

**RAMSEY COUNTY
HISTORICAL SOCIETY, INC.
AUDITED FINANCIAL STATEMENTS
June 30, 2022 and 2021**

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MANAGEMENT LETTER

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

In planning and performing our audit of the financial statements of Ramsey County Historical Society, Inc. as of and for the year ended June 30, 2022, in accordance with auditing standards generally accepted in the United States of America, we considered Ramsey County Historical Society, Inc.'s internal control over financial reporting (internal control) as a basis for designing auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Society's internal control. Accordingly, we do not express an opinion on the effectiveness of the Society's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the Society's financial statements will not be prevented, or detected and corrected, on a timely basis. We did not identify any deficiencies in internal control that we considered to be material weaknesses.

A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies presented in the attachment to this letter to be significant deficiencies in internal control.

We sincerely appreciate the opportunity to provide services to the Society and hope you find the information included in this correspondence useful and informative. If you have any questions or wish to discuss any of the items further, please let us know.

This communication is intended solely for the information and use of management, the Board of Directors, and others within the Society, and is not intended to be and should not be used by anyone other than these specified parties.

Hamington Langer & Associates

October 11, 2022

RAMSEY COUNTY HISTORICAL SOCIETY, INC.
STATEMENTS OF FINANCIAL POSITION
June 30, 2022 and 2021

	2022	2021
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 1,001,014	\$ 280,019
Accounts receivable	22,802	8,455
Promises to give, current portion	50,000	-
Inventory	19,873	16,479
Prepaid expenses	9,089	9,585
TOTAL CURRENT ASSETS	1,102,778	314,538
PROPERTY AND EQUIPMENT, net	1,939,713	1,974,866
OTHER ASSETS		
Investments	2,450,998	2,990,626
Funds held by others	69,891	75,526
Promises to give, net of current portion	150,000	-
TOTAL OTHER ASSETS	2,670,889	3,066,152
TOTAL ASSETS	\$ 5,713,380	\$ 5,355,556

	<u>2022</u>	<u>2021</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 9,646	\$ 36,330
Accrued expenses	23,179	39,899
Deferred revenue	9,850	4,250
Note payable	-	134,312
	<u>42,675</u>	<u>214,791</u>
TOTAL LIABILITIES		
NET ASSETS		
Without donor restrictions		
Undesignated	1,837,375	1,733,879
Board designated	347,431	520,879
With donor restrictions	3,485,899	2,886,007
	<u>5,670,705</u>	<u>5,140,765</u>
TOTAL NET ASSETS		
	<u>\$ 5,713,380</u>	<u>\$ 5,355,556</u>
TOTAL LIABILITIES AND NET ASSETS		

RAMSEY COUNTY HISTORICAL SOCIETY, INC.

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2022

(With Comparative Totals for 2021)

	Without Donor Restrictions	With Donor Restrictions	Total 2022	Total 2021
SUPPORT AND REVENUE				
Contributions	\$ 552,712	\$ 1,071,823	\$ 1,624,535	\$ 510,381
Appropriation from Ramsey County	87,425	-	87,425	86,992
Government contributions	303,249	-	303,249	300,761
In-kind contributions	117,336	-	117,336	47,458
Gibbs Farm admissions	60,097	-	60,097	18,158
Program revenue	46,531	-	46,531	27,665
Membership dues	51,829	-	51,829	50,007
Books and merchandise sales, net	26,895	-	26,895	5,206
Contract revenue	9,250	-	9,250	15,100
Parking revenue	3,342	-	3,342	1,700
Investment income (loss), net	(134,745)	(126,170)	(260,915)	627,670
Miscellaneous	1,709	-	1,709	2,668
Net assets released from restrictions	345,761	(345,761)	-	-
	<u>1,471,391</u>	<u>599,892</u>	<u>2,071,283</u>	<u>1,693,766</u>
TOTAL SUPPORT AND REVENUE				
EXPENSES				
Program Services:				
Membership and programming	475,637	-	475,637	316,711
Gibbs Farm operations	571,994	-	571,994	346,487
Magazine and publications	119,543	-	119,543	103,975
Total Program Services	<u>1,167,174</u>	<u>-</u>	<u>1,167,174</u>	<u>767,173</u>
Support Services:				
Management and general	163,616	-	163,616	92,000
Fundraising	210,553	-	210,553	307,037
Total Support Services	<u>374,169</u>	<u>-</u>	<u>374,169</u>	<u>399,037</u>
	<u>1,541,343</u>	<u>-</u>	<u>1,541,343</u>	<u>1,166,210</u>
TOTAL EXPENSES				
	<u>(69,952)</u>	<u>599,892</u>	<u>529,940</u>	<u>527,556</u>
CHANGE IN NET ASSETS				
NET ASSETS, BEGINNING OF YEAR	<u>2,254,758</u>	<u>2,886,007</u>	<u>5,140,765</u>	<u>4,613,209</u>
	<u>\$ 2,184,806</u>	<u>\$ 3,485,899</u>	<u>\$ 5,670,705</u>	<u>\$ 5,140,765</u>
NET ASSETS, END OF YEAR				

