

STEARNS COUNTY HISTORICAL SOCIETY
DBA: STEARNS HISTORY MUSEUM

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**STEARNS COUNTY HISTORICAL SOCIETY
DBA: STEARNS HISTORY MUSEUM
SOCIETY BOARD AND ADMINISTRATION**

Officers:

Dorraine Larison
George Rindelaub
Pat Webber
Susan Palmer

Chair
Vice-Chair
Secretary
Treasurer

Board Members:

John Bodette
Stephanie Peterson
Chuck Rau
Elizabeth Reisinger
Phillip Terry
Dan Tiedman
Annette Atkins
Barb Carlson
Mark Sakry
Bruce Skalbeck

Administration:

Carie Essig

Executive Director



MILLER WELLE HEISER *certified Public Accountants*

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INDEPENDENT AUDITOR'S REPORT

Michael R. Nelson, CPA

Chris A. Stalboerger, CPA

Jeffrey J. Gannon, CPA

Daniel S. Anderson, CPA, CVA

Trina E. Peeters, CPA, CVA

Eric J. Schlangen, CPA

To the Board of Directors
Stearns County Historical Society
DBA: Stearns History Museum
St. Cloud, Minnesota

We have audited the accompanying financial statements of STEARNS COUNTY HISTORICAL SOCIETY, DBA: STEARNS HISTORY MUSEUM (the Society) (a nonprofit organization), which comprise the statements of financial position as of December 31, 2020 and 2019, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of STEARNS COUNTY HISTORICAL SOCIETY, DBA: STEARNS HISTORY MUSEUM, as of December 31, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Miller Welle Heiser & Co. Ltd.

MILLER, WELLE, HEISER & CO., LTD.
Certified Public Accountants

St. Cloud, Minnesota
September 30, 2021

STEARNS COUNTY HISTORICAL SOCIETY
DBA: STEARNS HISTORY MUSEUM

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2020 AND 2019

ASSETS

	<u>2020</u>	<u>2019</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 309,238	\$ 41,106
Restricted cash	15,665	49,667
Other assets	<u>1,017</u>	<u>3,515</u>
Total current assets	<u>325,920</u>	<u>94,288</u>
NONCURRENT ASSETS		
Investments	412,292	378,401
Net property and equipment	<u>970,051</u>	<u>984,027</u>
Total noncurrent assets	<u>1,382,343</u>	<u>1,362,428</u>
 TOTAL ASSETS	 <u>\$ 1,708,263</u>	 <u>\$ 1,456,716</u>

See accompanying notes to financial statements.

STEARNS COUNTY HISTORICAL SOCIETY
DBA: STEARNS HISTORY MUSEUM

STATEMENTS OF FINANCIAL POSITION (CONTINUED)

DECEMBER 31, 2020 AND 2019

LIABILITIES AND NET ASSETS

	<u>2020</u>	<u>2019</u>
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 70,763	\$ 43,935
Current portion long-term debt	149,199	-
Deferred revenue	<u>25</u>	<u>25</u>
Total current liabilities	<u>219,987</u>	<u>43,960</u>
LONG-TERM DEBT		
Long-term debt, net of current portion	<u>201,891</u>	<u>121,490</u>
TOTAL LIABILITIES	<u>421,878</u>	<u>165,450</u>
NET ASSETS		
Without donor restrictions		
Undesignated	(95,958)	(71,162)
Designated	<u>1,382,343</u>	<u>1,362,428</u>
Total net assets without donor restrictions	1,286,385	1,291,266
Total net assets	<u>1,286,385</u>	<u>1,291,266</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,708,263</u>	<u>\$ 1,456,716</u>

See accompanying notes to financial statements.

