbs Farm Operations	Magazine & Publications	Total Program	Management and General	Fund-raising		Total Support
Salaries	\$ 142,194	\$ 240,799	\$ 21,289	\$ 404,282	\$ 46,656	\$ 87,865	\$ 134,521	\$ 538,803
Payroll taxes	13,384	24,975	2,146	40,505	4,602	7,814	12,416	52,921
Employee benefits	26,642	28,255	8,301	63,198	4,267	12,259	16,526	79,724
Total Personnel Expenses	182,220	294,029	31,736	507,985	55,525	107,938	163,463	671,448
Cost of goods sold	-	4,477	2,774	7,251	-	-	-	7,251
Occupancy	49,151	56,108	236	105,495	9,860	9,042	18,902	124,397
Professional services	128,752	39,733	21,853	190,338	6,424	8,161	14,585	204,923
Insurance	3,048	11,397	-	14,445	1,574	-	1,574	16,019
Postage	1,285	1,109	1,039	3,433	811	1,810	2,621	6,054
Supplies	2,393	2,624	65	5,082	686	2,008	2,694	7,776
Travel	1,486	1,911	1,107	4,504	2,293	1,100	3,393	7,897
Memberships and subscriptions	10	469	69	548	2,240	305	2,545	3,093
Meetings	-	-	137	137	592	1,467	2,059	2,196
Hospitality costs	24	1,189	75	1,288	2,335	99	2,434	3,722
Program events and activities	29,664	21,811	32,289	83,764	-	5,486	5,486	89,250
Miscellaneous	-	1,147	-	1,147	186	430	616	1,763
Interest expense	-	-	-	-	22	-	22	22
Bank and credit card fees	655	3,319	442	4,416	698	1,192	1,890	6,306
Depreciation	1,536	26,380	276	28,192	829	276	1,105	29,297
Total Expenses by Function	400,224	465,703	92,098	958,025	84,075	139,314	223,389	1,181,414
Less Expenses included with Revenues on the Statement of Activities	-	(4,477)	(2,774)	(7,251)	-	-	-	(7,251)
Total Expenses	\$ 400,224	\$ 461,226	\$ 89,324	\$ 950,774	\$ 84,075	\$ 139,314	\$ 223,389	\$ 1,174,163

See notes to financial statements

RAMSEY COUNTY HISTORICAL SOCIETY, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 1. NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities:

The Ramsey County Historical Society, Inc. (the Society or RCHS) is organized as a nonprofit corporation under the laws of the State of Minnesota. Mission: *Preserve our Past, Inform our Present, Inspire our Future.*

Ramsey County supports the mission of the Society in a number of different ways:

- Annual appropriation of cash;
- Donated space in the Landmark Center;
- A history of capital improvement appropriations for Gibbs Farm through the County Capital Improvement Program system;
- Participation of Ramsey County Historical Society employees in the County medical and benefits system; and
- Guidance and advice in capital improvements to Gibbs Farm.

The Society performs its mission at a variety of sites:

- Landmark Center in downtown Saint Paul: Mary Livingston Griggs & Mary Griggs Burke Research Center, exhibits, and educational programs. The Society also maintains archival and artifact preservation spaces, administrative offices, and offices for collections staff. The administrative office is considered the program location for the publication *Ramsey County History*, a quarterly magazine that documents the history of Ramsey County.
- Gibbs Farm: Pathways to Dakota and Pioneer life. A National Register of Historic Places site that preserves and presents the life of one of the region's earliest settlers and her friendship and association with the Dakota people of Cloud Man's Village. Programs presented at the site include: school field trips, tours, summer camps, adult programs, and a wide variety of family friendly special events. The primary time span interpreted is 1835-1900. The site includes the original farmhouse and white barn, an archaeological site, tipi, trails, restored prairie, and replicas of a dugout sod house and a Dakota bark lodge. The site is open eight months each year.
- Schools: RCHS provides outreach services to a large number of schools annually.
- Libraries: RCHS provides cultural programming and exhibits at libraries across the county.
- Saint Paul Union Depot and Ramsey County Courthouse: RCHS provides public tours of both facilities and plays a significant role in exhibit installation at both facilities.
- Other: RCHS plays a role in many community festivals and delivers programs at a variety of other locations across the country and occasionally beyond.