RAMSEY COUNTY HISTORICAL SOCIETY, INC.
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2021

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
SUPPORT AND REVENUE			
Contributions	\$ 403,202	\$ 107,179	\$ 510,381
Appropriation from Ramsey County	86,992	-	86,992
Government contributions	300,761	-	300,761
In-kind contributions	47,458	-	47,458
Gibbs Farm admissions	18,158	-	18,158
Gibbs Farm programs	27,665	-	27,665
Membership dues	50,007	-	50,007
Books and merchandise sales, net	5,206	-	5,206
Contract revenue	15,100	-	15,100
Parking revenue	1,700	-	1,700
Investment income, net	98,251	529,419	627,670
Miscellaneous	2,668	-	2,668
Net assets released from restrictions	231,128	(231,128)	-
	<u>1,288,296</u>	<u>405,470</u>	<u>1,693,766</u>
TOTAL SUPPORT AND REVENUE			
EXPENSES			
Program Services:			
Membership and programming	316,711	-	316,711
Gibbs Farm operations	346,487	-	346,487
Magazine and publications	103,975	-	103,975
Total Program Services	<u>767,173</u>	<u>-</u>	<u>767,173</u>
Support Services:			
Management and general	92,000	-	92,000
Fundraising	307,037	-	307,037
Total Support Services	<u>399,037</u>	<u>-</u>	<u>399,037</u>
	<u>1,166,210</u>	<u>-</u>	<u>1,166,210</u>
TOTAL EXPENSES			
CHANGE IN NET ASSETS	122,086	405,470	527,556
NET ASSETS, BEGINNING OF YEAR	<u>2,132,672</u>	<u>2,480,537</u>	<u>4,613,209</u>
NET ASSETS, END OF YEAR	<u>\$ 2,254,758</u>	<u>\$ 2,886,007</u>	<u>\$ 5,140,765</u>

RAMSEY COUNTY HISTORICAL SOCIETY, INC.
STATEMENTS OF CASH FLOWS
For the Years Ended June 30, 2022 and 2021

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 529,940	\$ 527,556
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Net realized and unrealized (gains) losses on investments	301,191	(595,857)
Interest and dividends reinvested, net of fees	(45,929)	(28,551)
Loan forgiveness	(134,312)	(144,300)
Depreciation	43,654	43,700
Decrease (increase) in:		
Accounts receivable	(14,347)	4,278
Promises to give	(200,000)	-
Inventory	(3,394)	(29)
Prepaid expenses	496	(442)
Increase (decrease) in:		
Accounts payable	(26,684)	(2,113)
Accrued expenses	(16,720)	199
Deferred revenue	5,600	(3,650)
	NET CASH PROVIDED BY (USED IN)	OPERATING ACTIVITIES
	439,495	(199,209)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from investments	390,114	152,596
Purchases of investments	(100,114)	-
Purchase of property and equipment	(8,500)	(7,786)
	NET CASH PROVIDED BY INVESTING ACTIVITIES	144,810
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from notes payable	-	134,312
	INCREASE IN CASH AND CASH EQUIVALENTS	79,913
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	280,019	200,106
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 1,001,014	\$ 280,019
SUPPLEMENTAL CASH FLOW DISCLOSURES		
Interest paid	\$ 1	\$ 30

RAMSEY COUNTY HISTORICAL SOCIETY, INC.
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2022

