



Financial Statements
December 31, 2020 and 2019

Dubuque County Historical Society

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Independent Auditor's Report

The Board of Directors
Dubuque County Historical Society
Dubuque, Iowa

Report on the Financial Statements

We have audited the accompanying financial statements of Dubuque County Historical Society, which comprise the statement of financial position as of December 31, 2020, and the related statements of activities, functional expenses, and cash flows for the year 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Audit Standards*, issued by the Comptroller General of the United States. 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 Dubuque County Historical Society as of December 31, 2020, and the changes in its net assets and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated June 17, 2021 on our consideration of Dubuque County Historical Society's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Dubuque County Historical Society's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Dubuque County Historical Society's internal control over financial reporting and compliance.

Other Matter

The financial statements of Dubuque County Historical Society as of December 31, 2019, were audited by other auditors, whose report dated June 26, 2020, expressed an unmodified opinion on those statements.

A handwritten signature in cursive script that reads "Eide Bailly LLP".

Dubuque, Iowa
June 17, 2021

Dubuque County Historical Society
 Statements of Financial Position
 December 31, 2020 and 2019

	2020	2019
Assets		
Cash and cash equivalents	\$ 1,465,793	\$ 105,279
Accounts receivable	15,420	46,570
Grants receivable	108,372	145,642
Promises to give, net	559,819	627,956
Operating investments	307,597	254,417
Inventory	418,459	408,583
Prepaid expenses and other assets	30,275	31,100
Collections - Note 1	-	-
Property, equipment and exhibits, net	31,844,972	32,522,892
Board-designated endowment investments	2,099,487	2,217,012
Endowment investments	3,744,861	3,433,298
	<u>\$ 40,595,055</u>	<u>\$ 39,792,749</u>
Liabilities and Net Assets		
Accounts payable	\$ 352,422	\$ 439,249
Accrued expenses and other liabilities	346,567	284,244
Deferred revenue	345,793	83,866
Refundable advance - Paycheck Protection Program	10,000	-
Line of credit	2,590,000	2,290,000
Notes payable	636,190	486,190
	<u>4,280,972</u>	<u>3,583,549</u>
Net Assets		
Without donor restrictions		
Undesignated	29,515,574	29,451,655
Designated by the Board for operating reserve	307,597	254,417
Designated by the Board for endowment	2,099,487	2,217,012
	<u>31,922,658</u>	<u>31,923,084</u>
With donor restrictions		
Perpetual in nature	3,531,841	3,433,298
Purpose restrictions	299,765	88,437
Time-restricted for future periods	559,819	764,381
	<u>4,391,425</u>	<u>4,286,116</u>
	<u>36,314,083</u>	<u>36,209,200</u>
	<u>\$ 40,595,055</u>	<u>\$ 39,792,749</u>

Dubuque County Historical Society

Statement of Activities

Year Ended December 31, 2020

	2020		
	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, Support, and Gains			
Program service fees			
Museum operations			
Admissions	\$ 969,535	\$ -	\$ 969,535
Gift shop sales	417,722	-	417,722
Membership dues	66,789	-	66,789
Food and beverage sales	55,240	-	55,240
Tours and historic dining	83,274	-	83,274
Education - admissions	54,906	-	54,906
Net investment return	337,729	468,831	806,560
Federal and state contracts and grants	752,862	-	752,862
Contributions	3,139,096	330,090	3,469,186
Donated facilities and materials	236,169	-	236,169
Gross special events revenue	12,226	-	12,226
Other income	40,964	-	40,964
Net assets released from restrictions	693,612	(693,612)	-
Total revenue, support, and gains	<u>6,860,124</u>	<u>105,309</u>	<u>6,965,433</u>
Expenses			
Program services expense			
Museum operations	4,350,972	-	4,350,972
Collections	896,332	-	896,332
Education	595,459	-	595,459
Total program services expenses	<u>5,842,763</u>	<u>-</u>	<u>5,842,763</u>
Supporting services expense			
Management and general	555,809	-	555,809
Fundraising and development	461,978	-	461,978
Total supporting services expenses	<u>1,017,787</u>	<u>-</u>	<u>1,017,787</u>
Total expenses	<u>6,860,550</u>	<u>-</u>	<u>6,860,550</u>
Change in Net Assets	(426)	105,309	104,883
Net Assets, Beginning of Year	<u>31,923,084</u>	<u>4,286,116</u>	<u>36,209,200</u>
Net Assets, End of Year	<u>\$ 31,922,658</u>	<u>\$ 4,391,425</u>	<u>\$ 36,314,083</u>

Dubuque County Historical Society

Statement of Activities
Year Ended June 30, 2019

	2019		
	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, Support, and Gains			
Program service fees			
Museum operations			
Admissions	\$ 1,605,372	\$ -	\$ 1,605,372
Gift shop sales	635,568	-	635,568
Membership dues	355,562	-	355,562
Food and beverage sales	182,949	-	182,949
Tours and historic dining	285,096	-	285,096
Education - admissions	184,655	-	184,655
Net investment return	1,087,211	57,550	1,144,761
Federal and state contracts and grants	521,239	51,088	572,327
Contributions	665,831	794,087	1,459,918
Donated facilities and materials	279,372	-	279,372
Gross special events revenue	45,106	-	45,106
Other income	45,268	-	45,268
Gain (loss) on sale of assets	(84,500)	-	(84,500)
Net assets released from restrictions	232,093	(232,093)	-
Total revenue, support, and gains	<u>6,040,822</u>	<u>670,632</u>	<u>6,711,454</u>
Expenses			
Program services expense			
Museum operations	5,176,066	-	5,176,066
Collections	976,346	-	976,346
Education	622,665	-	622,665
Total program services expenses	<u>6,775,077</u>	<u>-</u>	<u>6,775,077</u>
Supporting services expense			
Management and general	633,078	-	633,078
Fundraising and development	380,837	-	380,837
Total supporting services expenses	<u>1,013,915</u>	<u>-</u>	<u>1,013,915</u>
Total expenses	<u>7,788,992</u>	<u>-</u>	<u>7,788,992</u>
Change in Net Assets	(1,748,170)	670,632	(1,077,538)
Net Assets, Beginning of Year	<u>33,671,254</u>	<u>3,615,484</u>	<u>37,286,738</u>
Net Assets, End of Year	<u>\$ 31,923,084</u>	<u>\$ 4,286,116</u>	<u>\$ 36,209,200</u>