STEARNS COUNTY HISTORICAL SOCIETY
DBA: STEARNS HISTORY MUSEUM

STATEMENTS OF ACTIVITIES

FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
REVENUES AND SUPPORT		
County appropriations	\$ 620,000	\$ 600,000
Grant revenues	73,638	15,105
Program income	5,912	13,030
Donations	58,915	149,531
Net investment income (loss)	48,342	63,917
Donated services, materials, and equipment	182,909	212,647
Memberships	40,051	44,698
Admissions	5,206	15,731
Museum store sales	2,534	5,075
Special events	10,600	49,390
Miscellaneous revenues	4,190	17,268
	<hr/>	<hr/>
TOTAL REVENUES AND SUPPORT	1,052,297	1,186,392
	<hr/>	<hr/>
EXPENSES		
Educational services	185,761	165,572
Museum exhibitions and collections	297,980	313,712
Archival and research services	287,932	311,125
Museum operations	139,971	150,658
Total program services	911,644	941,067
	<hr/>	<hr/>
Management and general	70,355	100,877
Fundraising	75,179	137,436
Total support services	145,534	238,313
	<hr/>	<hr/>
TOTAL EXPENSES	1,057,178	1,179,380
	<hr/>	<hr/>
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	(4,881)	7,012
	<hr/>	<hr/>
CHANGE IN TOTAL NET ASSETS	(4,881)	7,012
	<hr/>	<hr/>
NET ASSETS - Beginning of year	1,291,266	1,284,254
	<hr/>	<hr/>
NET ASSETS - End of year	\$ 1,286,385	\$ 1,291,266
	<hr/>	<hr/>

See accompanying notes to financial statements.

STEARNS COUNTY HISTORICAL SOCIETY
DBA: STEARNS HISTORY MUSEUM

STATEMENTS OF FUNCTIONAL EXPENSES

FOR THE YEARS ENDED DECEMBER 31, 2020 and 2019

YEAR ENDED DECEMBER 31, 2020

	<u>Educational Services</u>	<u>Museum Exhibitions and Collections</u>
Personnel services	\$ 84,671	\$ 112,745
Utilities	4,510	20,296
Museum store expenses	-	-
Professional services	2,164	3,247
Repairs and maintenance	2,819	16,916
Education and travel	71	177
Insurance	1,826	5,477
Office expenses	5,985	5,985
Marketing and promotion	4,187	3,349
Exhibit and program expenses	19,841	19,841
Affiliates	-	-
Investment/fundraising	-	-
Depreciation	13,715	36,574
Donated services, materials, and equipment	45,669	73,070
Interest	-	-
Postage	<u>303</u>	<u>303</u>
 TOTAL EXPENSES	 <u>\$ 185,761</u>	 <u>\$ 297,980</u>

See accompanying notes to financial statements.

STEARNS COUNTY HISTORICAL SOCIETY
DBA: STEARNS HISTORY MUSEUM

STATEMENTS OF FUNCTIONAL EXPENSES

FOR THE YEARS ENDED DECEMBER 31, 2020 and 2019

<u>Archival and Research Services</u>	<u>Museum Operations</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Totals 2020</u>
\$ 137,252	\$ 79,892	\$ 42,018	\$ 59,571	\$ 516,149
13,531	4,511	2,255	-	45,103
-	2,012	-	-	2,012
2,164	1,082	2,164	-	10,821
16,916	8,458	11,277	-	56,386
247	35	106	71	707
5,477	3,651	1,826	-	18,257
9,976	5,985	5,985	5,985	39,901
2,512	1,675	-	5,024	16,747
26,454	-	-	-	66,136
-	2,905	-	-	2,905
-	-	-	4,149	4,149
27,431	9,144	4,572	-	91,436
45,669	18,267	-	-	182,675
-	2,278	-	-	2,278
303	76	152	379	1,516
<u>\$ 287,932</u>	<u>\$ 139,971</u>	<u>\$ 70,355</u>	<u>\$ 75,179</u>	<u>\$ 1,057,178</u>

See accompanying notes to financial statements.