	Program Expenses				Support Services			Total
	Membership & Programming	Gibbs Farm Operations	Magazine & Publications	Total Program	Management and General	Fund-raising	Total Support	
Salaries	\$ 189,354	\$ 269,491	\$ 55,962	\$ 514,807	\$ 49,073	\$ 102,863	\$ 151,936	\$ 666,743
Payroll taxes	15,342	22,489	5,060	42,891	3,046	7,965	11,011	53,902
Employee benefits	27,977	27,274	2,368	57,619	35,476	9,831	45,307	102,926
Total Personnel Expenses	232,673	319,254	63,390	615,317	87,595	120,659	208,254	823,571
Cost of goods sold	-	45	45	90	-	-	-	90
Occupancy	47,035	60,510	-	107,545	21,915	7,013	28,928	136,473
Professional services	29,853	26,460	15,012	71,325	33,923	79,683	113,606	184,931
Insurance	3,634	15,274	-	18,908	1,279	-	1,279	20,187
Postage	3,959	106	1,768	5,833	186	315	501	6,334
Supplies	965	1,253	373	2,591	4,689	-	4,689	7,280
Travel	-	902	802	1,704	231	-	231	1,935
Memberships and subscriptions	1,752	1,081	581	3,414	1,641	250	1,891	5,305
Meetings	-	578	210	788	1,997	-	1,997	2,785
Hospitality costs	172	873	112	1,157	467	-	467	1,624
Program events and activities	154,002	100,828	36,863	291,693	8,667	1,576	10,243	301,936
Miscellaneous	-	975	-	975	222	-	222	1,197
Interest expense	-	-	1	1	-	-	-	1
Bank and credit card fees	401	2,338	251	2,990	263	877	1,140	4,130
Depreciation	1,191	41,562	180	42,933	541	180	721	43,654
Total Expenses by Function	475,637	572,039	119,588	1,167,264	163,616	210,553	374,169	1,541,433
Less Expenses included with Revenues on the Statement of Activities	-	(45)	(45)	(90)	-	-	-	(90)
Total Expenses	\$ 475,637	\$ 571,994	\$ 119,543	\$ 1,167,174	\$ 163,616	\$ 210,553	\$ 374,169	\$ 1,541,343

See notes to financial statements

RAMSEY COUNTY HISTORICAL SOCIETY, INC.
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2021

	Program Expenses				Support Services			Total
	Membership & Programming	Gibbs Farm Operations	Magazine & Publications	Total Program	Management and General	Fund-raising	Total Support	
Salaries	\$ 127,044	\$ 177,308	\$ 51,324	\$ 355,676	\$ 45,151	\$ 86,987	\$ 132,138	\$ 487,814
Payroll taxes	10,169	14,506	4,297	28,972	4,068	7,095	11,163	40,135
Employee benefits	28,000	27,907	1,545	57,452	8,591	14,465	23,056	80,508
Total Personnel Expenses	165,213	219,721	57,166	442,100	57,810	108,547	166,357	608,457
Cost of goods sold	-	392	3,419	3,811	-	-	-	3,811
Occupancy	47,885	51,420	-	99,305	10,638	8,160	18,798	118,103
Professional services	41,653	10,576	15,482	67,711	12,655	187,241	199,896	267,607
Insurance	3,466	13,864	-	17,330	1,279	-	1,279	18,609
Postage	4,176	104	2,798	7,078	267	74	341	7,419
Supplies	878	1,052	754	2,684	493	985	1,478	4,162
Travel	-	580	432	1,012	-	-	-	1,012
Memberships and subscriptions	164	841	75	1,080	1,512	365	1,877	2,957
Meetings	361	168	-	529	881	-	881	1,410
Hospitality costs	148	413	526	1,087	2,909	200	3,109	4,196
Program events and activities	50,736	5,406	26,291	82,433	-	890	890	83,323
Miscellaneous	-	-	48	48	-	-	-	48
Interest expense	-	-	-	-	30	-	30	30
Bank and credit card fees	734	1,045	182	1,961	2,862	354	3,216	5,177
Depreciation	1,297	41,297	221	42,815	664	221	885	43,700
Total Expenses by Function	316,711	346,879	107,394	770,984	92,000	307,037	399,037	1,170,021
Less Expenses included with Revenues on the Statement of Activities	-	(392)	(3,419)	(3,811)	-	-	-	(3,811)
Total Expenses	\$ 316,711	\$ 346,487	\$ 103,975	\$ 767,173	\$ 92,000	\$ 307,037	\$ 399,037	\$ 1,166,210