RAMSEY COUNTY HISTORICAL SOCIETY, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 1. NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES
(continued)

Basis of Presentation

The accompanying financial statements are presented on the accrual basis in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP), which require RCHS to report information regarding its financial position and activities according to the following net asset classifications:

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 organization. These net assets may be used at the discretion of RCHS management and the board of directors.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of RCHS or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities.

Cash and Cash Equivalents:

For the purpose of the statements of cash flows, the Society considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents. The Society maintains cash balances at a financial institution that is insured by the FDIC up to \$250,000. As of June 30, 2020 and 2019, the Society had uninsured cash balances of approximately \$0 and \$149,000, respectively.

Concentrations of Credit Risk:

Financial instruments that potentially subject the Society to concentrations of credit risk consist principally of accounts receivable. Management believes concentrations of credit risk with respect to promises to give and accounts receivable are limited due to the nature and dollar amounts. At June 30, 2020, one donor comprised 11% of total support and revenue. At June 30, 2019, one donor comprised 13% of total support and revenue.

RAMSEY COUNTY HISTORICAL SOCIETY, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 1. NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES
(continued)

Accounts Receivable:

The Society provides an allowance for doubtful accounts based on historical experience and management's evaluation of outstanding amounts. At June 30, 2020 and 2019, management considered all outstanding amounts to be fully collectible. Accordingly, there was no allowance for doubtful accounts.

Inventory:

Inventory consists of books and gift shop merchandise and is stated at the lower of cost or market. Cost is determined using the first-in, first-out method (FIFO). Management identifies books which have continued sales and movement and records these books at cost. For all other books that still have value, management considers its sales and then reduces the value if appropriate.

Collections:

The Society's collections, which were acquired through contributions since the Society's inception, are not recognized as assets on the statements of financial position. Proceeds from deaccessions or insurance recoveries are reflected in the appropriate net asset class.

The Society's collections are made up of artifacts of historical significance, historical structures, and archival materials that are held for educational, research, scientific, and curatorial purposes. Each of the items is cataloged, preserved and cared for, and activities verifying their existence and assessing their conditions are performed periodically. The collections are subject to a policy that requires proceeds from their sales to be used to support the Society's collections management and acquisition activities. No purchases or sales occurred during fiscal years 2020 and 2019.

Property and Equipment:

Property and equipment are recorded at cost. Donated property and equipment are recorded at their approximate fair values at the date of donation. Depreciation is provided on the straight-line method over the estimated useful lives of the underlying assets of three to twenty years. Depreciation expense was \$27,666 and \$29,297 for the years ended June 30, 2020 and 2019, respectively.

Investments:

Investments are stated at fair value in the statements of financial position. Investment income or loss (including realized and unrealized gains and losses on investments, interest and dividends) is included in the increase (decrease) in net assets without donor restrictions unless the income or loss is restricted by donor or law.

RAMSEY COUNTY HISTORICAL SOCIETY, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 1. NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES
(continued)

Deferred Revenue:

Deferred revenue consists of funds received for books or DVDs that have not been completed and deposits for future events. The revenue will be recognized when the books or DVDs are published or produced and the events take place.

Contributions:

Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Contributions that are restricted by the donor are reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the contribution is recognized. All other donor restricted contributions are reported as an increase in net assets with donor restrictions, depending on the nature of restriction. When a 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.

Contributed property and equipment are recorded at fair value at the date of donation. Contributions with donor-imposed stipulations regarding how long the contributed assets must be used are recorded as net assets with donor restrictions; otherwise, the contributions are recorded as net assets without donor restrictions.

In-Kind Contributions:

For both years ended June 30, 2020 and 2019, the Society recognized revenue of \$46,547 and \$45,636, respectively, for donated space in the Landmark Center from Ramsey County through Minnesota Landmarks, Inc. The donated space is used for certain program and support services. In addition, during the year ended June 30, 2020, the Society recognized revenue of \$95,140 for professional services provided by Ramsey County related to the Gibbs Farm Red Barn Project.

Functional Allocation of Expenses:

Expenses are charged to each program based on direct expenditures incurred. Any expenditures not directly chargeable are allocated to program support costs based on management's analysis and estimates of direct personnel hours and labor-related costs. These estimates are revised by management, as necessary, to reflect the current state of the Society and to provide accurate expense allocations.