Dubuque County Historical Society
Statement of Functional Expenses
Year Ended December 31, 2020

	Program Services				Supporting Services		
	Museum Operations	Collections	Education	Total	Management and General	Fundraising and Development	Total
Salaries and wages	\$ 927,311	\$ 416,379	\$ 420,502	\$ 1,764,192	\$ 273,976	\$ 312,268	\$ 2,350,436
Employee benefits	89,253	40,076	40,473	169,802	26,370	30,056	226,228
Payroll taxes	59,353	26,651	26,914	112,918	17,536	19,987	150,441
Food, beverage and gift shop	278,769	-	-	278,769	-	-	278,769
Professional fees	43,654	1,973	2,122	47,749	68,493	99,667	215,909
Collections and archives	-	69,025	-	69,025	-	-	69,025
Events	43,560	-	-	43,560	-	-	43,560
Exhibits and other projects	10,959	-	105,448	116,407	-	-	116,407
Advertising	168,926	-	-	168,926	-	-	168,926
Maintenance	119,430	-	-	119,430	-	-	119,430
Donated facilities and materials	236,169	-	-	236,169	-	-	236,169
Utilities	265,690	211,829	-	477,519	-	-	477,519
Office and other expenses	225,046	-	-	225,046	28,469	-	253,515
Miscellaneous	77,882	7,132	-	85,014	2,549	-	87,563
Interest	-	-	-	-	138,416	-	138,416
Depreciation	1,804,970	123,267	-	1,928,237	-	-	1,928,237
Total expenses	\$ 4,350,972	\$ 896,332	\$ 595,459	\$ 5,842,763	\$ 555,809	\$ 461,978	\$ 6,860,550

Dubuque County Historical Society
Statement of Functional Expenses
Year Ended June 30, 2019

	Program Services				Supporting Services		
	Museum Operations	Collections	Education	Total	Management and General	Fundraising and Development	Total
Salaries and wages	\$ 1,110,756	\$ 454,855	\$ 421,640	\$ 1,987,251	\$ 337,972	\$ 238,024	\$ 2,563,247
Employee benefits	85,475	35,003	32,447	152,925	26,008	18,317	197,250
Payroll taxes	81,364	33,318	30,885	145,567	24,756	17,435	187,758
Food, beverage and gift shop	557,326	-	-	557,326	-	-	557,326
Professional fees	83,779	16,563	37,014	137,356	54,410	107,061	298,827
Collections and archives	-	87,190	-	87,190	-	-	87,190
Events	111,027	-	-	111,027	-	-	111,027
Exhibits and other projects	26,198	-	100,679	126,877	-	-	126,877
Advertising	209,241	-	-	209,241	-	-	209,241
Maintenance	146,309	-	-	146,309	-	-	146,309
Donated facilities and materials	279,372	-	-	279,372	-	-	279,372
Utilities	271,523	214,322	-	485,845	-	-	485,845
Office and other expenses	311,225	-	-	311,225	42,109	-	353,334
Miscellaneous	120,687	11,828	-	132,515	5,926	-	138,441
Interest	-	-	-	-	141,897	-	141,897
Depreciation	1,781,784	123,267	-	1,905,051	-	-	1,905,051
Total expenses	\$ 5,176,066	\$ 976,346	\$ 622,665	\$ 6,775,077	\$ 633,078	\$ 380,837	\$ 7,788,992

Dubuque County Historical Society

Statements of Cash Flows

Years Ended December 31, 2020 and 2019

	2020	2019
Operating Activities		
Change in net assets	\$ 104,883	\$ (1,077,538)
Adjustments to reconcile change in net assets to net cash from (used for) operating activities		
Depreciation	1,928,236	1,905,053
Realized and unrealized (gain) loss on operating investments	(31,281)	(958,031)
(Gain)/loss on disposal of assets	-	84,500
Contributions restricted to endowment	(25,000)	-
Endowment net investment return	(771,573)	(145,911)
Changes in operating assets and liabilities		
Grants receivable	68,420	(18,190)
Promises to give	68,137	(562,918)
Inventory	(9,876)	(48,707)
Prepaid expenses and other assets	825	(825)
Accounts payable	(86,827)	164,591
Accrued expenses and other liabilities	62,323	17,652
Deferred revenue	261,927	7,697
Refundable advance - Paycheck Protection Program	10,000	-
Net Cash from (used for) Operating Activities	1,580,194	(632,627)
Investing Activities		
Withdrawal from endowment	182,268	-
Proceeds from sales of operating investments	681,829	3,771,666
Purchases of investments	(308,461)	(2,750,479)
Purchases of property, equipment and exhibits	(1,250,316)	(563,588)
Net Cash from (used for) Investing Activities	(694,680)	457,599
Financing Activities		
Collections of contributions restricted to endowment	25,000	-
Net borrowings (repayments) on line of credit	300,000	220,000
Proceeds from issuance of note	150,000	-
Principal payments on note	-	(13,000)
Net Cash from Financing Activities	475,000	207,000
Net Change in Cash and Cash Equivalents	1,360,514	31,972
Cash and Cash Equivalents, Beginning of Year	105,279	73,307
Cash and Cash Equivalents, End of Year	\$ 1,465,793	\$ 105,279
Supplemental Disclosure of Cash Flow Information		
Cash paid during the year for interest	\$ 138,416	\$ 141,897

Note 1 - Principal Activity and Significant Accounting Policies

Organization

Dubuque County Historical Society d/b/a National Mississippi River Museum & Aquarium and National Rivers Hall of Fame (the Organization) owns and/or operates the National Mississippi River Museum & Aquarium, the National Rivers Hall of Fame, RiverWorks Discovery, and the Mathias Ham Historical Site in Dubuque County, Iowa. The mission of the Dubuque County Historical Society is to inspire stewardship by creating educational experiences where history and rivers come alive. The Organization fulfills its mission by focusing efforts in these primary service areas:

Museum Operations – The Organization utilizes exhibits and animals to depict the regional history and culture for visitors.