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)

New Accounting Pronouncement:

In September 2020, the FASB issued ASU No. 2020-07 Not-for-Profit Entities (Topic 958), *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, which is intended to improve the transparency in the reporting of contributed nonfinancial assets, also known as gifts-in-kind, for not-for-profit organizations. This ASU requires not-for-profit organizations to present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash or other financial assets. In addition, this amendment requires enhanced disclosures around each category of contributed nonfinancial assets for donor-imposed restrictions, valuation techniques, description of programs or activities in which the assets were used, and if monetized, a policy about monetizing rather than utilizing the asset(s). The Society has implemented Topic 958 and have adjusted the presentation in these financial statements accordingly. These amendments have been applied retrospectively to all periods presented, with no effect on net assets.

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.

RAMSEY COUNTY HISTORICAL SOCIETY, INC.
NOTES TO FINANCIAL STATEMENTS

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

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, 2022 and 2021, the Society had uninsured cash balances of \$248,532 and \$0, respectively.

Accounts Receivable:

The Society provides an allowance for doubtful accounts based on historical experience and management's evaluation of outstanding amounts. At June 30, 2022 and 2021, 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 net realizable value. 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.

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. During the year ended June 30, 2022, one donor comprised 17% of total support and revenue.

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 2022 and 2021.

RAMSEY COUNTY HISTORICAL SOCIETY, INC.
NOTES TO FINANCIAL STATEMENTS

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

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 \$43,654 and \$43,700 for the years ended June 30, 2022 and 2021, 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.

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.

Revenue Recognition:

The Society recognizes revenue from program revenue, contract revenue, and parking revenue when the services are provided. Gibbs Farm admissions are recognized when the guest is admitted. Membership dues are recognized over the membership period. Books and merchandise sales are recognized as revenue at the time of sale when transferred to the customer.

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.

RAMSEY COUNTY HISTORICAL SOCIETY, INC.
NOTES TO FINANCIAL STATEMENTS

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

In-Kind Contributions:

Donated goods, equipment, services, and facilities are recorded at fair value at the date of donation. Donated services are recorded when there is an objective basis to measure the value of such services and the service involves specialized skills that would be purchased, if not provided by donation.

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.

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 Society 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 Society 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 \$1,041 and \$206 for the years ended June 30, 2022 and 2021, 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.

RAMSEY COUNTY HISTORICAL SOCIETY, INC.
NOTES TO FINANCIAL STATEMENTS

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

Subsequent Events:

In preparing these financial statements, the Society has evaluated events and transactions for potential recognition or disclosure through October 11, 2022, the date the financial statements were available to be issued.

NOTE 2. AVAILABILITY AND LIQUIDITY

The following represents RCHS' financial assets available for general expenditure within one year of June 30, 2022 and 2021:

	2022	2021
Financial Assets at Year-End		
Cash and cash equivalents	\$ 1,001,014	\$ 280,019
Accounts receivable	22,802	8,455
Promises to give	200,000	-
Investments	2,450,998	2,990,626
Funds held by others	69,891	75,526
Total financial assets	3,744,705	3,354,626
Less amounts not available to be used within one year		
Net assets with donor restrictions	(3,475,899)	(2,886,007)
Less net assets with restrictions available to be met in		
less than one year	938,098	126,392
Board designated funds	(347,431)	(520,879)
Financial assets available to meet general		
expenditures within one year	\$ 859,473	\$ 74,132

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.

RAMSEY COUNTY HISTORICAL SOCIETY, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 3. PROMISES TO GIVE

At June 30, 2022 and 2021, promises to give were as follows:

	2022	2021
Contributions due in:		
Less than one year	\$ 50,000	\$ -
One to five years	150,000	-
	\$200,000	\$ -

No discount has been applied to the promises to give at June 30, 2022 and 2021 as the amount is immaterial to the financial statements.