RAMSEY COUNTY HISTORICAL SOCIETY, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 1. NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES
(continued)

Income Taxes:

The Society is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code, except to the extent it has taxable income that is not related to its tax-exempt status. The Society is not a private foundation and contributions to the Society qualify as a charitable tax deduction by the contributor. Parking lot and wedding rental fees generate unrelated business income for the Society.

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by the Organization and recognize a tax liability (or asset) for any uncertain position that more likely than not would not be sustained upon examination by the applicable tax authorities. The Organization is subject to routine audits by taxing authorities; however, there are currently no audits for any tax periods in progress.

Advertising Costs:

Advertising costs are charged to expense as incurred. Advertising expense amounted to \$5,856 and \$4,681 for the years ended June 30, 2020 and 2019, respectively

Estimates:

The preparation 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 and disclosures in these financial statements. Actual results could differ from those estimates.

Subsequent Events:

In preparing these financial statements, the Society has evaluated events and transactions for potential recognition or disclosure through October 6, 2020, the date the financial statements were available to be issued.

COVID 19

In December 2019, a novel strain of coronavirus (COVID-19) surfaced. The spread of COVID-19 around the world in the first quarter of 2020 has caused significant volatility in the U.S. and international markets. There is significant uncertainty around the breadth and duration of business disruptions related to COVID-19, as well as its impact on the U.S. and international economies and, as such, the Organization is unable to determine if it will have a material impact to its operations.

RAMSEY COUNTY HISTORICAL SOCIETY, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 2. AVAILABILITY AND LIQUIDITY

The following represents RCHS' financial assets available for general expenditure within one year of June 30, 2020 and 2019:

	2020	2019
Financial Assets at Year-End		
Cash and cash equivalents	\$ 200,106	\$ 432,922
Accounts receivable	12,733	13,429
Investments	2,533,791	2,667,101
Funds held by others	60,548	65,290
Total financial assets	2,807,178	3,178,742
Less amounts not available to be used within one year		
Net assets with donor restrictions	(2,480,537)	(2,850,082)
Less net assets with restrictions available to be met in less than one year	123,246	329,391
Board designated funds	(451,391)	(450,324)
Financial assets available to meet general expenditures within one year	\$ (1,504)	\$ 207,727

The Society's goal is generally to maintain financial assets to meet 90 days of operating expenses. The Society's Board of Directors has designated a portion of its net assets for endowment and other purposes. Those amounts are identified as board designated funds in the table above. Those funds are invested for long-term appreciation and current income but remain available and may be spent at the discretion of the Board.

NOTE 3. INVENTORY

At June 30, 2020 and 2019, inventory consisted of the following:

	2020	2019
Books	\$ 8,657	\$ 9,497
Gift shop merchandise	7,793	9,604
	\$ 16,450	\$ 19,101

RAMSEY COUNTY HISTORICAL SOCIETY, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 4. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at June 30, 2020 and 2019:

	2020	2019
Land	\$ 1,349,515	\$ 1,349,515
Land improvements	81,160	81,160
Building improvements	1,165,337	719,871
Equipment and other	320,371	307,421
	2,916,383	2,457,967
Less: accumulated depreciation	(905,602)	(877,938)
	<u>\$ 2,010,781</u>	<u>\$ 1,580,029</u>

In 2006, the Society purchased property adjacent to Gibbs Farm. The original intent of the Society was to use the land for expansion of farm operations. A house that was located on the property was immediately put up for sale and no value was assigned to the structure at the time of purchase. After approximately four years on the market, the Board decided at its April 25, 2011, meeting to take the house off the market and use it in operations. The Society's intention is to eventually remove the house from the property. The Society has elected to continue to assign no value to the structure.

NOTE 5. FUNDS HELD BY OTHERS

In 1997, the Saint Paul Foundation (the Foundation) awarded the Society a \$50,000 grant. Acceptance of the grant required the Society to raise a matching \$50,000. The Society records only contributions it raised and its portion of investment earnings. Investments in this endowment fund are recorded at fair value. Distributions are determined based on the Foundation's spending policy. The Foundation has variance power over the entire endowment fund. The fair value of the Society contributions received and related earnings was \$60,548 and \$65,290 as of June 30, 2020 and 2019, respectively. The fair value of the funds deposited by the Saint Paul Foundation that are not recorded in these financial statements was \$58,422 and \$63,481 at June 30, 2020 and 2019, respectively.

