

***STATE HISTORICAL SOCIETY  
OF NORTH DAKOTA FOUNDATION***

Audit Report

June 30, 2019

State Historical Society  
Of North Dakota Foundation

Table of Contents

Independent Auditor's Report.....	1 – 2
FINANCIAL STATEMENTS:	
Statement of Financial Position.....	3
Statement of Activities .....	4
Statement of Functional Expenses.....	5
Statement of Cash Flows .....	6
Notes to the Financial Statements .....	7 – 14

## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
State Historical Society of North Dakota Foundation  
Bismarck, North Dakota

We have audited the accompanying financial statements of the State Historical Society of North Dakota Foundation (a nonprofit organization), which comprise the statement of financial position as of June 30, 2019, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements. The prior year summarized comparative information has been derived from the Foundation's June 30, 2018 financial statements and, in our report dated November 2, 2018 we expressed an unqualified opinion on those 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from 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.

## INDEPENDENT AUDITOR'S REPORT

### **Emphasis of Matters**

As discussed in Note 1 to the financial statements, the State Historical Society of North Dakota Foundation adopted FASB ASU 2016-14, Not-for-Profit Entities (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities*, and the State Historical Society of North Dakota Foundation has adjusted the presentation of the statements accordingly. Our opinion is not modified with respect to this matter.

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the State Historical Society of North Dakota Foundation as of June 30, 2019, and the change in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

*Haga Kommer, Ltd*

Haga Kommer, Ltd  
Mandan, North Dakota  
October 2, 2019

STATE HISTORICAL SOCIETY  
OF NORTH DAKOTA FOUNDATION  
Statement of Financial Position  
June 30, 2019  
(with comparative totals for June 30, 2018)

ASSETS

	<u>6/30/2019</u>	<u>Memo Only 6/30/2018</u>
Current Assets:		
Cash and Cash Equivalents	\$ 424,307	\$ 602,130
Certificates of Deposit	-	260
Unconditional Promises to Give, Current Portion	<u>97,895</u>	<u>110,473</u>
Total Current Assets	<u>522,202</u>	<u>712,863</u>
Fixed Assets:		
Fixed Assets	28,788	26,073
Accumulated Depreciation	<u>(25,690)</u>	<u>(23,838)</u>
Net Fixed Assets	<u>3,098</u>	<u>2,235</u>
Other Assets:		
Unconditional Promises to Give, Less Allowance for Uncollectible Promises of \$5,626	133,129	192,222
Certificates of Deposit	22,298	22,088
Investments	446,064	421,805
Mineral Acres	22,415	22,854
Cash Held for Others	<u>138,785</u>	<u>156,857</u>
Total Other Assets	<u>762,691</u>	<u>815,826</u>
TOTAL ASSETS	<u>\$ 1,287,991</u>	<u>\$ 1,530,924</u>

LIABILITIES AND NET ASSETS

Current Liabilities:		
Accounts Payable	\$ 4,023	\$ 12,843
Payroll Taxes/Withholdings Payable	4,763	6,494
VISA Credit Cards Payable	92	1,411
Wages Payable	2,587	3,375
Accrued Leave Payable	13,594	20,842
Deferred Membership Revenue	<u>47,477</u>	<u>49,729</u>
Total Current Liabilities	<u>72,536</u>	<u>94,694</u>
Long-Term Liabilities:		
Due to Chateau - Society	<u>136,668</u>	<u>155,001</u>
Total Long-Term Liabilities	<u>136,668</u>	<u>155,001</u>
Total Liabilities	209,204	249,695
Net Assets:		
Without Donor Restrictions	298,500	500,891
With Donor Restrictions	<u>780,287</u>	<u>780,338</u>
Total Net Assets	<u>1,078,787</u>	<u>1,281,229</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,287,991</u>	<u>\$ 1,530,924</u>

STATE HISTORICAL SOCIETY  
OF NORTH DAKOTA FOUNDATION  
Statement of Activities  
For the Year Ended June 30, 2019  
(with comparative totals for June 30, 2018)

