

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

Audit Report

June 30, 2024

State Historical Society
Of North Dakota Foundation

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INDEPENDENT AUDITOR'S REPORT

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

Opinion

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, 2024, 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, 2023, financial statements and, in our report dated November 13, 2023, we expressed an unqualified opinion on those financial statements.

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, 2024, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the State Historical Society of North Dakota Foundation and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the State Historical Society of North Dakota Foundation's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 State Historical Society of North Dakota Foundation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the State Historical Society of North Dakota Foundation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Haga Kommer, Ltd.

Haga Kommer, Ltd.
Mandan, North Dakota
November 26, 2024

STATE HISTORICAL SOCIETY
OF NORTH DAKOTA FOUNDATION
Statement of Financial Position
June 30, 2024
(with comparative totals for June 30, 2023)

ASSETS

	6/30/2024	Memo Only 6/30/2023
Current Assets:		
Cash and Cash Equivalents	\$ 137,752	\$ 125,673
Certificates of Deposit	507,258	600,000
Unconditional Promises to Give, Less Allowance for Uncollectible Promises of \$523, Current Portion	4,702	6,183
Total Current Assets	649,712	731,856
Fixed Assets:		
Fixed Assets	25,406	22,161
Accumulated Depreciation	(21,848)	(21,103)
Net Fixed Assets	3,558	1,058
Other Assets:		
Certificates of Deposit	495,622	494,438
Investments	1,109,495	864,288
Mineral Acres	89,427	23,010
Cash Held for Others	-	52,320
Total Other Assets	1,694,544	1,434,056
TOTAL ASSETS	<u>\$ 2,347,814</u>	<u>\$ 2,166,970</u>

LIABILITIES AND NET ASSETS

Current Liabilities:		
Accounts Payable	\$ 1,285	\$ 7,961
Payroll Taxes/Withholdings Payable	-	291
VISA Credit Cards Payable	53	411
Wages Payable	9,779	8,184
Accrued Leave Payable	10,972	7,158
Deferred Membership Revenue	51,244	59,374
Total Current Liabilities	73,333	83,379
Long-Term Liabilities:		
Due to Chateau - Society	-	52,320
Total Long-Term Liabilities	-	52,320
Total Liabilities	73,333	135,699
Net Assets:		
Without Donor Restrictions	1,461,300	1,416,580
With Donor Restrictions	813,181	614,691
Total Net Assets	2,274,481	2,031,271
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 2,347,814</u>	<u>\$ 2,166,970</u>

STATE HISTORICAL SOCIETY
OF NORTH DAKOTA FOUNDATION
Statement of Activities
For the Year Ended June 30, 2024
(with comparative totals for June 30, 2023)

	Without Donor Restrictions	With Donor Restrictions	Total 6/30/2024	Memo Only 6/30/2023
SUPPORT AND REVENUE:				
Memberships	\$ 100,858	\$ -	\$ 100,858	\$ 102,252
Oil Royalty Revenue	19,357	-	19,357	2,753
Donations	67,875	55,203	123,078	89,095
Donations - Permanent	-	130,000	130,000	-
Grant	4,000	-	4,000	56,850
Trustee Income	21,134	-	21,134	25,692
Interest Income	84,804	6,246	91,050	49,107
In-Kind Income	3,301	-	3,301	2,565
Miscellaneous Income	2,514	-	2,514	-
Net Assets Released from Restrictions	7,711	(7,711)	-	-
Total Support and Revenue	311,554	183,738	495,292	328,314
EXPENSES:				
Program Expenses	23,360	-	23,360	165,455
Membership Development Expenses	16,295	-	16,295	17,795
Management and General Expenses	359,731	-	359,731	351,857
Fund-Raising Expenses	8,427	-	-	5,264
Total Expenses	407,813	-	407,813	540,371
Excess of Support and Revenue Over/(Under) Expenses	(96,259)	183,738	87,479	(212,057)
OTHER GAINS AND (LOSSES):				
Realized Gain (Loss) on Investments	(11,956)	3,207	(8,749)	(172)
Unrealized Gain (Loss) on Investments	86,519	11,545	98,064	31,344
Unrealized Gain (Loss) on Valuation	66,416	-	66,416	71
Total Other Gains and (Losses)	140,979	14,752	155,731	31,243
Change in Net Assets	44,720	198,490	243,210	(180,814)
Net Assets - Beginning of Year	1,416,580	614,691	2,031,271	2,212,085
NET ASSETS - End of Year	\$ 1,461,300	\$ 813,181	\$ 2,274,481	\$ 2,031,271

STATE HISTORICAL SOCIETY
OF NORTH DAKOTA FOUNDATION
Statement of Functional Expenses
For the Year Ended June 30, 2024
(with comparative totals for June 30, 2023)