NOTE 4. INVENTORY

At June 30, 2022 and 2021, inventory consisted of the following:

	2022	2021
Books	\$ 9,298	\$ 9,004
Gift shop merchandise	10,575	7,475
	\$ 19,873	\$ 16,479

NOTE 5. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at June 30, 2022 and 2021:

	2022	2021
Land	\$ 498,800	\$ 498,800
Land improvements	81,160	81,160
Building	850,715	850,715
Building improvements	1,180,018	1,171,518
Equipment and other	321,976	321,976
	2,932,669	2,924,169
Less: accumulated depreciation	(992,956)	(949,303)
	\$1,939,713	\$1,974,866

RAMSEY COUNTY HISTORICAL SOCIETY, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 5. PROPERTY AND EQUIPMENT (continued)

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 6. INVESTMENTS AND FAIR VALUE MEASUREMENTS

Investments consisted of the following at June 30, 2022 and 2021:

	2022	2021
Cash	\$ 47,475	\$ 43,196
Mutual Funds	187,474	345,772
Exchange-Traded Funds	2,216,049	2,601,658
	\$2,450,998	\$2,990,626

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:
 - 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.

RAMSEY COUNTY HISTORICAL SOCIETY, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 6. INVESTMENTS AND FAIR VALUE MEASUREMENTS (continued)

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, 2022 and 2021, 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.

The following summarizes the Society's assets within the fair value hierarchy as of June 30, 2022 and 2021:

	Fair Value	Level 1	Level 2	Level 3
<u>2022</u>				
Mutual Funds	\$ 187,474	\$ 187,474	\$ -	\$ -
Exchange-Traded Funds	2,216,049	2,216,049	-	-
Funds Held by Others	69,891	-	-	69,891
	<u>\$2,473,414</u>	<u>\$2,403,523</u>	<u>\$ -</u>	<u>\$ 69,891</u>
<u>2021</u>				
Mutual Funds	\$ 345,772	\$ 345,772	\$ -	\$ -
Exchange-Traded Funds	2,601,658	2,601,658	-	-
Funds Held by Others	75,526	-	-	75,526
	<u>\$3,022,956</u>	<u>\$2,947,430</u>	<u>\$ -</u>	<u>\$ 75,526</u>

RAMSEY COUNTY HISTORICAL SOCIETY, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 6. INVESTMENTS AND FAIR VALUE MEASUREMENTS (continued)

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, 2022 and 2021:

	2022	2021
Balance at July 1	\$ 75,526	\$ 60,548
Additional amounts invested in fund	1,514	1,091
Share of appreciation (depreciation) of fund	(3,998)	17,303
Distributions	(3,151)	(3,416)
Balance at June 30	\$ 69,891	\$ 75,526

NOTE 7. 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 6); 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.

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.

RAMSEY COUNTY HISTORICAL SOCIETY, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 7. ENDOWMENT (continued)

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 7. ENDOWMENT (continued)

The composition of endowment net assets as of June 30, 2022 and 2021 was as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
<u>2022</u>			
Board designated	\$ 331,843	\$ -	\$ 331,843
Donor-restricted			
Original donor restricted gift amounts and amounts to be maintained in perpetuity	-	2,064,020	2,064,020
Accumulated investment gains	-	323,781	323,781
	<u>\$ 331,843</u>	<u>\$2,387,801</u>	<u>\$2,719,644</u>
<u>2021</u>			
Board designated	\$ 505,291	\$ -	\$ 505,291
Donor-restricted			
Original donor restricted gift amounts and amounts to be maintained in perpetuity	-	2,064,020	2,064,020
Accumulated investment gains	-	695,595	695,595
	<u>\$ 505,291</u>	<u>\$2,759,615</u>	<u>\$3,264,906</u>

The changes in endowment net assets for the years ended June 30, 2022 and 2021 consisted of the following:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment, 7/1/20	\$ 435,803	\$2,357,289	\$2,793,092
Investment return, net	94,988	529,422	624,410
Appropriation of endowment assets pursuant to spending-rate policy	<u>(25,500)</u>	<u>(127,096)</u>	<u>(152,596)</u>
Endowment, 6/30/21	505,291	2,759,615	3,264,906
Investment return, net	(26,248)	(126,170)	(152,418)
Appropriation of endowment assets pursuant to spending-rate policy	<u>(147,200)</u>	<u>(245,644)</u>	<u>(392,844)</u>
Endowment, 6/30/22	<u>\$ 331,843</u>	<u>\$2,387,801</u>	<u>\$2,719,644</u>

RAMSEY COUNTY HISTORICAL SOCIETY, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 8. 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 \$69,891 and \$75,526 as of June 30, 2022 and 2021, respectively. The fair value of the funds deposited by the Saint Paul Foundation that are not recorded in these financial statements was \$67,434 and \$67,528 at June 30, 2022 and 2021, respectively.