Collections – Various collections and artifacts are preserved to interpret the rich history of the region, Mississippi, and rivers of America.

Education – The Organization strives to educate engaged citizens on the history and culture of the region and rivers of America.

The Organization operates in the tristate area of northeastern Iowa, southwest Wisconsin, and northwest Illinois. Due to this, the Organization's operations are dependent on this region's economic condition.

Cash and Cash Equivalents

All cash and highly liquid financial instruments with original maturities of three months or less, which are neither held for nor restricted by donors for long-term purposes, are considered to be cash and cash equivalents. Cash and highly liquid financial instruments restricted to building projects, endowments that are perpetual in nature, or other long-term purposes are excluded from this definition.

Receivables and Credit Policies

Accounts receivable consist primarily of noninterest-bearing amounts due from customers for events. Allowance for uncollectable accounts receivable is determined based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Accounts receivable are written off when deemed uncollectable. At December 31, 2020 and 2019, there was no allowance.

Receivables from contracts with customers are reported as accounts receivable, net and contract liabilities are reported as deferred revenue in the accompanying statements of financial position

Grants receivable consist of amounts due from granting agencies for expenses the Organization has already incurred but has not yet been reimbursed for.

Promises to Give

The Organization records unconditional promises to give that are expected to be collected within one year at net realizable value. Unconditional promises to give expected to be collected in future years are initially recorded at fair value using present value techniques incorporating risk-adjusted discount rates (3% for 2020 and 2019) designed to reflect the assumptions market participants would use in pricing the asset. In subsequent years, amortization of the discounts is included in contribution revenue in the statements of activities. Allowance for uncollectible promises to give is determined based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Promises to give are written off when deemed uncollectible. At December 31, 2020 and 2019, the allowance was \$66,333 and \$76,439.

Collections

The Organization's collections, which were acquired through purchases and contributions, are not recognized as assets in the statements of financial position. Purchases of collection items are recorded as decreases in net assets without donor restrictions in the year in which the items are acquired, or as net assets with donor restrictions if the assets used to purchase the items are restricted by donors. The Organization's collections are made up of artifacts of historical significance, art objects, and similar assets held for educational, research, and curatorial purposes. Each of the items is cataloged, preserved, and cared for, and activities verifying their existence and assessing their condition are performed continuously. The collections are subject to a policy that requires proceeds from their sales to be used for the acquisition of the new collection items, the direct care of existing collections, or both. The Organization defines direct care expenditures as costs incurred to enhance the life, usefulness and quality of the collection. Proceeds from deaccessions or insurance recoveries are reflected as increases in the appropriate net asset classes. During 2019, one item was transferred to another nonprofit organization. No other collection items were deaccessioned in 2019 or 2020.

Inventory

Inventory is comprised of program-related merchandise held for sale in the gift shop and concession stand and is stated at the lower of cost or net realizable value determined by the first-in first-out method. No allowance for inventory obsolescence has been recorded.

Property, Equipment and Exhibits

Property, equipment and exhibits additions over \$5,000 are recorded at cost, or if donated, at fair value on the date of donation. Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the assets ranging from five to forty years, or in the case of capitalized leased assets or leasehold improvements, the lesser of the useful life of the asset or the lease term. When assets are sold or otherwise disposed of, the cost and related depreciation or amortization are removed from the accounts, and any resulting gain or loss is included in the statements of activities. Costs of maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed currently.

The carrying values of property, equipment and exhibits are reviewed for impairment whenever events or circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. When considered impaired, an impairment loss is recognized to the extent carrying value exceeds the fair value of the asset. There were no indicators of asset impairment during the years ended December 31, 2020 and 2019.

Beneficial Interest in Assets Held by Community Foundation

The Organization established an endowment fund that is perpetual in nature (the Fund) under the Community Foundation of Greater Dubuque's (CFGD) program and named itself beneficiary. The Organization granted variance power to CFGD which allows CFGD to modify any condition or restriction on its distributions for any specified charitable purpose or to any specified organization if, in the sole judgment of CFGD's Board of Directors, such restriction or condition becomes unnecessary, incapable of fulfillment, or inconsistent with the charitable needs of the community. The Fund is held and invested by CFGD for the benefit of the Organization and is reported at fair value in the statements of financial position (included with investments), with trust distributions and changes in fair value recognized as net investment return in the statements of activities.

The CFGD also holds funds that are contributed by individual donors for the benefit of the Organization. It should be noted, however, that the CFGD has variance power, which allows the CFGD to modify the donor's stipulations under certain circumstances as they monitor the changing needs of the community. These funds are not recorded as an asset on the financial statements of the Organization. These funds that are held by the CFGD and are permanently endowed for the support of the Organization were \$1,853,395 and \$1,791,160 at December 31, 2020 and 2019.

Investments

Investment purchases are recorded at cost, or if donated, at fair value on the date of donation. Thereafter, investments are reported at their fair values in the statements of financial position. Net investment return/(loss) is reported in the statements of activities and consists of interest and dividend income, realized and unrealized capital gains and losses, less external investment expenses.

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board has designated, from net assets without donor restrictions, net assets for an operating reserve and board-designated endowment.