	Program Expenses	Membership Development Expenses	Management & General Expenses	Fund-Raising	6/30/2024	Memo Only 6/30/2023
Expenses:						
Accounting Fees	\$ -	\$ -	\$ 27,025	\$ -	\$ 27,025	\$ 27,180
Courthouse Expense	3,273	-	-	-	3,273	1,932
Credit Card Fees	-	2,280	9,636	1,235	13,151	10,250
Donation Expense	-	-	-	-	-	45,340
Employee Training	-	-	-	-	-	1,094
Equipment	-	-	1,741	-	1,741	1,837
Grants & Special Projects	1,696	-	-	-	1,696	-
Insurance	-	-	3,732	-	3,732	3,059
Marketing	-	-	737	-	737	5,001
Meeting Expense	-	-	1,065	-	1,065	542
Memberships & Conferences	-	-	8,022	-	8,022	3,304
Miscellaneous Expense	150	-	1,548	-	1,698	3,100
Office Supplies	952	-	581	-	1,533	1,771
Postage	-	6,582	526	550	7,658	8,958
Direct Mail	-	7,433	-	2,994	10,427	5,002
Publications	6,542	-	-	-	6,542	6,543
Recognition (Hall of Honors)	-	-	-	-	-	143
Repairs/Maintenance Agreements	-	-	671	-	671	945
Software	-	-	2,504	-	2,504	5,391
Telephone	-	-	3,629	-	3,629	3,811
Travel	-	-	6,998	3,301	10,299	11,998
Trustee Expense	-	-	-	347	347	-
Vacation & Sick Leave Expense	-	-	3,814	-	3,814	(4,020)
Wages	-	-	189,991	-	189,991	192,268
Payroll Taxes Expense	-	-	14,460	-	14,460	15,022
Health Insurance	-	-	64,795	-	64,795	60,840
408(k) SEP Expense	-	-	16,956	-	16,956	17,664
Special Project - Annual Recognition Event	-	-	-	-	-	1,733
Special Project - Community Events	470	-	-	-	470	925
Special Project - Humanities ND Grant	-	-	-	-	-	59,250
Special Project - National History Day	2,248	-	-	-	2,248	1,620
Special Project - Native American Hall of Honors	1,050	-	-	-	1,050	25,988
Special Project - Outreach to Communities	-	-	-	-	-	75
Special Project - Society Projects	1,653	-	-	-	1,653	8,013
Special Project - Staff Development Grant	2,533	-	-	-	2,533	-
Special Project - Volunteer Appreciation	405	-	-	-	405	3,937
Special Project - Other	2,388	-	555	-	2,943	9,081
Depreciation	-	-	745	-	745	774
Total Expenses	\$ 23,360	\$ 16,295	\$ 359,731	\$ 8,427	\$ 407,813	\$ 540,371

STATE HISTORICAL SOCIETY
OF NORTH DAKOTA FOUNDATION
Statement of Cash Flows
For the Year Ended June 30, 2024
(with comparative totals for June 30, 2023)

	6/30/2024	Memo Only 6/30/2023
Cash flows from operating activities:		
Change in net assets	\$ 243,210	\$ (180,814)
Non-cash charges:		
Depreciation expense	745	774
Change in operating assets and liabilities:		
(Increase) decrease in promises to give, net	1,481	1,050,000
(Increase) decrease in cash held for others		-
Increase (decrease) in accounts & credit cards payable	(7,034)	2,265
Increase (decrease) in payroll taxes/withholdings payable	(291)	(742)
Increase (decrease) in wages payable	1,595	(4,002)
Increase (decrease) in Due to Chaateau	(52,320)	-
Increase (decrease) in accrued leave payable	3,814	(4,020)
Increase (decrease) in deferred membership revenue	(8,130)	757
Total adjustments	<u>(60,140)</u>	<u>1,045,032</u>
Net cash provided (used) by operating activities	183,070	864,218
Cash flows from investing activities:		
Investments cashed	145,422	-
Interest, dividends, and gains reinvested	(89,694)	(48,423)
Investments purchased	(78,614)	(1,097,005)
Fees paid on investments	10,871	7,703
Unrealized (gain) loss on investments	(98,064)	(31,344)
Realized (gain) loss on investments	8,749	172
Valuation (gain) loss on mineral acres	(66,416)	(71)
Purchases of new equipment	(3,245)	-
Equipment Disposals	<u>-</u>	<u>-</u>
Net cash provided (used) by investing activities	<u>(170,991)</u>	<u>(1,168,968)</u>
Net increase (decrease) in cash and cash equivalents	12,079	(304,750)
Cash and Cash Equivalents - June 30, 2023	<u>125,673</u>	<u>430,423</u>
Cash and Cash Equivalents - June 30, 2024	<u><u>\$ 137,752</u></u>	<u><u>\$ 125,673</u></u>

STATE HISTORICAL SOCIETY OF NORTH DAKOTA FOUNDATION

Notes to the Financial Statements

June 30, 2024

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. See Note 7 for details of the 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, 2024

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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.

