

**Mason County
Historical Society, Inc.**

FINANCIAL STATEMENTS AND INDEPENDENT
AUDITORS' REPORT

Years ended December 31, 2023
and December 31, 2022

Mason County Historical Society, Inc.

Table of Contents

Independent Auditor's Report	1 - 2
Statements of Financial Position.....	3
Statements of Activities.....	4
Statement of Functional Expenses for the Year Ended December 31, 2023.....	5
Statement of Functional Expenses for the Year Ended December 31, 2022.....	6
Statements of Cash Flows.....	7
Notes to the Financial Statements	8-16

INDEPENDENT AUDITOR'S REPORT

June 21, 2024

To the Board of Directors
Mason County Historical Society, Inc.
Ludington, MI 49431

Opinion

We have audited the accompanying financial statements of Mason County Historical Society, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2023 and December 31, 2022, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Mason County Historical Society, Inc. as of December 31, 2023 and 2022, 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

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Mason County Historical Society, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Mason County Historical Society, Inc.'s ability to continue as a going concern for a reasonable period of time.

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

Lake Michigan CPA Services, PLLC

Ludington, Michigan
June 21, 2024

Mason County Historical Society, Inc.

Statements of Financial Position
December 31, 2023 and 2022

	ASSETS	
	December 31, 2023	December 31, 2022
CURRENT ASSETS		
Cash and cash equivalents	\$ 178,197	\$ 220,084
Inventory	106,934	91,559
Accounts receivable	-	200
Promises to give, current	115,750	141,000
Total current assets	400,881	452,843
NONCURRENT ASSETS		
Long-term promises to give, net of discount of \$20,162 for 2023 and \$3,344 for 2022	186,696	111,588
Historical displays	622,928	622,928
Property and equipment		
Construction in progress	878,146	784,628
Land and improvements	34,072	34,072
Buildings	1,527,476	1,565,134
Leasehold improvements	3,216,850	3,179,193
Equipment and furniture	189,215	174,188
Museum fixtures	1,277,757	1,268,322
Less: accumulated depreciation	(1,320,956)	(1,139,135)
Net property and equipment	5,802,560	5,866,402
Total noncurrent assets	6,612,184	6,600,918
Total assets	\$ 7,013,065	\$ 7,053,761
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 1,456	\$ 11,238
Accrued payroll liabilities	6,015	5,211
Unearned revenue		
Gift certificates	50	-
Legacy campaign donations	108,041	208,041
Historical society memberships and donations	610	2,485
Mariners baseball	46	46
Cultural and economic development	11,732	11,732
Ludington murals	8,679	9,678
Equipment lease payable	6,081	2,413
Line of credit	682,135	787,988
Total current liabilities	824,845	1,038,832
NET ASSETS		
Net assets without donor restrictions	5,733,464	5,532,397
Time or purpose restrictions		
Smedley temporarily restricted net assets	119,829	119,829
Legacy campaign	183,312	208,041
Special projects	41,369	44,416
Total temporarily restricted net assets	344,510	372,286
Restrictions that are perpetual in nature		
Donor restricted endowments	110,246	110,246
Total net assets	6,188,220	6,014,929
Total liabilities and net assets	\$ 7,013,065	\$ 7,053,761

See independent auditor's report.

Mason County Historical Society, Inc.

Statements of Activities
For the Years Ended December 31, 2023 and December 31, 2022

	December 31, 2023			December 31, 2022		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES						
Grants	\$ 32,300	\$ -	\$ 32,300	\$ 1,000	\$ -	\$ 1,000
Merchandise and concessions sales	79,407	-	79,407	85,508	-	85,508
Contributions and memberships	286,245	300,500	586,745	247,012	1,225,000	1,472,012
Rent and admission fees	138,845	-	138,845	133,895	-	133,895
Investment earnings	57	-	57	77	-	77
Special event income	943	-	943	4,513	-	4,513
Fundraising income	22,400	-	22,400	5,388	-	5,388
Pledge discount amortization	-	-	-	-	-	-
Other income	704	-	704	228	-	228
Total revenues	560,901	300,500	861,401	477,621	1,225,000	1,702,621
Net assets released from restrictions	328,276	(328,276)	-	1,016,959	(1,016,959)	-
Total revenues and net assets released from restrictions	889,177	(27,776)	861,401	1,494,580	208,041	1,702,621
EXPENSES						
Program services	607,599	-	607,599	580,990	-	580,990
Supporting services						
Management and general	59,855	-	59,855	87,224	-	87,224
Fundraising	20,656	-	20,656	8,398	-	8,398
Total expenses	688,110	-	688,110	676,612	-	676,612
Change in net assets	201,067	(27,776)	173,291	817,968	208,041	1,026,009
Net assets at January 1	5,532,397	482,532	6,014,929	4,714,429	274,491	4,988,920
Net assets at December 31	\$ 5,733,464	\$ 454,756	6,188,220	\$ 5,532,397	\$ 482,532	6,014,929