STEARNS COUNTY HISTORICAL SOCIETY
DBA: STEARNS HISTORY MUSEUM

STATEMENTS OF FUNCTIONAL EXPENSES (CONTINUED)

FOR THE YEARS ENDED DECEMBER 31, 2020 and 2019

YEAR ENDED DECEMBER 31, 2019

	<u>Educational Services</u>	<u>Museum Exhibitions and Collections</u>
Personnel services	\$ 58,370	\$ 112,814
Utilities	4,541	20,432
Museum store expenses	-	-
Professional services	1,654	2,482
Repairs and maintenance	3,932	23,594
Education and travel	400	1,001
Insurance	1,701	5,104
Office expenses	6,305	6,305
Marketing and promotion	5,632	4,505
Exhibit and program expenses	16,144	16,289
Affiliates	-	-
Investment/fundraising	-	-
Depreciation	13,438	35,834
Donated services, materials, and equipment	53,162	85,059
Postage	<u>293</u>	<u>293</u>
 TOTAL EXPENSES	 <u>\$ 165,572</u>	 <u>\$ 313,712</u>

See accompanying notes to financial statements.

STEARNS COUNTY HISTORICAL SOCIETY
DBA: STEARNS HISTORY MUSEUM

STATEMENTS OF FUNCTIONAL EXPENSES (CONTINUED)

FOR THE YEARS ENDED DECEMBER 31, 2020 and 2019

<u>Archival and Research Services</u>	<u>Museum Operations</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Totals 2019</u>
\$ 149,861	\$ 86,121	\$ 67,991	\$ 96,998	\$ 572,155
13,622	4,541	2,270	-	45,406
-	2,735	-	-	2,735
1,654	827	1,654	-	8,271
23,594	11,797	15,729	-	78,646
1,401	200	601	400	4,003
5,104	3,402	1,701	-	17,012
10,509	6,305	6,305	6,305	42,034
3,379	2,253	-	6,757	22,526
21,671	-	-	-	54,104
-	2,180	-	-	2,180
-	-	-	26,613	26,613
26,876	8,959	4,479	-	89,586
53,162	21,265	-	-	212,648
292	73	147	363	1,461
<u>\$ 311,125</u>	<u>\$ 150,658</u>	<u>\$ 100,877</u>	<u>\$ 137,436</u>	<u>\$ 1,179,380</u>

See accompanying notes to financial statements.

STEARNS COUNTY HISTORICAL SOCIETY
DBA: STEARNS HISTORY MUSEUM

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (4,881)	\$ 7,012
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities		
Depreciation	91,436	89,586
Unrealized loss (gain) on investments	(30,491)	(50,036)
Reinvested investment earnings	(17,851)	(13,881)
Capitalized non-cash donations	(235)	(87,275)
(Increase) decrease in current assets:		
Grants receivable	-	10,000
Other assets	2,498	11,901
Increase (decrease) in current liabilities:		
Accounts payable and accrued expenses	26,829	4,773
Net cash provided (used) by operating activities	<u>67,305</u>	<u>(27,920)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of fixed assets	(77,225)	(39,498)
Net change in investments	<u>14,450</u>	<u>40,097</u>
Net cash provided (used) by investing activities	<u>(62,775)</u>	<u>599</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from long-term debt	253,600	-
Principal payments on long-term debt	<u>(24,000)</u>	<u>(15,186)</u>
Net cash provided (used) by financing activities	<u>229,600</u>	<u>(15,186)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	234,130	(42,507)
CASH AND CASH EQUIVALENTS, Beginning of year	<u>90,773</u>	<u>133,280</u>
CASH AND CASH EQUIVALENTS, End of year	<u>\$ 324,903</u>	<u>\$ 90,773</u>
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Noncash investing and financial activities:		
Donated services, materials and equipment are recorded as revenues and expenses in net assets without donor restrictions	<u>\$ 182,675</u>	<u>\$ 212,647</u>

See accompanying notes to financial statements.

STEARNS COUNTY HISTORICAL SOCIETY
DBA: STEARNS HISTORY MUSEUM

NOTES TO FINANCIAL STATEMENTS

NOTE 1 **NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

The nature of operations and the significant accounting policies followed by Stearns County Historical Society, DBA: Stearns History Museum (the Society) are summarized below to assist the reader in understanding the accompanying financial statements.