	Without Donor Restrictions	With Donor Restrictions	Total 6/30/2019	Memo Only 6/30/2018
<b>SUPPORT AND REVENUE:</b>				
Memberships	\$ 88,111	\$ -	\$ 88,111	\$ 81,339
Oil Royalty Revenue	2,604	-	2,604	2,714
Donations	72,882	38,038	110,920	272,613
Special Project - Annual Recognition Event	-	3,000	3,000	32,530
Special Project - Expansion Campaign	-	7,100	7,100	49,886
Trustee Income	31,161	-	31,161	13,118
Opportunity Fund Income	6,345	-	6,345	228,410
Interest Income	7,267	18,270	25,537	15,267
In-Kind Income	18,506	-	18,506	86,949
Net Assets Released from Restrictions	66,932	(66,932)	-	-
<b>Total Support and Revenue</b>	<b>293,808</b>	<b>(524)</b>	<b>293,284</b>	<b>782,826</b>
<b>EXPENSES:</b>				
Program Expenses	67,822	-	67,822	557,366
Membership Development Expenses	7,446	-	7,446	6,976
Management and General Expenses	218,962	-	218,962	329,770
Fund-Raising Expenses				
Opportunities Fund-Raising	178,070	-	178,070	238,203
General Fund-Raising	12,350	-	12,350	11,123
<b>Total Expenses</b>	<b>484,650</b>	<b>-</b>	<b>484,650</b>	<b>1,143,438</b>
<b>Excess of Support and Revenue Over/(Under) Expenses</b>	<b>(190,842)</b>	<b>(524)</b>	<b>(191,366)</b>	<b>(360,612)</b>
<b>OTHER GAINS AND (LOSSES):</b>				
Realized Gain (Loss) on Investments	292	559	851	3,218
Unrealized Gain (Loss) on Investments	(11,402)	(86)	(11,488)	20,120
Unrealized Gain (Loss) on Valuation	(439)	-	(439)	270
<b>Total Other Gains and (Losses)</b>	<b>(11,549)</b>	<b>473</b>	<b>(11,076)</b>	<b>23,608</b>
<b>Change in Net Assets</b>	<b>(202,391)</b>	<b>(51)</b>	<b>(202,442)</b>	<b>(337,004)</b>
<b>Net Assets - Beginning of Year</b>	<b>500,891</b>	<b>780,338</b>	<b>1,281,229</b>	<b>1,618,233</b>
<b>NET ASSETS - End of Year</b>	<b>\$ 298,500</b>	<b>\$ 780,287</b>	<b>\$ 1,078,787</b>	<b>\$ 1,281,229</b>

STATE HISTORICAL SOCIETY  
OF NORTH DAKOTA FOUNDATION  
Statement of Functional Expenses  
For the Year Ended June 30, 2019  
(with comparative totals for June 30, 2018)

	<u>Fund-Raising Expenses</u>						Memo Only 6/30/2018
	Program Expenses	Membership Development Expenses	Management & General Expenses	Opportunities Fund-Raising	General Fund-Raising	Total 6/30/2019	
Expenses:							
Accounting Fees	\$ -	\$ -	\$ 18,060	\$ 6,020	\$ -	\$ 24,080	\$ 23,410
Contract Labor Expenses	-	-	-	-	-	-	2,166
Courthouse Expense	13,718	-	-	-	-	13,718	2,612
Credit Card Fees	-	315	3,042	347	1,011	4,715	5,030
Employee Training	-	-	-	-	-	-	3,641
Equipment	-	-	1,113	371	-	1,484	2,170
Grants & Special Projects	-	-	23,542	15,628	-	39,170	136,014
Insurance	-	-	739	234	-	973	839
Marketing	-	-	824	354	120	1,298	411
Meeting Expense	-	-	837	166	-	1,003	619
Memberships & Conferences	-	-	1,442	650	-	2,092	2,637
Miscellaneous Expense	-	-	1,239	293	-	1,532	1,668
Office Supplies	694	-	995	317	-	2,006	3,698
Other Employee Expense (See Note 12)	-	-	2,916	-	-	2,916	-
Postage	766	4,629	5,828	969	2,970	15,162	13,759
Direct Mail	1,135	1,864	2,692	827	4,785	11,303	6,166
Publications	15,130	-	-	-	-	15,130	15,534
Recognition (Hall of Honors)	-	638	892	5	-	1,535	3,782
Repairs/Maintenance Agreements	-	-	591	197	-	788	3,628
Software	-	-	1,528	510	-	2,038	1,740
Telephone	-	-	1,504	753	-	2,257	3,590
Travel	-	-	562	1,786	3,464	5,812	7,724
Vacation & Sick Leave Expense	-	-	(7,281)	32	-	(7,249)	647
Wages	-	-	114,503	105,700	-	220,203	241,524
Payroll Taxes Expense	-	-	9,186	8,175	-	17,361	19,380
Health Insurance	-	-	23,569	24,759	-	48,328	44,624
408(k) SEP Expense	-	-	9,250	9,514	-	18,764	21,737
Special Project - Annual Recognition Event	-	-	-	-	-	-	40,996
Special Project - Expansion Campaign	-	-	-	-	-	-	493,104
Special Project - Native American Hall of Honors	36,379	-	-	-	-	36,379	37,237
Depreciation	-	-	1,389	463	-	1,852	3,351
<b>Total Expenses</b>	<b>\$ 67,822</b>	<b>\$ 7,446</b>	<b>\$ 218,962</b>	<b>\$ 178,070</b>	<b>\$ 12,350</b>	<b>\$ 484,650</b>	<b>\$ 1,143,438</b>