NOTE 6. INVESTMENTS

Investments consisted of the following at June 30, 2020 and 2019:

	2020	2019
Cash	\$ 33,249	\$ 38,340
Mutual Funds	249,168	260,893
Exchange-Traded Funds	2,251,374	2,367,868
	<u>\$ 2,533,791</u>	<u>\$ 2,667,101</u>

RAMSEY COUNTY HISTORICAL SOCIETY, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 7. FAIR VALUE MEASUREMENTS

Fair value is defined as the price that would be received to sell an asset in the principal or most advantageous market for the asset in an orderly transaction between market participants on the measurement date. Fair value should be based on the assumptions market participants would use when pricing an asset. US GAAP establishes a fair value hierarchy that prioritizes investments based on those assumptions. The fair value hierarchy gives the highest priority to quoted prices in active markets (observable inputs) and the lowest priority to an entity's assumptions (unobservable inputs). RCHS groups assets at fair value in three levels, based on the markets in which the assets and liabilities are traded and the reliability of the assumptions used to determine fair value. These levels are:

- | | |
|---------|---|
| Level 1 | Unadjusted quoted market prices for identical assets or liabilities in active markets as of the measurement date. These assets include mutual funds and exchange-traded funds. |
| Level 2 | Other observable inputs, either directly or indirectly, including: <ul style="list-style-type: none">• Quoted prices for similar assets/liabilities in active markets;• Quoted prices for identical or similar assets in non-active markets;• Inputs other than quoted prices that are observable for the asset/liability; and,• Inputs that are derived principally from or corroborated by other observable market data. |
| Level 3 | Unobservable inputs that cannot be corroborated by observable market data. |

The funds held at the Saint Paul Foundation (Funds Held by Others) have been valued at the fair value of the Society's share of the Foundation's investment pool as of the measurement date. The Foundation values securities and other financial instruments on a fair value basis of accounting. The estimated fair values of certain investments of the Foundation, which include private placements and other securities for which prices are not readily available, are determined by the management of the Foundation and may not reflect amounts that could be realized upon immediate sale, nor amounts that ultimately may be realized. Accordingly, the estimated fair values may differ from the values that would have been used had a ready market existed for these investments.

The Society's funds at the Saint Paul Foundation are invested in the Multi-Asset Endowment portfolio. At June 30, 2020 and 2019, this portfolio is composed of approximately 25% domestic equities, 25% international equities, 12% private capital, 8% absolute return, 15% fixed income, and 15% real assets.

RAMSEY COUNTY HISTORICAL SOCIETY, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 7. FAIR VALUE MEASUREMENTS (continued)

The following summarizes the Society's assets within the fair value hierarchy as of June 30, 2020 and 2019:

	Fair Value	Level 1	Level 2	Level 3
2020				
Mutual Funds	\$ 249,168	\$ 249,168	\$ -	\$ -
Exchange-Traded Funds	2,251,374	2,251,374	-	-
Funds Held by Others	60,548	-	-	60,548
	<u>\$ 2,561,090</u>	<u>\$ 2,500,542</u>	<u>\$ -</u>	<u>\$ 60,548</u>
2019				
Mutual Funds	\$ 260,893	\$ 260,893	\$ -	\$ -
Exchange-Traded Funds	2,367,868	2,367,868	-	-
Funds Held by Others	65,290	-	-	65,290
	<u>\$ 2,694,051</u>	<u>\$ 2,628,761</u>	<u>\$ -</u>	<u>\$ 65,290</u>

The following table provides a summary of changes in fair value of the Society's level 3 financial assets for the years ended June 30, 2020 and 2019:

	2020	2019
Balance at July 1	\$ 65,290	\$ 65,646
Additional amounts invested in fund	1,171	2,292
Share of appreciation (depreciation) of fund	(2,465)	5,215
Distributions	(3,448)	(7,863)
	<u>\$ 60,548</u>	<u>\$ 65,290</u>

NOTE 8. ENDOWMENT

The Society's endowment includes both donor-restricted endowment funds and funds designated by the Board of Directors to function as an endowment. The Society has four separate donor-restricted endowments. Endowment funds are invested in assets held by the Saint Paul Foundation (see Note 5); cash held in a Revolving Reserve Fund, and other investments currently with Vanguard. As required by U.S. GAAP, net assets associated with endowment funds are classified and reported based on the existence of donor-imposed restrictions.