Nature of Operations -

The Stearns County Historical Society was incorporated in May 1975, as a nonprofit corporation under Section 501(c)(3) of the Internal Revenue Code and Minnesota Statutes 1961, Chapter 317. The purpose of the Society is to discover, preserve, and disseminate historical knowledge about the County of Stearns and the State of Minnesota. In 1998, the Society filed with the Secretary of State to be known as Stearns History Museum.

Program Services -

Program services of the Society consist of the following:

Education Services

Public programming utilizing museum resources to encourage an understanding of and appreciation for local and state history.

Museum Exhibitions and Collections

Artifact collections and interpretive exhibitions that encourage an understanding of and appreciation for local and state history.

Archival and Research Services

Research, publication, and archival services on local and state history in conjunction with public programming that encourages an understanding of and appreciation for local and state history.

Museum Operations

Applications that maintain and encourage an understanding of and appreciation for local and state history.

STEARNS COUNTY HISTORICAL SOCIETY
DBA: STEARNS HISTORY MUSEUM

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE 1

NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

Description of Net Assets –

Net assets are classified based on existence or absence of donor-imposed restrictions as follows:

Without Donor Restriction is defined as that portion of net assets that has no use or time restrictions. Resources may be used at the discretion of the Board of Directors.

With Donor Restriction is defined as that portion of net assets that consist of a restriction on the specific use or the occurrence of a certain future event. Contributions unconditionally promised which are scheduled to be received more than one year in the future, are recorded at fair value, classified as with donor restriction until the funds are received, and are discounted at a rate commensurate with the risks involved.

The Society has elected to present contributions with donor restrictions which are fulfilled in the same time period within the without donor restriction net asset class.

Basis of Presentation -

The financial statements are presented in accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 958-205, Not-for-profit entities, Presentation of Financial Statements. During 2018, the Organization adopted the provisions of Accounting Standards Update ("ASU") 2016-14: Not-for-Profit-Entities (Topic 958) Presentation of Financial Statements of Not-for-Profit-Entities, which improves the current net asset classification and the related information presented in the financial statements and notes about the Organization's liquidity, financial performance, and cash flows.

Estimates -

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of financial statements. Estimates also affect the reported amounts of support, revenue, and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents -

Cash and cash equivalents consist of cash held in checking and savings accounts.

STEARNS COUNTY HISTORICAL SOCIETY
DBA: STEARNS HISTORY MUSEUM

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE 1

NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

Investments -

Investments consist primarily of assets invested in marketable equity and debt securities, and money-market accounts. The Organization accounts for investments in accordance with the FASB standard for investments held by not-for-profit organizations. This standard requires that investments in equity securities with readily determinable fair values and all investments in debt securities be measured at fair value in the statement of financial position. Fair value of marketable equity and debt securities is based on quoted market prices. Alternative investments are stated at the fair value of their underlying assets and allocated to the investors in proportion to the investor's ownership percentage. The realized and unrealized gain or loss on investments is reflected in the statement of changes in net assets.

Investments are exposed to various risks such as interest rate, credit, and overall market volatility risks. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the fair value of investments will occur in the near term and that such changes could materially affect the amounts reported in the statement of financial position.

Property and Equipment -

Property and equipment are carried at cost. Major additions and betterments that extend the useful lives of property and equipment are capitalized. Expenditures for maintenance and repairs which do not improve or extend the life of the respective assets are expensed currently.

Depreciation -

Depreciation of property and equipment is computed using the straight-line method based on the estimated useful lives ranging from three to forty years.

Collections -

In conformity with practices followed by many museums, the Society's collection of books, documents, newspapers, pictures, paintings, tapes, and artifacts are not capitalized because donated values are not readily determinable.