STATE HISTORICAL SOCIETY  
OF NORTH DAKOTA FOUNDATION  
Statement of Cash Flows  
For the Year Ended June 30, 2019  
(with comparative totals for June 30, 2018)

	6/30/2019	Memo Only 6/30/2018
Cash flows from operating activities:		
Change in net assets	\$ (202,442)	\$ (337,004)
Non-Cash Charges:		
Depreciation expense	1,852	3,351
Change in operating assets and liabilities:		
(Increase) decrease in promises to give, net	71,671	51,634
(Increase) decrease in cash held for others	(261)	(234)
Increase (decrease) in accounts & credit cards payable	(10,139)	(7,379)
Increase (decrease) in payroll taxes/withholdings payable	(1,731)	(189)
Increase (decrease) in wages payable	(788)	126
Increase (decrease) in accrued leave payable	(7,248)	647
Increase (decrease) in deferred membership revenue	(2,252)	9,256
Total adjustments	51,104	57,212
Net cash provided (used) by operating activities	(151,338)	(279,792)
Cash flows from investing activities:		
Certificate of deposit and investments cashed	260	108,000
Interest added to certificates of deposit and investments	(20,301)	(12,946)
Investments purchased	(20,000)	(64,000)
Fees paid on investments	2,480	2,104
Unrealized (gain) loss on investments	11,488	(20,120)
Realized (gain) loss on investments	(851)	(3,218)
Valuation (gain) loss on mineral acres	439	(270)
Net cash provided (used) by investing activities	(26,485)	9,550
Net increase (decrease) in cash and cash equivalents	(177,823)	(270,242)
Cash and Cash Equivalents - June 30, 2018	602,130	872,372
Cash and Cash Equivalents - June 30, 2019	\$ 424,307	\$ 602,130
Supplemental disclosures of cash flow information:		
Cash paid during the year for:		
Interest	\$ -	\$ -



STATE HISTORICAL SOCIETY OF NORTH DAKOTA FOUNDATION

Notes to the Financial Statements

June 30, 2019

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of the Organization

The *mission* of the State Historical Society of North Dakota Foundation is to provide fundraising and membership development activities to support the State Historical Society of North Dakota which preserves and promotes the heritage of North Dakota and its people. The State Historical Society of North Dakota has provided office space to the Foundation in order to carry out their duties and responsibilities.

Basis of Accounting and Presentation

The financial statements of the Foundation are prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities. Income is recognized when earned and expenses are recognized when incurred.

The financial statements of the Foundation have been prepared in accordance with U.S. generally accepted accounting principles ("US GAAP"), which require the Foundation 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 the Foundation's 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 the Foundation or by the passage of time. Other donor restrictions are perpetual in nature, where by 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. Currently, the Foundation has \$780,287 of donor restricted net assets.