See independent auditor's report.

Mason County Historical Society, Inc.

Statement of Functional Expenses Year Ended December 31, 2023

	Program Services	Supporting Services		Total
		Management and general	Fundraising	
Compensation	\$ 165,175	\$ 38,500	\$ 2,750	\$ 206,425
Payroll taxes	16,962	1,581	316	18,859
Advertising	50,569	-	-	50,569
Contracted services	8,204	912	-	9,116
Credit card processing and bank fees	5,232	542	-	5,774
Depreciation	181,821	-	-	181,821
Dues and fees	4,922	417	-	5,339
Exhibits and artifacts	9,726	-	-	9,726
Gift shop and concessions	47,523	-	-	47,523
Insurance	20,213	1,181	-	21,394
Interest	-	-	-	-
Maintenance and repair	19,247	340	-	19,587
Meeting costs	-	1,511	-	1,511
Miscellaneous	142	-	-	142
Office expenses	16,522	1,836	-	18,358
Pledge discount	-	9,141	-	9,141
Postage	2,020	224	-	2,244
Professional fees	3,600	400	-	4,000
Software and subscriptions	9,378	1,042	-	10,420
Special events, tours and workshops	2,290	-	17,590	19,880
Telephone and internet	9,172	1,019	-	10,191
Travel	1,332	1,209	-	2,541
Utilities	33,549	-	-	33,549
	<u>\$ 607,599</u>	<u>\$ 59,855</u>	<u>\$ 20,656</u>	<u>\$ 688,110</u>

See independent auditor's report.

Mason County Historical Society, Inc.

Statement of Functional Expenses Year Ended December 31, 2022

	Program Services	Supporting Services		Total
		Management and general	Fundraising	
Compensation	\$ 156,851	\$ 36,346	\$ 2,596	\$ 195,793
Payroll taxes	13,144	3,635	260	17,039
Advertising	24,886	7,767	1,489	34,142
Contracted services	153	17	-	170
Credit card processing and bank fees	3,393	1,212	242	4,847
Depreciation	160,402	17,822	-	178,224
Dues and fees	7,319	827	165	8,311
Exhibits and artifacts	6,591	-	-	6,591
Gift shop and concessions	61,863	-	-	61,863
Insurance	11,598	2,251	-	13,849
Interest	-	319	-	319
Maintenance and repair	36,952	4,300	-	41,252
Meeting costs	1,006	359	72	1,437
Miscellaneous	79	-	-	79
Office expenses	6,807	763	-	7,570
Pledge discount	16,818	-	-	16,818
Postage	1,681	187	-	1,868
Professional fees	8,861	3,165	633	12,659
Software and subscriptions	7,507	2,680	536	10,723
Special events, tours and workshops	16,117	-	2,405	18,522
Telephone and internet	9,461	1,051	-	10,512
Travel	1,815	1,447	-	3,262
Utilities	27,686	3,076	-	30,762
	<u>\$ 580,990</u>	<u>\$ 87,224</u>	<u>\$ 8,398</u>	<u>\$ 676,612</u>

See independent auditor's report.

Mason County Historical Society, Inc.