NOTE 9. NOTES PAYABLE

On February 12, 2021 and April 13, 2020, the Society received loan proceeds in the amount of \$134,312 and \$134,300, respectively, 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 would be reduced if the borrower terminates employees or reduces salaries during the twenty-four-week period. The Society has used the proceeds for purposes consistent with the PPP and the full amounts have been forgiven and recorded as government contributions in the accompanying financial statements.

NOTE 10. LINE OF CREDIT

The Society has a line of credit with a maximum borrowing of \$200,000 at both June 30, 2022 and 2021. The line of credit matures on August 4, 2023 and has an interest rate of prime plus 1.00%, with a minimum rate of 4.25%. At June 30, 2022 and 2021, the interest rate was 5.50% and 4.25%, 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, 2022 and 2021, and there have been no borrowings subsequent to year-end. The line of credit is secured by the Gibbs Farm property.

RAMSEY COUNTY HISTORICAL SOCIETY, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 11. BOARD DESIGNATED NET ASSETS

The Board of Directors has designated the following as of June 30, 2022 and 2021:

	2022	2021
Farnham Memorial	\$ 10,200	\$ 10,200
Virginia B. Kunz Memorial	5,388	5,388
Crystal Clift Endowment Fund	331,843	505,291
	\$ 347,431	\$ 520,879

The Crystal Clift Fund endowment is designated for Gibbs Farm.

NOTE 12. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consisted of the following at June 30, 2022 and 2021:

	2022	2021
Subject to expenditure for specified purpose:		
Gibbs Farm	\$ 200,000	\$ 18,214
Capital Campaign-Gibbs Farm Expansion	810,473	-
Great Northern Iron Ore Book	7,919	7,919
Other programs and projects	69,706	100,259
Endowments:		
Subject to appropriation and expenditure when a specified event occurs:		
Available for general operations	323,781	695,595
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	\$ 3,475,899	\$ 2,886,007

RAMSEY COUNTY HISTORICAL SOCIETY, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 12. NET ASSETS WITH DONOR RESTRICTIONS (continued)

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, 2022 and 2021:

	2022	2021
Satisfaction of purpose restrictions:		
Gibbs Farm	\$ 18,214	\$ -
Feasibility Study for Gibbs Expansion	-	69,791
Other programs and projects	81,903	34,241
Subject to endowment spending policy and appropriation:		
General operations	245,644	127,096
Total net assets with donor restrictions	\$ 345,761	\$ 231,128

As of June 30, 2022 and 2021, 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.

NOTE 13. IN-KIND CONTRIBUTIONS

The Society received the following in-kind contributions for the years ended June 30, 2022 and 2021:

	2022	2021
Rent	\$ 47,458	\$ 47,458
Design services	69,878	-
	\$ 117,336	\$ 47,458

The Society entered into a lease agreement for office space for which the rental payments stated in the agreement are less than the amount that would be charged for similar space that is rented under similar terms. Using publicly available commercial real estate rental listings, the Society estimates the rental payments to be a quarter of market price. The contributed office space is used for both program and support services and is allocated based upon square footage used by each program and support service.

RAMSEY COUNTY HISTORICAL SOCIETY, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 13. IN-KIND CONTRIBUTIONS (continued)

Contributed services are recognized as in-kind revenues at their estimated fair value if they create or enhance nonfinancial assets or they require specialized skills that would need to be purchased if they were not donated. The Society receives contributed design services that are reported using current rates for similar design services. The Society also receives a significant amount of donated services from unpaid volunteers who assisted at Gibbs Farm. No amounts have been recognized in the statements of activities for these services because the criteria for recognition have not been satisfied.

NOTE 14. 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 \$18,071 and \$15,153 for the years ended June 30, 2022 and 2021, respectively.

NOTE 15. 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, 2022 and 2021 was \$8,755 and \$8,208, respectively. The Society also leases a postage meter and copier under operating lease agreements. For the years ended June 30, 2022 and 2021, rent expense for these leases was \$1,620 for both years. Future minimum rental payments under these leasing agreements at June 30, 2022 consisted of the \$405 during the year ending June 30, 2023.