Contributed Services

The Foundation receives a significant amount of donated services from unpaid volunteers who assist in fundraising and special projects. No amounts have been recognized in the statement of activities because these services do not meet the criteria for recognition as contributed services.

Cash and Cash Equivalents

The Foundation considers assets without donor restrictions highly liquid investments with an initial maturity of three months or less to be cash equivalents.

STATE HISTORICAL SOCIETY OF NORTH DAKOTA FOUNDATION

Notes to the Financial Statements

June 30, 2019

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Cash Held for Others

The State Historical Society of North Dakota Foundation is holding funds from the City of Medora and the Billings County Commission. Each group has pledged \$150,000 towards bonds that the State Historical Society of North Dakota holds for the completion of the Chateau de Mores in Medora. Every two years a payment is made on the bonds from these funds. This arrangement will continue until the bonds are paid off.

Investments

Investments include certificates of deposit with terms of more than three months and equity and bond funds held by brokerages. Investments in certificates of deposit and equity and debt securities are reported at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets. Investment income and gains restricted by a donor are reported as increases in net assets without donor restrictions if the restrictions are met (either by passage of time or by use) in the reporting period in which the income and gains are recognized.

The Foundation holds a certificate of deposit with a 24 month term and interest rate of .95%.

Property and Equipment

The Foundation capitalizes property and equipment over \$1,000. Lesser amounts are expensed. Property and equipment is carried at cost and is being depreciated on the straight-line method with a useful life of five to ten years.

Income Taxes

The State Historical Society of North Dakota Foundation is incorporated under the laws of the State of North Dakota as a not-for-profit corporation. Accordingly, they are exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code, and by virtue thereof are also exempt from North Dakota state income taxes.

The Foundation has adopted the provisions of FASB Accounting Standards Codification Topic ASC 740-10. The implementation of this standard had no impact on the financial statements. As of both the date of adoption, and as of June 30, 2019, the unrecognized tax benefit accrual was zero.

The Foundation will recognize future accrued interest and penalties related to unrecognized tax benefits in income tax expense if incurred. The federal income tax returns of the Foundation are subject to examination by the IRS, generally for three years after they were filed.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

STATE HISTORICAL SOCIETY OF NORTH DAKOTA FOUNDATION  
Notes to the Financial Statements  
June 30, 2019

NOTE 1      SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Prior Year Summarized Information

The financial statements include certain prior-year summarized comparative information in total but such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Foundation's financial statements for the year ended June 30, 2018, from which summarized information was derived.

New Accounting Pronouncement

On August 18, 2016, FASB issued ASU 2016-14, Not-for-Profit Entities (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Foundation has adjusted the presentation of these statements accordingly.

Subsequent Events

The Foundation has evaluated subsequent events through October 2, 2019, the date which the financial statements were available to be issued.

NOTE 2      AVAILABILITY AND LIQUIDITY

Financial assets available for general expenditures, that is, without donor restrictions and other restrictions limiting their use, within one year of the balance sheet date, comprise the following:

Financial assets at year end:	
Cash & cash equivalents	\$ 424,307
Certificate of Deposit	22,298
Unconditional Promises to Give	231,024
Investments	446,064
Cash Held for Others	138,785
Total financial assets	1,262,478
Less amounts not available to be used within one year:	
Long-Term Certificate of Deposit	(22,298)
Long-Term Promises to Give	(133,129)
Investments	(446,064)
Cash Held for Others	(138,785)
Financial assets available to meet general expenditures over the next twelve months	\$ 522,202

The Foundation's goal is generally to maintain financial assets to meet 30 days of operating expenses.