Statements of Cash Flows For the Years Ended December 31, 2023 and 2022

	December 31, 2023	December 31, 2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in net assets	\$ 173,291	\$ 1,026,009
Adjustments to reconcile decrease in net assets to net cash provided by operating activities:		
Depreciation	181,821	178,224
(Increase)/decrease in operating assets		
Accounts receivable	200	(200)
Pledges receivable	(49,858)	(149,811)
Inventory	(15,375)	(25,022)
Increase/(decrease) in operating liabilities		
Accounts payable	(9,782)	6,217
Accrued liabilities	804	5,211
Unearned revenue	(102,874)	(631,308)
Net cash provided by operating activities	178,227	409,320
CASH FLOWS FOR INVESTING ACTIVITIES		
Purchase of fixed assets and construction in progress	(117,979)	(828,875)
Purchase of historical displays	-	(11,500)
Net cash provided by/(used for) investing activities	(117,979)	(840,375)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net proceeds from/(payments on) capital lease	3,718	2,413
Net proceeds from/(payments on) line of credit	(105,853)	300,578
Net cash provided by/(used for) financing activities	(102,135)	302,991
NET CHANGE IN CASH AND CASH EQUIVALENTS	(41,887)	(128,064)
Cash and cash equivalents at January 1	220,084	348,148
Cash and cash equivalents at December 31	\$ 178,197	\$ 220,084

See independent auditor's report.

Mason County Historical Society, Inc.

Notes to the Financial Statements

December 31, 2023 and 2022

Note A. Summary of significant accounting policies

Organization and basis of presentation

The Mason County Historical Society, Inc. is a non-for-profit Organization located in Ludington, Michigan, which exists to collect, preserve, and present historically important artifacts, archives, and buildings of Mason County; to foster an understanding of the history of Mason County; and to present educational programs and publications related to the history of Mason County, Michigan. The Mason County Historical Society, Inc. is incorporated under the laws of the State of Michigan and is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code, except on net income derived from unrelated business income.

The financial statements of Mason County Historical Society, Inc. have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

The Organization is required to report information regarding its financial position and activities according to three classes of net assets: net assets without donor restrictions, net assets with time or purpose restrictions, and net assets with perpetual restrictions.

Revenues are reported as increases in unrestricted net assets unless the use of the related asset is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law. Expirations of temporary restrictions on net assets are reported as reclassifications between the applicable classes of net assets.

Program activities

The Organization provides the public with access to historical buildings and displays related to Mason County, educational programs, and publications about the history of Mason County. Program activity costs include the costs of maintaining and restoring historical artifacts, upkeep of the historical buildings at White Pine Village, providing historical publications to the public, and special event costs related to historical programs.

Mason County Historical Society, Inc.

Notes to the Financial Statements

December 31, 2023 and 2022

Cash Equivalents and Short-term Investments

Cash equivalents consist primarily of demand accounts. Certificates of deposit with original maturities of more than 90 days are classified as short-term investments. Cash equivalents and short-term investments are stated at cost, which approximates market value.

Investments

The Organization carries investments in marketable securities with readily determinable fair values and all investments in debt securities at their fair values in the Statement of Financial Position. Unrealized gains and losses are included in the change in net assets in the accompanying Statement of Activities.

Inventories

Inventories are stated at the lower of cost or market determined by the first-in, first-out method.

Donated Services

No amounts have been reflected in the financial statements for donated services. The Organization generally pays for services requiring specific expertise. However, many individuals volunteer their time and perform a variety of tasks that assist the Organization with specific assistance programs, solicitations, and various committee assignments.

Advertising

The Organization uses advertising to promote its programs to the clients it serves. The costs of advertising are expensed as incurred. For the years ended December 31, 2023 and 2022, advertising costs totaled \$50,569 and \$34,142, respectively.

Expense Allocation

Directly identifiable expenses are charged to programs and supporting services. Expenses related to more than one function are charged to programs and supporting services on the basis of periodic time and expense studies. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Organization.

Mason County Historical Society, Inc.

Notes to the Financial Statements

December 31, 2023 and 2022

Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

Note B. Financial Instruments

Concentrations of Credit Risk Arising from Cash Deposits in Excess of Insured Limits

The Organization maintains cash and cash equivalent balances at one financial institution in Michigan. At December 31, 2023 and December 31, 2022, all of the Organization's deposits were insured.

Note C. Endowment Fund

The Organization has an endowment fund with the Mason County Community Foundation called the Mason County Historical Society Endowment Fund. This endowment and contributions to endowment funds made by third party donors have been excluded from the unrestricted assets of the Organization. The investments with the Mason County Community Foundation are invested in various types of marketable equity and debt securities, U.S. Treasuries, commercial paper, and certificates of deposit. The majority of investments are uninsured and uncollateralized.