RAMSEY COUNTY HISTORICAL SOCIETY, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 8. ENDOWMENT (continued)

Interpretation of Relevant Law – The Board of Directors of the Society has interpreted the Minnesota Uniform Prudent Management of Institutional Funds Act (MPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Society classifies the original value of the gifts donated to the permanent endowments and the original value of subsequent gifts donated to the permanent endowment as net assets with donor restrictions.

In accordance with MPMIFA, the Society considers the following factors in making a determination to appropriate donor-restricted endowment funds:

- The duration and preservation of the fund,
- The purposes of the Society and the donor-restricted endowment fund,
- General economic conditions,
- The possible effect of inflation and deflation,
- The expected total return from income and the appreciation of investments,
- Other resources of the Society,
- The investment policies of the Society.

Strategies Employed for Achieving Objective – To satisfy its long-term rate-of-return objectives, the Society relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Society targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraint.

Return Objectives and Risk Parameters – The Society has adopted investment spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowments while seeking to maintain the purchasing power of the endowment assets. Endowment assets are those assets of donor-restricted funds the Society must hold in perpetuity. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of the S&P 500 Index while assuming a moderate level of investment risk. The Society's goal for its endowment funds, over time, is to provide an average rate of return of approximately 7.0% annually. Actual returns, based on market conditions, may vary from this amount.

Spending Policy – Endowment fund investment income is available for current operations under the spending rate method. The available distribution is calculated by taking 5.0% of a two-year rolling average of the eight quarters ending March 31 of the year preceding the year in which the distribution will be taken. The spending rate will not be less than 4.5% or more than 6.0% of the endowment's current market value. In establishing this policy, the Society considered the long-term expected return on its endowment. Accordingly, over the long term, the Society expects the current spending policy to allow its endowment to grow at an average of 3.0% annually. This was consistent with the Society's objective to maintain the purchasing power of the endowment asset held in perpetuity as well as to provide additional real growth through new gifts and investment return.

RAMSEY COUNTY HISTORICAL SOCIETY, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 8. ENDOWMENT (continued)

The composition of endowment net assets as of June 30, 2020 and 2019 was as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<u>2020</u>			
Board designated	\$ 435,803	\$ -	\$ 435,803
Donor-restricted			
Original donor restricted gift amounts and amounts to be maintained in perpetuity	-	2,064,020	2,064,020
Accumulated investment gains	-	293,269	293,269
	<u>\$ 435,803</u>	<u>\$ 2,357,289</u>	<u>\$ 2,793,092</u>
<u>2019</u>			
Board designated	\$ 434,736	\$ -	\$ 434,736
Donor-restricted			
Original donor restricted gift amounts and amounts to be maintained in perpetuity	-	2,064,020	2,064,020
Accumulated investment gains	-	432,390	432,390
	<u>\$ 434,736</u>	<u>\$ 2,496,410</u>	<u>\$ 2,931,146</u>

The changes in endowment net assets for the years ended June 30, 2020 and 2019 consisted of the following:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment, 7/1/18	\$ 279,116	\$ 2,484,626	\$ 2,763,742
Investment return, net	26,785	147,587	174,372
Contributions	140,435	175	140,610
Appropriation of endowment assets pursuant to spending-rate policy	<u>(11,600)</u>	<u>(135,978)</u>	<u>(147,578)</u>
Endowment, 6/30/19	434,736	2,496,410	2,931,146
Investment return, net	(3,433)	(12,023)	(15,456)
Contributions	30,000	-	30,000
Appropriation of endowment assets pursuant to spending-rate policy	<u>(25,500)</u>	<u>(127,098)</u>	<u>(152,598)</u>
Endowment, 6/30/20	<u>\$ 435,803</u>	<u>\$ 2,357,289</u>	<u>\$ 2,793,092</u>

RAMSEY COUNTY HISTORICAL SOCIETY, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 9. NOTES PAYABLE

On April 13, 2020, the Organization received loan proceeds in the amount of \$134,300 under the Paycheck Protection Program (“PPP”). The PPP, established as part of the Coronavirus Aid, Relief, and Economic Security Act, provides for loans to qualifying businesses. The loans and accrued interest are forgivable after twenty-four weeks if the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its payroll levels. The amount of loan forgiveness will be reduced if the borrower terminates employees or reduces salaries during the twenty-four-week period.