STATE HISTORICAL SOCIETY OF NORTH DAKOTA FOUNDATION  
Notes to the Financial Statements  
June 30, 2019

NOTE 3      PROMISES TO GIVE

Unconditional promises to give at June 30, 2019 are as follows:

	Trustees	Expansion Campaign	Opportunity	Total
Receivable in less than one year	\$ 6,976	\$ 41,150	\$ 50,000	\$ 98,126
Receivable in one to five years	-	-	150,000	150,000
Total unconditional promises	6,976	41,150	200,000	248,126
Less discounts to net present value	(23)	(208)	(11,245)	(11,476)
Less allowance for uncollectible promises	(698)	(928)	(4,000)	(5,626)
Net promises to give	<u>\$ 6,255</u>	<u>\$ 40,014</u>	<u>\$ 184,755</u>	<u>\$ 231,024</u>

The purpose of the Expansion Campaign is to raise funds for the expansion project at the ND Heritage Center, which has received legislative support of \$40 million. The Foundation had raised approximately \$13.5 million. With the completion of the expansion, the Foundation has terminated its fund-raising for the project. The discount rate used on long-term promises to give was four percent. Expansion promises to give are used as collateral against the line of credit.

The purpose of the Opportunity Fund is to give the Foundation the opportunity to receive pledges from corporations and individuals to be used at the discretion of the Foundation. The pledges will help cover ongoing fundraising costs but will also be used for special projects the Society might have. Currently, the line of credit is not tied to any pledges.

NOTE 4      FIXED ASSETS

The following is a summary of furniture and equipment as of June 30, 2019:

Furniture and equipment	\$ 28,788
Less accumulated depreciation	<u>(25,690)</u>
Net fixed assets	<u>\$ 3,098</u>

NOTE 5      INVESTMENTS

The fair values of long-term investments totaled \$446,064 and the long-term certificate of deposit was \$22,298 at June 30, 2019.

STATE HISTORICAL SOCIETY OF NORTH DAKOTA FOUNDATION  
Notes to the Financial Statements  
June 30, 2019

NOTE 5      INVESTMENTS – CONTINUED

The following schedule summarizes investment returns and their classification in the statement of activities for the year ended June 30, 2019.

	Without Donor Restrictions	With Donor Restrictions	Total
Interest income	\$ 7,267	\$ 18,270	\$ 25,537
Realized gain (loss)	292	559	851
Unrealized gain (loss)	(11,402)	(86)	(11,488)
Total investment return	\$ (3,843)	\$ 18,743	\$ 14,900

NOTE 6      FAIR VALUE MEASUREMENTS

The Foundation had adopted the fair value measurement presentation that follows the provisions of the FASB Accounting Standards Codification Topic ASC 820. The provision prescribes 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 unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

Level 1 – Quoted market prices for identical assets or liabilities in active markets.

Level 2 – Quoted market based inputs or unobservable inputs that are corroborated by market data.

Level 3 – Unobservable inputs that are not corroborated by market data.

Inputs broadly refer to the assumptions that market participants use to make valuation decisions. A financial instrument's level within the fair value hierarchy is based on the lowest level of any input both individually and in the aggregate that is significant to the fair value measurement. Observable inputs include market data that are readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market.

Level 3 inputs also consist of mineral acres valued using a discounted cash flow model (income approach) and consideration of other factors deemed relevant in the circumstances. Due to the significant unobservable inputs required to estimate the fair value of these investments, the Foundation's investments in other assets are classified as Level 3 in the hierarchy.

STATE HISTORICAL SOCIETY OF NORTH DAKOTA FOUNDATION  
Notes to the Financial Statements  
June 30, 2019

NOTE 6      FAIR VALUE MEASUREMENTS – CONTINUED

Fair values of the investments measured on a recurring basis at June 30, 2019 are as follows:

	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>ASSETS</b>				
<u>Long-term Investments</u>				
Certificates of deposit	\$ 22,298	\$ 22,298	\$ -	\$ -
Edward Jones				
Mutual funds (equities)	16,405	16,405	-	-
Stock	22,069	22,069	-	-
American Trust Center				
Mutual funds (fixed income)	93,730	93,730	-	-
Mutual funds (equities)	219,125	219,125	-	-
Dougherty & Co.				
Mutual funds (equities)	80,155	80,155	-	-
Equities	14,580	14,580	-	-
Mineral Acres	22,415	-	-	22,415
Total long-term investments	<u>\$ 490,777</u>	<u>\$ 468,362</u>	<u>\$ -</u>	<u>\$ 22,415</u>

The following table includes a reconciliation of beginning and ending balances of the liabilities using significant unobservable inputs (Level 3), during the fiscal year ending June 30, 2019.