Net Assets With Donor Restrictions – Net assets subject to donor (or certain grantor) restrictions. Some restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor or grantor. Other restrictions are perpetual in nature, where the donor or grantor stipulates that resources be maintained in perpetuity. The Organization reports contributions restricted by donors or grantors as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Revenue and Revenue Recognition

The Organization recognizes revenue from ticket sales at the time of admission. Membership dues collected, which are nonrefundable, are recognized as revenue ratably over the period to which the dues relate. Dues collected in advance are recorded as deferred revenue until they are earned. The Organization records special events revenue equal to the fair value of direct benefits to donors, and contribution income for the excess received when the event takes place.

The Organization recognizes contributions when cash, securities or other assets; an unconditional promise to give; or a notification of a beneficial interest is received. Conditional promises to give – that is, those with a measurable performance or other barrier and a right or return – are not recognized until the conditions on which they depend have been met.

A portion of the Organization’s revenue is derived from cost-reimbursable federal and state contracts and grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Organization has incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are reported as deferred revenue in the statements of financial position.

Donated Services and In-Kind Contributions

Volunteers contribute significant amounts of time to the Organization’s program services, administration, and fundraising and development activities; however, the financial statements do not reflect the value of these contributed services because they do not meet recognition criteria prescribed by generally accepted accounting principles. Donated materials and facilities are recorded at fair value at the date of donation (Note 14).

Advertising Costs

Advertising costs are expensed as incurred and approximated \$169,000 and \$209,000 during the years ended December 31, 2020 and 2019.

Functional Allocation of Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include utilities and depreciation, which are allocated based on estimated use.

Income Taxes

The Organization has been recognized by the Internal Revenue Service (IRS) as exempt from federal income taxes under Section 501(a) of the Internal Revenue Code as organizations described in Section 501(c)(3), qualifies for the charitable contribution deduction under Section 170(b)(1)(A)(vi), and has been determined not to be a private foundation under Section 509(a)(1). The Organization is annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS. In addition, the Organization is subject to income tax on net income that is derived from business activities that is unrelated to its exempt purposes. Management has determined that the Organization is not subject to unrelated business income tax and has not filed an Exempt Organization Business Income Tax Return (Form 990-T) with the IRS.

Management believes that the Organization has appropriate support for any tax positions taken affecting its annual filing requirements, and as such, does not have any uncertain tax positions that are material to the financial statements. The Organization would recognize future accrued interest and penalties related to unrecognized tax benefits and liabilities in income tax expense if such interest and penalties are incurred.

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 at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates and those differences could be material.

Financial Instruments and Credit Risk

Deposit concentration risk is managed by placing cash in financial institutions believed to be creditworthy. At times, amounts on deposit may exceed insured limits. To date, the Organization has not experienced losses in any of these accounts. Credit risk associated with accounts receivable and promises to give is considered to be limited due to high historical collection rates and because substantial portions of the outstanding amounts are due from Board members, governmental agencies and foundations supportive of the Organization's mission.

Reclassifications

Certain reclassifications of amounts previously reported have been made to the accompanying financial statements to maintain consistency between periods presented. The reclassification had no impact on previously reported net assets.

Subsequent Events

Subsequent events have been evaluated through June 17, 2021, the date the financial statements were available to be issued.

Note 2 - Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following:

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 1,465,793	\$ 105,279
Accounts receivable	15,420	46,570
Grants receivable	108,372	145,642
Promises to give, net	140,871	184,380
Operating investments	307,597	254,417
Endowment spending-rate distributions and appropriations	<u>302,000</u>	<u>313,000</u>
Financial assets available to meet general expenditures within one year	<u>\$ 2,340,053</u>	<u>\$ 1,049,288</u>

Endowment funds consist of donor-restricted endowments and funds designated by the board as endowments. Income from donor-restricted endowments is available for general use. Donor-restricted endowment funds are not available for general expenditure.

The board-designated endowment annual target spending rate is 5 percent. Although the Organization does not intend to spend from this board-designated endowment (other than amounts appropriated for general expenditure as part of the Board’s annual budget approval and appropriation), these amounts could be made available if necessary.

As part of a liquidity management plan, cash in excess of daily requirements is invested in money market and short-term investments. The Board designates a portion of investments as operating reserve to approximate 5 percent of the trailing five-year average of the total investment portfolio.

Note 3 - Fair Value Measurements and Disclosures

The Organization has determined the fair value of certain assets and liabilities in accordance with generally accepted accounting principles, which provides a framework for measuring fair value.

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Valuation techniques should maximize the use of observable inputs and minimize the use of unobservable inputs. A fair value hierarchy has been established, which prioritizes the valuation inputs into three broad levels.

Level 1 inputs consist of quoted prices (unadjusted) in active markets for identical assets or liabilities that can be accessed at the reporting date. Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the related asset or liability, either directly or indirectly. These included quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or the liability and market-corroborated inputs Level 3 inputs are unobservable inputs related to the asset or liability. In these situations, inputs are developed using the best information in the circumstances.

In some cases, the inputs used to measure the fair value of an asset or a liability might be categorized within different levels of the fair value hierarchy. In those cases, the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. Assessing the significance of a particular input to entire measurement requires judgment, taking into account factors specific to the asset or liability. The categorization of an asset within the hierarchy is based upon the pricing transparency of the asset and does not necessarily correspond to our assessment of the quality, risk, or liquidity profile of the asset or liability.

A significant portion of investments are classified within Level 1 because they are comprised of stocks and mutual funds with readily determinable fair values based on daily redemption values.