Donated Services, Materials, and Equipment -

Donated professional services that require specialized skills are reflected as donations in the accompanying financial statements at their fair value. Materials and other assets received as donations are reflected in the accompanying financial statements at their fair values at the date of receipt, and amount to \$182,909 and \$212,647 for the years ended December 31, 2020 and 2019, respectively.

STEARNS COUNTY HISTORICAL SOCIETY
DBA: STEARNS HISTORY MUSEUM

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE 1 **NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):**

Revenues and Expenses -

Contributions received and unconditional promises to give are measured at their fair values and are reported as an increase in net assets. The Society reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets or if they are designated as support for future periods. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activity as net assets released from restrictions. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as unrestricted support.

The Society reports gifts of goods and equipment as without donor restrictions support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as with donor restrictions support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Society reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

The Society has no net assets with donor restrictions at December 31, 2020 and 2019.

Expenses are recorded when incurred in accordance with the accrual basis of accounting.

Advertising Costs -

Advertising costs are expensed as incurred. Advertising expense amounted to \$16,747 and \$22,526 for the years ended December 31, 2020 and 2019, respectively.

Income Taxes -

The Society qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code. Therefore, no provision or liability for income taxes is included in the accompanying financial statements.

Functional Expenses -

The Society allocates salaries and related expenses based on time studies of actual time spent and the best estimates of management. Expenses which are not directly identifiable by program or supporting services are allocated based on various statistical bases that are considered best estimates of management.

STEARNS COUNTY HISTORICAL SOCIETY
DBA: STEARNS HISTORY MUSEUM

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE 1 **NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):**

Uncertainty for Income Taxes -

The Society is subject to the accounting standard on accounting for uncertainty in income taxes, which addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under this guidance, the Society may recognize the tax benefit from an uncertain tax position only if it is more-likely-than-not that the tax position will be sustained on examination by taxing authorities, based on the technical merits of the position. The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has the greater than 50% likelihood of being realized upon ultimate settlement. The guidance on accounting for uncertainty in income taxes also addresses de-recognition, classification, interest and penalties on income taxes, and accounting in interim periods.

Management evaluated the tax positions for the Society and concluded that the Society had taken no uncertain income tax positions that require adjustments to the financial statements to comply with the provisions of this guidance. The Society incurred no interest or penalties for the years ended December 31, 2020 and 2019.

Fair Value Reporting -

The Society has adopted FASB ASC 820, which provides clarification and guidance regarding reporting of financial instruments at fair value. In accordance with FASB ASC 820, fair value is defined as the price that the Society would receive to sell an asset or pay to transfer a liability in a timely transaction with an independent buyer in the principal market, or in the absence of a principal market the most advantageous market for the investment or liability. FASB ASC 820 establishes a three-tier hierarchy to distinguish between (1) inputs that reflect the assumptions market participants would use in pricing an asset or liability developed based on market data obtained from sources independent of the reporting entity (observable inputs) and (2) inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing an asset or liability developed based on the best information available in the circumstances (unobservable inputs) and to establish classification of fair value measurements for disclosure purposes. Various inputs are used in determining the value of the Society's investments. The inputs are summarized in the three broad levels listed below:

- Level 1 – valuations based on quoted prices in active markets for identical assets or liabilities.
- Level 2 – valuations based on quoted prices in markets that are not active or for which all significant inputs are observable.
- Level 3 – valuations based on inputs that are unobservable and include situations where there is little, if any, market activity. The inputs into the determination of fair value require significant management judgment or estimation.

STEARNS COUNTY HISTORICAL SOCIETY
DBA: STEARNS HISTORY MUSEUM

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE 1 **NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):**

Fair Value Reporting (continued) –

The following is a summary of the inputs used as of December 31, 2020 in valuing the Society's investments carried at fair value:

	<u>Fair Value</u>	<u>Quoted Prices in Active Markets For Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Investments	<u>\$ 412,292</u>	<u>\$ 412,292</u>	<u>\$ -</u>	<u>\$ -</u>

The following is a summary of the inputs used as of December 31, 2019 in valuing the Society's investments carried at fair value:

	<u>Fair Value</u>	<u>Quoted Prices in Active Markets For Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Investments	<u>\$ 378,401</u>	<u>\$ 378,401</u>	<u>\$ -</u>	<u>\$ -</u>

Impairment of Long-Lived Assets –

The Society reviews long-lived assets, including property and equipment and intangible assets, for impairment whenever events or changes in business circumstances indicate that the carrying amount of an asset may not be fully recoverable. An impairment loss would be recognized when the estimated future cash flows from the use of the asset and its fair value are less than the carrying amount of that asset. The Society has not recognized any impairment of long-lived assets during 2020 and 2019.