Fair Value Measurements Using Significant Unobservable Inputs (Level 3)	
	<u>Assets</u>
	Mineral Acres
Beginning Balance	\$ 22,854
Unrealized gain (loss) on valuation adjustment Included in changes in net assets	(439)
Ending Balance	<u>\$ 22,415</u>

STATE HISTORICAL SOCIETY OF NORTH DAKOTA FOUNDATION

Notes to the Financial Statements

June 30, 2019

NOTE 7 LINES OF CREDIT

The Foundation holds a line of credit with Starion Financial to finance the Expansion project. This is secured by promises to give with a maximum credit of \$500,000 at 6.25% interest. Borrowings on the line of credit may not exceed total pledges receivable less the allowance for uncollectible pledges times 70%. For the year ended June 30, 2019, the line of credit was not used.

NOTE 8 NET ASSETS WITH DONOR RESTRICTIONS

As of June 30, 2019, net assets with donor restrictions include the following:

Restricted for:	
Sakakawea Statue	\$ 37,767
Pembina Fund	22,298
Expansion Fund	309,442
1883 Courthouse Committee	46,983
Former Governor's House	14,610
Staff Professional Training	4,914
Strand Memorial Fund	2,075
Archeology	20,300
Camp Hancock	1,275
Fort Totten Inn	14,000
Site Improvements	15,000
Virginia Nelsen Fund	10,218
Native American HOH	35,404
Endowment Fund	246,001
Total	<u>\$ 780,287</u>

NOTE 9 RETIREMENT PLAN

The Foundation provides a defined contribution 408(k) plan for substantially all employees. Under the plan, the Foundation contributes 9% of each eligible employee's salary and employees may contribute any amount up to the maximum limit established by the Internal Revenue Service each year. The Foundation's expense for the year ended June 30, 2019 was \$18,764.

NOTE 10 CONCENTRATIONS OF CREDIT RISK

The Foundation maintains its accounts with various banks in North Dakota. The accounts are adequately insured by the Federal Deposit Insurance Corporation up to \$250,000.

Unconditional promises to give (net) of \$231,024 account for 18 percent of the Foundation's assets. Approximately 95 percent of the promises to give receivable are from three individuals or companies. The Foundation is subject to the risk that promises to give will not be collectible due to individual or economic factors.

STATE HISTORICAL SOCIETY OF NORTH DAKOTA FOUNDATION  
Notes to the Financial Statements  
June 30, 2019

NOTE 11      MINERAL ACRES

During the year ended June 30, 2014, the Foundation received a donation of mineral acres. The fair value of the donated acres at the time of receipt was \$86,000. The mineral acres were revalued using a discounted cash flow model (income approach) and consideration of other factors deemed relevant in the circumstances. The value of the mineral acres at June 30, 2019 is \$22,415.

NOTE 12      RELATED PARTY TRANSACTION

The Foundation contributed \$2,916 to the Celebration of Life for the Executive Director.

NOTE 13      FUTURE PRONOUNCEMENTS

*ASU 2014-09, Revenue from Contracts with Customers (Topic 606)*

During 2014, the FASB issued a new standard related to revenue recognition. ASU 2014-09, upon its effective date, replaces almost all existing revenue recognition guidance, including industry-specific guidance, in current U.S. GAAP. Under the new standard, revenue is recognized when a customer obtains control of promised goods or services in an amount that reflects the consideration the entity expects to receive in exchange for those goods or services. In addition, the standard requires disclosure of the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The guidance will be effective for the Foundation for annual periods beginning after December 15, 2018, and interim periods within annual reporting periods beginning after December 15, 2019.

*ASU 2016-02, Leases (Topic 842)*

During 2016, the FASB issued guidance to change the accounting for leases. The main provision of ASU 2016-01 is that lessees will be required to recognize lease assets and lease liabilities for most long-term leases, including those classified as operating leases under GAAP. The ASU is effective for the Foundation for fiscal years beginning after December 15, 2019, and interim periods within fiscal years beginning after December 15, 2020.

Management has not yet determined the effect these pronouncements will have on the Foundation's consolidated financial statements.

With the exception of the new standards discussed above, we have not identified any new accounting pronouncements that have potential significance to the Foundation's consolidated financial statements.