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, 2024, 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.

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, 2023, from which summarized information was derived.

Subsequent Events

The Foundation has evaluated subsequent events through November 26, 2024, the date which the financial statements were available to be issued.

STATE HISTORICAL SOCIETY OF NORTH DAKOTA FOUNDATION

Notes to the Financial Statements

June 30, 2024

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 at June 30, 2024:

Financial assets at year end:	
Cash & Cash Equivalents	\$ 137,752
Certificates of Deposit	1,002,880
Unconditional Promises to Give	4,702
Investments	<u>1,109,495</u>
Total financial assets	<u>2,254,829</u>
Less amounts not available to be used within one year:	
Long-Term Certificates of Deposit	(495,622)
Investments	<u>(1,109,495)</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 649,712</u>

The Foundation's goal is generally to maintain financial assets to meet 90 days of operating expenses.

NOTE 3 PROMISES TO GIVE

Unconditional promises to give at June 30, 2024 are as follows:

	Trustees	Foundation	Total
Receivable in less than one year	\$ 3,200	\$ 2,025	\$ 5,225
Receivable in one to five years	-	-	-
Total unconditional promises	<u>3,200</u>	<u>2,025</u>	<u>5,225</u>
Less discounts to net present value	-	-	-
Less allowance for uncollectible promises	<u>(320)</u>	<u>(203)</u>	<u>(523)</u>
Net promises to give	<u>\$ 2,880</u>	<u>\$ 1,822</u>	<u>\$ 4,702</u>

Foundation and Trustee pledges may 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. The discount rate used on long-term promises to give was four percent.

NOTE 4 FIXED ASSETS

The following is a summary of furniture and equipment as of June 30, 2024:

Furniture and equipment	\$ 25,406
Less accumulated depreciation	<u>(21,848)</u>
Net fixed assets	<u>\$ 3,558</u>

STATE HISTORICAL SOCIETY OF NORTH DAKOTA FOUNDATION
Notes to the Financial Statements
June 30, 2024

NOTE 5 INVESTMENTS

The fair value of long-term investments totaled \$1,109,495.

The following schedule summarizes investment returns and their classification in the statement of activities for the year ended June 30, 2024.

	Without Donor Restrictions	With Donor Restrictions	Total
Interest & dividend income	\$ 85,883	\$ 4,812	\$ 90,695
Realized gain (loss)	(11,956)	3,207	(8,749)
Unrealized gain (loss)	86,519	11,545	98,064
Total investment return	<u>\$ 160,446</u>	<u>\$ 19,564</u>	<u>\$ 180,010</u>

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, 2024

NOTE 6 FAIR VALUE MEASUREMENTS - CONTINUED

Fair values of the investments measured on a recurring basis at June 30, 2024 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)
ASSETS				
<u>Long-term Investments</u>				
Edward Jones				
Mutual funds (equities)	\$ 30,581	\$ 30,581	\$ -	\$ -
Stock	9,117	9,117	-	-
Bravera				
Mutual funds (fixed income)	355,712	355,712	-	-
Mutual funds (equities)	714,085	714,085	-	-
Mineral Acres	89,427	-	-	89,427
	<u>89,427</u>	<u>-</u>	<u>-</u>	<u>89,427</u>
Total long-term investments	<u>\$ 1,198,922</u>	<u>\$ 1,109,495</u>	<u>\$ -</u>	<u>\$ 89,427</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, 2024.

Fair Value Measurements Using Significant Unobservable Inputs (Level 3)	
	<u>Assets</u>
	Mineral Acres
Beginning Balance	\$ 23,011
Unrealized gain (loss) on valuation adjustment	
Included in changes in net assets	66,416
Ending Balance	<u>\$ 89,427</u>

STATE HISTORICAL SOCIETY OF NORTH DAKOTA FOUNDATION
Notes to the Financial Statements
June 30, 2024

NOTE 7 NET ASSETS WITH DONOR RESTRICTIONS

As of June 30, 2024, net assets with donor restrictions include the following:

Restricted for:	
Sakakawea Statue	\$ 33,222
1883 Courthouse Committee	61,040
Baker Family Scholarship	2,000
ND History Day	748
Archeology	20,300
Camp Hancock	1,275
Chateau Funds	52,320
Fort Totten Inn	3,500
Site Improvements	10,000
Oscar Zero	1,500
Lake Jessie	56,580
Native American HOH	52,941
Discovery Wind Sponsorship	5,000
Endowment Funds - Society	66,754
Endowment Fund - Principal	446,001
Total	<u>\$ 813,181</u>

NOTE 8 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, 2024 was \$16,956.

NOTE 9 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.

NOTE 10 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, 2024 is \$89,427.