Date of Management's Review -

In preparing these financial statements, the Society has evaluated events and transactions for potential recognition or disclosure through September 30, 2021, the date the financial statements were available to be issued.

STEARNS COUNTY HISTORICAL SOCIETY
DBA: STEARNS HISTORY MUSEUM

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE 2 **RISK AND UNCERTAINTIES:**

Subsequent to year-end the World Health Organization declared the spread of Coronavirus Disease (COVID-19) a worldwide pandemic. The COVID-19 pandemic is having significant effects on the global markets, supply chains, businesses and communities. Specific to the Organization, COVID-19 may impact various aspects of its 2020 operations and financial result, including additional costs to the Organization and the potential for loss of revenue due to reduction in certain segments of its operations. Management believes the Organization is taking appropriate actions to mitigate the negative impact. However, the full impact of COVID-19 is unknown and cannot be reasonably estimated as these events occurred subsequent to year-end and are still developing.

In April of 2020 the Organization applied for and was granted funds under the Federal Payroll Protection Program. The amount of funds received was \$103,600. The loan was forgiven in its entirety in February of 2021.

NOTE 3 **INVESTMENTS AND INVESTMENT INCOME:**

Investments are stated at fair value and consist of the following at December 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Central Minnesota Community Foundation	\$ 412,292	\$ 378,401
	412,292	378,401
Less: current investments	<u>-</u>	<u>-</u>
Long-term investments	<u>\$ 412,292</u>	<u>\$ 378,401</u>

The Central Minnesota Community Foundation investment consists of stocks, bonds, and money market accounts.

Investment income from cash equivalents and investments is comprised of the following for the years ended December 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Dividends and interest	\$ 7,304	\$ 8,978
Net unrealized gain (loss)	34,066	54,357
Net realized gain (loss)	10,547	4,158
Management fees	<u>(3,575)</u>	<u>(3,576)</u>
Total	<u>\$ 48,342</u>	<u>\$ 63,917</u>

Expenses relating to investment revenues, including management fees, amount to \$3,575 and \$3,576 for the years ended December 31, 2020 and 2019, respectively, and have been netted against investment income in the accompanying Statement of Activities.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE 4 **PROPERTY AND EQUIPMENT:**

Property and equipment consist of the following at December 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Land	\$ 29,750	\$ 29,750
Building and land improvements	3,507,553	3,433,100
Exhibit area	343,517	343,517
Equipment and furniture	<u>412,232</u>	<u>409,226</u>
	4,293,052	4,215,593
Less: accumulated depreciation	<u>(3,323,001)</u>	<u>(3,231,566)</u>
Net property and equipment	<u>\$ 970,051</u>	<u>\$ 984,027</u>

Depreciation expense amounts to \$91,436 and \$89,586 for the years ended December 31, 2020 and 2019, respectively.