Dubuque County Historical Society

Notes to Financial Statements

December 31, 2020 and 2019

The following table presents assets measured at fair value on a recurring basis at December 31, 2020:

	Total	Fair Value Measurements at Report Date Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Operating investments				
Money market (at cost)	\$ 6,946	\$ -	\$ -	\$ -
Fixed income mutual fund	52,413	52,413	-	-
Equity mutual fund	199,362	199,362	-	-
Stocks	48,133	48,133	-	-
Beneficial interest in net assets held by community foundation	743	-	-	743
	<u>\$ 307,597</u>	<u>\$ 299,908</u>	<u>\$ -</u>	<u>\$ 743</u>
Board-designated endowment investments				
Money market (at cost)	\$ 47,409	\$ -	\$ -	\$ -
Fixed income mutual fund	357,742	357,742	-	-
Equity mutual fund	1,360,734	1,360,734	-	-
Stocks	328,531	328,531	-	-
Beneficial interest in net assets held by community foundation	5,071	-	-	5,071
	<u>\$ 2,099,487</u>	<u>\$ 2,047,007</u>	<u>\$ -</u>	<u>\$ 5,071</u>
Endowment investments				
Money market (at cost)	\$ 84,564	\$ -	\$ -	\$ -
Fixed income mutual fund	638,106	638,106	-	-
Equity mutual fund	2,427,146	2,427,146	-	-
Stocks	586,001	586,001	-	-
Beneficial interest in net assets held by community foundation	9,044	-	-	9,044
	<u>\$ 3,744,861</u>	<u>\$ 3,651,253</u>	<u>\$ -</u>	<u>\$ 9,044</u>

Dubuque County Historical Society

Notes to Financial Statements

December 31, 2020 and 2019

The following table presents assets measured at fair value on a recurring basis at December 31, 2019:

	Total	Fair Value Measurements at Report Date Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Operating investments				
Money market (at cost)	\$ 9,744	\$ -	\$ -	\$ -
Fixed income mutual fund	12,750	12,750	-	-
Equity mutual fund	156,883	156,883	-	-
Stocks	74,431	74,431	-	-
Beneficial interest in net assets held by community foundation	609	-	-	609
	<u>\$ 254,417</u>	<u>\$ 244,064</u>	<u>\$ -</u>	<u>\$ 609</u>
Board-designated endowment investments				
Money market (at cost)	\$ 84,897	\$ -	\$ -	\$ -
Fixed income mutual fund	111,108	111,108	-	-
Equity mutual fund	1,367,096	1,367,096	-	-
Stocks	648,600	648,600	-	-
Beneficial interest in net assets held by community foundation	5,311	-	-	5,311
	<u>\$ 2,217,012</u>	<u>\$ 2,126,804</u>	<u>\$ -</u>	<u>\$ 5,311</u>
Endowment investments				
Money market (at cost)	\$ 131,473	\$ -	\$ -	\$ -
Fixed income mutual fund	172,064	172,064	-	-
Equity mutual fund	2,117,105	2,117,105	-	-
Stocks	1,004,431	1,004,431	-	-
Beneficial interest in net assets held by community foundation	8,225	-	-	8,225
	<u>\$ 3,433,298</u>	<u>\$ 3,293,600</u>	<u>\$ -</u>	<u>\$ 8,225</u>

Dubuque County Historical Society

Notes to Financial Statements

December 31, 2020 and 2019

Below is a reconciliation of the beginning and ending balance of assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the years ended December 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Beneficial Interest in Net Assets Held by Community Foundation:		
Beginning Balance	\$ 14,145	\$ 12,548
Net investment return	1,293	2,277
Distributions	<u>(580)</u>	<u>(680)</u>
Ending Balance	<u>\$ 14,858</u>	<u>\$ 14,145</u>

Note 4 - Promises to Give

Unconditional promises to give are estimated to be collected as follows for the years ended December 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Within one year	\$ 140,871	\$ 184,380
In one to five years	<u>532,440</u>	<u>580,001</u>
	673,311	764,381
Less discount to net present value at 3%	(47,159)	(59,986)
Less allowance for uncollectable promises to give	<u>(66,333)</u>	<u>(76,439)</u>
	<u>\$ 559,819</u>	<u>\$ 627,956</u>

At December 31, 2020, 8 donors accounted for 77% of total contributions and 6 donors account for 66% of promises to give. At December 31, 2019, 3 donors accounted for 51% of total contributions and 3 donors account for 84% of promises to give.

Note 5 - Property, Equipment and Exhibits

Property, equipment and exhibits consists of the following:

	<u>2020</u>	<u>2019</u>
Land and non-depreciable land improvements	\$ 3,211,147	\$ 3,211,147
Land improvements	2,135,962	2,124,987
Buildings and improvements	32,419,914	32,288,618
Equipment	803,176	803,176
Exhibits	17,975,999	17,820,241
Construction in progress	<u>2,056,761</u>	<u>1,104,474</u>
	58,602,959	57,352,643
Less accumulated depreciation	<u>(26,757,987)</u>	<u>(24,829,751)</u>
	<u><u>\$ 31,844,972</u></u>	<u><u>\$ 32,522,892</u></u>

Construction in progress at December 31, 2020 and 2019 consists mainly of expenses incurred for the Rivers of Innovation project. The project will be completed in June 2021 with an estimated total cost of \$3 million and is financed through fundraising.

Note 6 - Revenue from Contracts with Customers (Deferred Revenue)

The following table provides information about significant changes in the contract liabilities for the years ended December 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Deferred revenue, beginning of year	\$ 83,866	\$ 76,169
Revenue recognized that was included in deferred revenue at the beginning of the year	(73,866)	(76,169)
Increases in deferred revenue due to cash received during the year	<u>335,793</u>	<u>83,866</u>
Deferred revenue, end of year	<u><u>\$ 345,793</u></u>	<u><u>\$ 83,866</u></u>

Note 7 - Notes Payable

Notes payable consists of the following at December 31, 2020 and 2019:

	2020	2019
Note payable, due in monthly installments of \$641 beginning June 7, 2021, plus interest at 2.75% to June 7, 2050, secured by assets of Organization	\$ 150,000	\$ -
5.25% note payable, principal and accumulated interest due on February 12, 2026, secured by unconditional donor funds *	486,190	486,190
	\$ 636,190	\$ 486,190

* This note had a maturity date of December 18, 2020 and was extended on January 14, 2021 with a maturity date of February 16, 2021. On February 12, 2021, the original note was paid off and a new note was secured with a different lender with a maturity date of February 12, 2026.