The unforgiven portion of the PPP loan is payable over two years at an interest rate of 1%, with a deferral of payments for the first six months. The Organization intends to use the proceeds for purposes consistent with the PPP. While the Organization currently believes that its use of the loan proceeds will meet the conditions for forgiveness of the loan, there is no absolute assurance that the Organization will not take actions that could cause the Organization to be ineligible for forgiveness of the loan, in part or in whole.

On April 13, 2020, the Organization received loan proceeds in the amount of \$10,000 under the Economic Injury Disaster Loan (“EIDL”). The EIDL, established as part of the Coronavirus Aid, Relief, and Economic Security Act, provides for loans to qualifying businesses. The loans accrue interest at 2.75% and is due in 30 years. The first payment of this loan is deferred for one year from the date of disbursement.

NOTE 10. LINE OF CREDIT

The Society has a line of credit with a maximum borrowing of \$100,000. The line of credit matures on October 31, 2020 and has an interest rate of prime plus 1.00%, with a minimum rate of 4.25%. At June 30, 2020 and 2019, the interest rate was 4.25% and 6.50%, respectively. Interest only is paid monthly with any outstanding principal due at maturity. There was no balance on the line of credit at June 30, 2020 and 2019, and there have been no borrowings subsequent to year-end. The line of credit is secured by the Gibbs Farm property.

NOTE 11. BOARD DESIGNATED NET ASSETS

The Board of Directors has designated the following as of June 30, 2020 and 2019:

	2020	2019
Farnham Memorial	\$ 10,200	\$ 10,200
Virginia B. Kunz Memorial	5,388	5,388
Crystal Clift Endowment Fund	435,803	434,736
	\$ 451,391	\$ 450,324

The Crystal Clift Fund endowment is designated for Gibbs Farm.

RAMSEY COUNTY HISTORICAL SOCIETY, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 12. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consisted of the following at June 30, 2020 and 2019:

	2020	2019
Subject to expenditure for specified purpose:		
Gibbs Farm	\$ -	\$ 223,150
Feasibility Study for Gibbs Expansion	69,791	-
Great Northern Iron Ore Book	7,919	51,587
Other programs and projects	45,538	78,935
Endowments:		
Subject to appropriation and expenditure when a specified event occurs:		
Available for general operations	293,269	432,390
Subject to endowment spending policy and appropriation:		
Available for general operations	736,390	736,390
Magazine	100,000	100,000
Archive and artifact collection	1,000,000	1,000,000
Lindley-Kunz Editorial fund	30,000	30,000
Permanently revolving reserve fund	197,630	197,630
Total net assets with donor restrictions	\$ 2,480,537	\$ 2,850,082

Net assets were released from restrictions by incurring expenses satisfying the restricted purpose or by the occurrence of the passage of time or other events specified by the donors as follows for the years ended June 30, 2020 and 2019:

	2020	2019
Satisfaction of purpose restrictions:		
Gibbs Farm	\$ 200,231	\$ 17,189
Other programs and projects	120,737	71,471
Subject to endowment spending policy and appropriation:		
General operations	127,098	135,978
Total net assets with donor restrictions	\$ 448,066	\$ 224,638

As of June 30, 2020 and 2019, the Society had borrowed the permanently revolving reserve fund as permitted by the fund. The borrowings will be paid back by December 31 as required by the fund.

RAMSEY COUNTY HISTORICAL SOCIETY, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 13. RETIREMENT PLAN

The Society has a 403(b) plan which covers substantially all full-time employees. The Society may decide on an annual basis whether to make a matching contribution, and the amount of any contribution. The matching contributions to the plan were \$11,806 and \$13,774 for the years ended June 30, 2020 and 2019, respectively.

NOTE 14. OPERATING LEASES

In addition to the donated space provided by Ramsey County, the Society leases storage and additional office space in the Landmark Center. The lease is renewed on an annual calendar year basis. Rent expense for the years ended June 30, 2020 and 2019 was \$8,667 and \$8,580, respectively.

The Society leases a postage meter and copier under operating lease agreements. For the years ended June 30, 2020 and 2019, rent expense for these leases was \$1,620 and \$4,512, respectively.

Future minimum rental payments under these leasing agreements at June 30, 2020 consisted of the following:

<u>Year Ending December 31,</u>	<u>Amount</u>
2021	\$ 10,375
2022	1,620
2023	<u>405</u>
	<u>\$ 12,400</u>