NOTE 5 **LONG-TERM DEBT:**

	<u>2020</u>	<u>2019</u>
Note Payable to County at 0% interest with two payments; due March 2026, unsecured	\$ 97,490	\$ 121,490
PPP Loan at 1% interest, forgiven February 2021, unsecured	103,600	-
EIDL Loan at 2.75% interest, repayment deferred until 2022, secured by tangible property	<u>150,000</u>	<u>-</u>
	351,090	121,490
Less: current portion	<u>(149,199)</u>	<u>-</u>
Total	<u>\$ 201,891</u>	<u>\$ 121,490</u>

Scheduled Maturities of long-term debt are as follows:

<u>Year Ending December 31</u>	<u>Amount</u>
2021	\$ 149,199
2022	2,574
2023	3,516
2024	3,614
2025	3,714
Thereafter	<u>188,473</u>
	<u>\$ 351,090</u>

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE 6 **NET ASSETS:**

Without Donor Restrictions – Designated -

The Board of Directors has designated, by Board action, the following appropriations of net assets without donor restrictions:

	<u>2020</u>	<u>2019</u>
Property and equipment investment	\$ 970,051	\$ 984,027
Investment fund	<u>412,292</u>	<u>378,401</u>
Total	<u>\$ 1,382,343</u>	<u>\$ 1,362,428</u>

These reserves are evaluated and designated on an annual basis and are included within the cash and cash equivalents and investments on the Statement of Financial Position.

NOTE 7 **COMMITMENTS AND CONTINGENCIES:**

Grants -

Grants require the fulfillment of certain conditions as set forth in the grant agreement. Failure to fulfill the conditions could result in the return of the funds to the donors and grantors. Although that is a possibility, the Board deems the contingency remote.

NOTE 8 **SIGNIFICANT REVENUE SOURCE:**

The Society receives a significant portion of its revenue from the Stearns County government. For the years ended December 31, 2020 and 2019, direct payments from Stearns County represented 71% and 62% of total revenue (net of donated services, materials, and equipment), respectively.

NOTE 9 **RETIREMENT PLAN:**

The Society has a defined contribution retirement plan. The plan covers all employees who meet eligibility requirements as to age and length of service. Contributions to the plan are at the discretion of the Board of Directors. Contributions amount to \$16,223 and \$11,318 for the years ended December 31, 2020 and 2019, respectively.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE 10 **LEASES:**

The Society leases equipment under an operating lease arrangement. Rent expense amounts to \$4,963 and \$4,963 for the years ended December 31, 2020 and 2019, respectively. At December 31, 2020 estimated future minimum lease payments required under the operating lease agreements are as follows:

<u>Years Ending December 31,</u>	<u>Amount</u>
2021	\$ 3,954
2022	3,954
2023	<u>659</u>
Total	<u>\$ 8,567</u>

NOTE 11 **CONCENTRATIONS OF CREDIT AND MARKET RISK:**

Financial instruments that potentially expose the Society to concentrations of credit and market risk consist primarily of cash equivalents and investments. Cash equivalents are maintained at high-quality financial institutions and credit exposure is limited to any one institution. The Society has not experienced any losses on its cash equivalents. The Society's investments do not represent significant concentrations of market risk inasmuch as the Society's investment portfolio is adequately diversified among issuers.

NOTE 12 **AFFILIATED ORGANIZATIONS:**

The Stearns County Historical Society works with the following entities located in Stearns County to promote county history: Paynesville Historical Society, Sinclair Lewis Foundation, Inc., Albany Heritage Society, Sauk Centre Area Historical Society, Kimball Historical Society, Sartell Historical Society, and the Melrose Area Historical Society. For the years ended December 31, 2020 and 2019, the Society made payments of \$2,905 and \$2,180 to these organizations to conduct Society activities, respectively.

The Articles of Incorporation establish an association between the Society and the Minnesota Historical Society. In the event the Stearns County Historical Society is dissolved, all of its assets will be turned over to the Minnesota Historical Society. The Society paid annual dues of \$35 and \$25 to the Minnesota Historical Society for the years ended December 31, 2020 and 2019.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE 13 **LIQUIDITY**

The Society regularly monitors liquidity to meet its operating needs and other commitments. The following financial assets could readily be made available within one year of the statement of financial position date to meet general expenditures at December 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 309,238	\$ 41,106
Total available financial assets	<u>\$ 309,238</u>	<u>\$ 41,106</u>

In addition to financial assets available to meet general expenditures over the next 12 months, the Society anticipates collecting sufficient revenue to cover general expenditures.