Future maturities of notes payable are as follows:

Years Ending December 31,	
2021	\$ -
2022	1,615
2023	3,601
2024	3,691
2025	3,807
Thereafter	623,476
	\$ 636,190

Note 8 - Line of Credit

The Organization had a \$3,000,000 revolving line of credit with a bank, secured by property. The line of credit note expired on December 18, 2020 and was renewed on January 14, 2021 with a new maturity date of February 16, 2021. Borrowings under the line incurred interest at the bank's prime rate plus 0.25%, or a floor of 5.00% (5.00% at December 31, 2020 and 2019). On February 12, 2021, the Organization secured a \$3,500,000 revolving line of credit with a different lender. Accrued interest and principal for the new line of credit are due at maturity (February 12, 2024). The agreement requires the Organization to comply with certain financial and non-financial covenants.

Note 9 - Refundable Advance

The Organization was granted a \$566,000 loan under the Paycheck Protection Program (PPP) administered by a Small Business Administration (SBA) approved partner. The loan is uncollateralized and is fully guaranteed by the Federal government. The Organization is eligible for loan forgiveness of up to 100% of the loan, upon meeting certain requirements. The Organization recorded a note payable and records the forgiveness upon being legally released from the loan obligation by the SBA. \$556,000 forgiveness income has been recorded for the year ended December 31, 2020 with the remainder of the balance expected to be forgiven in 2021.

In April 2021, the Organization applied for and was granted an additional \$566,000 loan under the PPP.

Note 10 - Leases

Office and storage space is leased under various operating leases, expiring at various dates through 2107.

Future minimum lease payments are as follows:

<u>Years Ending December 31,</u>	
2021	\$ 80,391
2022	78,202
2023	74,403
2024	74,403
2025	74,403
Thereafter	<u>1,744,913</u>
Total future minimum lease payments	<u>\$ 2,126,715</u>

Rent expense for the years ended December 31, 2020 and 2019 totaled \$211,726 and \$208,237. See Note 14 for disclosure of donated facilities that is included with the rent expense amount.

Note 11 - Endowments

The Organization's endowment (the Endowment) consists of approximately 10 individual funds established by donors to provide annual funding for general operations. The Endowment also includes certain net assets without donor restrictions that have been designated for endowment by the Board of Directors.

The Board of Directors has interpreted the Iowa Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the date of the donor-restricted endowment funds, unless there are explicit donor stipulations to the contrary. At December 31, 2020 and 2019, there were no such donor stipulations. As a result of this interpretation, the Organization retains in perpetuity (a) the original value of initial and subsequent gift amounts (including promises to give net of discount and allowance for doubtful accounts) donated to the Endowment and (b) any accumulations to the Endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added. Donor-restricted amounts not retained in perpetuity are subject to appropriation for expenditure in a manner consistent with the standard of prudence prescribed by UPMIFA. The following factors are considered in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purposes of the organization 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 organization
- The investment policies of the organization

As of December 31, 2020, endowment net asset composition by type of fund is as follows:

	Without Donor Restriction	With Donor Restrictions	Total
<u>December 31, 2020</u>			
Board-Designated Endowment Funds	\$ 2,099,487	\$ -	\$ 2,099,487
Donor-Restricted Endowment Funds			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	-	3,531,841	3,531,841
Accumulated investment gains	-	213,020	213,020
	\$ 2,099,487	\$ 3,744,861	\$ 5,844,348

As of December 31, 2019, endowment net asset composition by type of fund is as follows:

	Without Donor Restriction	With Donor Restrictions	Total
<u>December 31, 2019</u>			
Board-Designated Endowment Funds	\$ 2,217,012	\$ -	\$ 2,217,012
Donor-Restricted Endowment Funds			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	-	3,433,298	3,433,298
	<u>\$ 2,217,012</u>	<u>\$ 3,433,298</u>	<u>\$ 5,650,310</u>

From time to time, certain donor-restricted endowment funds may have fair values less than the amount required to be maintained by donors or by law (underwater endowments). The Organization has interpreted UPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law. At December 31, 2020 and 2019 there were no underwater endowments.

Investment and Spending Policies

The Organization's endowment assets are commingled with its other investments. Under its investment policy, as approved by the board of directors, the assets are invested in a manner that will help to ensure that the assets are managed in the best interest of the Organization and at the most economical cost. The primary goal of the Organization's investment assets is to achieve long-term real rate-of-return growth. The Organization 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). A significant portion of the funds are invested to seek growth of principal over time.

According to the investment policy, at a minimum, over rolling three to five-year periods, the total expected return of the investment portfolio should exceed comparable benchmarks by 0.25%. Actual returns in any given year may vary from this amount. The Organization can assume an above-average degree of fluctuation in the return to maintain the purchasing power of the investments. Specifically relating to endowments, the investment policy states that principal in permanently restricted endowment funds shall not be invaded for any reason other than to satisfy the requirements of applicable law, which would otherwise deprive the Organization of its tax-exempt and/or public charity status. The principal in board-designated endowment funds can be utilized for short-term cash needs with approval of the Board.

Dubuque County Historical Society

Notes to Financial Statements

December 31, 2020 and 2019

An endowment spending-rate formula is used to determine the maximum amount to spend from the Endowment, including those endowments deemed to be underwater, each year. The rate, determined and adjusted from time to time by the Board of Directors, is applied to the total year-end value averaging over the trailing 20 quarters. During 2020 and 2019, the spending rate maximum was 5.0 percent. In establishing this policy, the Board of Directors considered the long-term expected return on the Endowment and set the rate with the objective of maintaining the purchasing power of the Endowment over time.

Changes in Endowment net assets for the years ended December 31, 2020 are as follows:

	<u>Without Donor Restriction</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment Net Assets, Beginning of Year	\$ 2,217,012	\$ 3,433,298	\$ 5,650,310
Investment Return, Net	302,742	468,831	771,573
Contributions	280,000	25,000	305,000
Appropriation of Endowment Assets Pursuant to Spending-Rate Policy	(117,697)	(182,268)	(299,965)
Other Changes			
Distribution from board-designated endowment	<u>(582,570)</u>	<u>-</u>	<u>(582,570)</u>
Endowment Net Assets, End of Year	<u>\$ 2,099,487</u>	<u>\$ 3,744,861</u>	<u>\$ 5,844,348</u>

Changes in Endowment net assets for the years ended December 31, 2019 are as follows:

	<u>Without Donor Restriction</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment Net Assets, Beginning of Year	\$ 2,446,224	\$ 3,375,748	\$ 5,821,972
Investment Return, Net	88,361	57,550	145,911
Other Changes			
Distribution from board-designated endowment	<u>(317,573)</u>	<u>-</u>	<u>(317,573)</u>
Endowment Net Assets, End of Year	<u>\$ 2,217,012</u>	<u>\$ 3,433,298</u>	<u>\$ 5,650,310</u>

Note 12 - Net Assets with Donor Restrictions

Net assets with donor restrictions are restricted for the following purposes or periods.

	2020	2019
Subject to Expenditure for Specified Purpose		
Exhibits	\$ 65,459	\$ 40,000
Education	21,286	48,437
	86,745	88,437
Subject to the Passage of Time		
Promises to give that are not restricted by donors, but which are unavailable for expenditure until due	559,819	764,381
	646,564	852,818
Endowments		
Subject to appropriation and expenditure when a specified event occurs		
Restricted by donors for		
Available for general use	213,020	-
Perpetual in nature, earnings from which are subject to endowment spending policy appropriation		
General use	3,531,841	3,433,298
Total endowments	3,744,861	3,433,298
	\$ 4,391,425	\$ 4,286,116

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by the donors as follows:

	2020	2019
Expiration of Time Restrictions	\$ 484,193	\$ 76,394
Satisfaction of Purpose Restrictions		
Exhibits	-	107,838
Education	27,151	47,861
	511,344	232,093
Restricted-purpose Spending-rate Distributions and Appropriations		
General use	182,268	-
	\$ 693,612	\$ 232,093

Note 13 - Employee Benefits

The Organization sponsors a tax-deferred annuity plan (the Plan) qualified under IRC Section 403(b) covering substantially all full-time employees. The plan provides that after 90 days of employment, employees may voluntarily contribute up to the maximum contribution allowed by the IRS. For any eligible employee working 1,000 hours or more during the calendar year, the Organization will match 50% of the deferral up to a total of 4% of their compensation. During the years ended December 31, 2020 and 2019, the Organization matched employee voluntary contributions resulting in contributions to the plan of \$53,217 and \$52,763.

Note 14 - Donated Facilities and Materials

The value of donated facilities and materials received are reported on the Statements of Activities (Museum Operations) and are as follows:

	2020	2019
Rent	\$ 198,984	\$ 193,188
Auction and raffle items	37,185	86,184
	\$ 236,169	\$ 279,372

Note 15 - Contingencies

During 2020, the world-wide coronavirus pandemic impacted national and global economies. Dubuque County Historical Society is closely monitoring its operations, liquidity and capital resources and is actively working to minimize the current and future impact of this unprecedented situation. As of the date of issuance of these financial statements, the current and future full impact to the Organization is not known.

Note 16 - Related Party Transactions

During the years ended December 31, 2020 and 2019, construction services totaling \$570,781 and \$475,301, respectively, were purchased from a company owned by a family member of a Board of Director. At December 31, 2020 and 2019, Board members had promises to give balances totaling \$362,416 and \$594,977.



Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

To the Board of Directors
Dubuque County Historical Society
Dubuque, Iowa

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of Dubuque County Historical Society, which comprise the statements of financial position as of December 31, 2020, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated June 17, 2021.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Dubuque County Historical Society’s internal control over financial reporting (internal control) as a basis for designing audit 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 Dubuque County Historical Society’s internal control. Accordingly, we do not express an opinion on the effectiveness of Dubuque County Historical Society’s internal control.

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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section 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 have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2020-001 that we consider to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Dubuque County Historical Society's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Dubuque County Historical Society's Response to the Finding

Dubuque County Historical Society's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. Dubuque County Historical Society's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Dubuque, Iowa
June 17, 2021



Independent Auditor's Report on Compliance for Its Major Federal Program; Report on Internal Control Over Compliance; and Report on the Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

To the Board of Directors
Dubuque County Historical Society
Dubuque, Iowa

Report on Compliance for Its Major Federal Program

We have audited Dubuque County Historical Society's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on Dubuque County Historical Society's major federal program for the year ended December 31, 2020. Dubuque County Historical Society's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on the compliance for Dubuque County Historical Society's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Dubuque County Historical Society's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our qualified opinion on compliance for its major federal program. However, our audit does not provide a legal determination of Dubuque County Historical Society's compliance.

Basis for Qualified Opinion on the Major Federal Program

As described in the accompanying schedule of findings and questioned costs, Dubuque County Historical Society did not comply with requirements regarding CFDA 45.130 Promotion of the Humanities Challenge Grants as described in finding number 2020-002 for Special Tests and Provisions. Compliance with such requirements is necessary, in our opinion, for Dubuque County Historical Society to comply with the requirements applicable to that program.

Qualified Opinion

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, Dubuque County Historical Society complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major Federal program identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs for the year ended December 31, 2020.

Dubuque County Historical Society's response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. Dubuque County Historical Society's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

Management of Dubuque County Historical Society is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Dubuque County Historical Society's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Dubuque County Historical Society's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses and significant deficiencies and therefore, material weaknesses and significant deficiencies may exist that have not been identified. We identified a certain deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2020-002 that we consider to be a material weakness.

Dubuque County Historical Society's response to the internal control over compliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. Dubuque County Historical Society's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of Dubuque County Historical Society as of and for the year ended December 31, 2020, and have issued our report thereon dated June 17, 2021, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.



Dubuque, Iowa
June 17, 2021

Dubuque County Historical Society
Schedule of Expenditures of Federal Awards
Year Ended December 31, 2020

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Expenditures
United States Department of the Interior Pass-Through Program From Iowa Department of Cultural Affairs National Maritime Heritage Grants	15.925	P18AP00356	\$ 66,999
National Endowment for the Humanities Promotion of the Humanities Challenge Grants	45.130		750,000
Promotion of the Humanities Challenge Grants	45.130		439,571
			<u>1,189,571</u>
Museums for America	45.301		<u>392</u>
Total National Endowment for the Humanities			<u>1,189,963</u>
Small Business Administration COVID-19 - Disaster Assistance Loans	59.008		<u>150,000</u>
Total Federal Financial Assistance			<u>\$ 1,406,962</u>

See Notes to Schedule of Expenditures of Federal Awards.

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the schedule) includes the federal grant activity of Dubuque County Historical Society (Organization) under programs of the federal government for the year ended December 31, 2020. The information is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the Organization, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Organization.

Note 2 - Significant Accounting Policies

Expenditures reported in the schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. No federal financial assistance has been provided to a subrecipient.

Note 3 - Indirect Cost Rate

The Organization has elected to use the 10% de minimis cost rate.

Note 4 - Endowment Funds

Uniform Guidance states that the cumulative balance of federal awards for endowment funds, which are federally restricted, are considered awards expended in each year in which the funds are restricted. The amount restricted at December 31, 2020 and reported as expenditures in the schedule is \$750,000.

Note 5 - Loan Programs

Expenditures reported in this schedule consist of the beginning of the year outstanding loan balance plus advances made on the loan during the year. The outstanding balance at December 31, 2020 is \$150,000.

Section I – Summary of Auditor’s Results

FINANCIAL STATEMENTS

Type of auditor's report issued	Unmodified
Internal control over financial reporting	
Material weaknesses identified	No
Significant deficiencies identified not considered to be material weaknesses	Yes
Noncompliance material to financial statements noted?	No

FEDERAL AWARDS

Internal control over major program	
Material weaknesses identified	Yes
Significant deficiencies identified not considered to be material weaknesses	None reported
Type of auditor's report issued on compliance for major program	Qualified
Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance 2 CFR 200.516	Yes

Identification of major programs

<u>Name of Federal Program</u>	<u>CFDA Number</u>
Promotion of the Humanities Challenge Grants	45.130
Dollar threshold used to distinguish between type A and type B programs	\$750,000
Auditee qualified as low-risk auditee?	Yes

Section II – Financial Statement Findings

2020-001 **Preparation of Financial Statements Significant Deficiency**

Criteria: A properly designed system of internal control over financial reporting includes the preparation of an entity's financial statements, including the schedule of expenditures of federal awards, and accompanying notes to the financial statements by internal personnel of the entity. Management is responsible for establishing and maintaining internal control over financial reporting and procedures relating to the fair presentation of the financial statements in accordance with U.S. generally accepted accounting principles (GAAP).

Condition: The Organization does not have an internal control system designed to provide for the preparation of the financial statements, including the accompanying footnotes and statement of cash flows, as required by GAAP. As auditors, we were requested to draft the financial statements and accompanying notes to the financial statements.

In addition, during our engagement, we proposed audit adjustments related to deferred revenue and the classification of investment income.

Cause: The outsourcing of preparation of the annual year-end financial statements is not unusual in an organization of your size. We realize that obtaining the expertise necessary to prepare the financial statements, including all necessary disclosures, in accordance with GAAP can be considered costly and ineffective.

Effect: The effect of this condition is that the year-end financial reporting is prepared by a party outside the entity. The outside party does not have the constant contact with ongoing financial transactions that internal staff have. Furthermore, it is possible that new standards may not be adopted and applied timely to the interim financial reporting. In addition, there was financial data not in accordance with generally accepted accounting principles.

Recommendation: It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations. We recommend that management continue reviewing operating procedures in order to obtain the maximum internal control over financial reporting possible under the circumstances to enable staff to draft the financial statements internally.

Views of Responsible Officials: Management agrees with the finding.

Section III – Federal Award Findings and Questioned Costs

**2020-002 National Endowment for the Humanities
CFDA # 45.130 Promotion of the Humanities Challenge Grant
Federal Award Number CHA-261975 for the fiscal year ended December 31, 2020**

Special Tests and Provisions

Material Weakness in Internal Control over Compliance and Material Noncompliance

Criteria: The grant agreement includes provisions related to the Davis-Bacon Act. The Davis-Bacon Act requires additional documentation related to prevailing wage rates, including certified payrolls.

Condition: The required prevailing wage rate documentation was not obtained by the Organization.

Cause: The Organization's internal controls over compliance are not properly designed to ensure the compliance with the Davis-Bacon grant requirements.

Effect: The Organization did not comply with the requirements of the Davis-Bacon Act.

Questioned Costs: None.

Context/Sampling: The year ended December 31, 2020 grant activity included one contract in which the Davis-Bacon Act was applicable.

Repeat Finding from Prior Year(s): No

Recommendation: We recommend the Organization develop and implement procedures to ensure compliance with the Davis-Bacon grant requirements.

Views of Responsible Officials: Management agrees with the finding.