The Board of Trustees of the Mason County Community Foundation has the power to modify any restriction or condition on the distribution of funds for any specified charitable purpose or to a specified organization if, in the sole judgment of the Boards, such restriction or condition becomes, in effect, unnecessary, incapable of fulfillment, or inconsistent with the charitable needs of the community served. The authority to modify restrictions is sometimes referred to as "variance power" and is a legal standard imposed on all community foundations.

Mason County Historical Society, Inc.

Notes to the Financial Statements

December 31, 2023 and 2022

A summary of the revenues, expenses, and changes in net assets at fair value of the Mason County Historical Center Endowment Fund, for the years ended December 31, 2023 and December 31, 2022 follows:

	December 31, 2023		December 31, 2022
Revenues	\$		
Donor contributions	2,154	\$	7,858
Investment return	<u>23,378</u>		<u>(29,393)</u>
Total revenues	25,532		(21,535)
Expenses			
Grants	(5,622)		(5,308)
Administrative fees	<u>(1,451)</u>		<u>(1,393)</u>
Total expenses	(7,073)		(6,701)
Net change	18,459		(28,236)
Balance, January 1	144,026		172,262
Balance, December 31	\$ <u><u>162,485</u></u>	\$	<u><u>144,026</u></u>

Mason County Historical Society, Inc.

Notes to the Financial Statements

December 31, 2023 and 2022

Note D. Promises to Give

Conditional promises to give are not recognized in the financial statements until the conditions are substantially met. Unconditional promises to give are reported at net realizable value if at the time the promise is made payment is expected to be received in one year or less. Unconditional promises that are expected to be collected in more than one year are reported at fair value initially and in subsequent periods because the Organization elected the fair value option in accordance with generally accepted accounting principles. Management believes that the use of fair value reduces the cost of measuring unconditional promises to give in periods subsequent to their receipt and provides equal or better information to users of its financial statements than if those promises were measured using present value techniques and historical discount rates.

When estimating the fair value of unconditional promises to give, management considers the relationship with the donor, the donor's past history of making timely payments, and the donor's overall creditworthiness when evaluating the promise. All promises to give are measured in the aggregate using present value techniques that consider historical trends of collection, the type of donor (individual or corporation/foundation), general economic conditions in the geographic area in which the majority of the Organization's donors live, the Organization's policies concerning enforcement of promises to give, and market interest rate assumptions. The change in the fair value of the unconditional promises expected to be collected in more than one year is reported as contribution revenue.

The table below presents information about unconditional promises to give cash at December 31, 2023 and December 31, 2022:

Promises Measure at Fair Value	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Promised cash flows	\$ 331,750	\$ 272,750
Carrying amount (fair value) Measurement basis	302,446	252,588
Current Portion	115,750	141,000
Long-term Portion	186,696	111,588

Mason County Historical Society, Inc.

Notes to the Financial Statements

December 31, 2023 and 2022

Note E. Historical Displays

The historical displays of the Organization include land, buildings, and historical artifacts held for public display at White Pine Village and the Rose Hawley Museum. These displays represent a significant asset used in furthering the Organization's mission. There were no current year additions to the historical displays. The collection of historical displays meets the definition of a collection as defined by FASB ASC 958-360-20, because they are held for exhibition to the public, for educational purposes, or for research in furtherance of public service and not financial gain; are protected, cared for, and preserved; and are subject to a policy requiring any proceeds from the sale of collection items to be reinvested in other collection items. The displays are recorded at cost, and due to the fact that they are not exhaustible, no depreciation has been recorded.

Historical collection activity for the year ended December 31, 2023 and 2022 was as follows:

Balance at January 1, 2022	\$ 622,928
Additions during the year ended December 31, 2022	<u>-</u>
Ending balance at December 31, 2022	<u>622,928</u>
Additions during the year ended December 31, 2023	<u>-</u>
Ending balance at December 31, 2023	<u><u>\$ 622,928</u></u>

Mason County Historical Society, Inc.

Notes to the Financial Statements

December 31, 2023 and 2022

Note F. Land, Buildings, and Equipment

The Port of Ludington Maritime Museum was completed during the year ended December 31, 2022. Capital asset additions included the building and fixtures for this museum. A summary of the capital asset activity for the year ended December 31, 2023 is as follows:

	Balance January 1, 2023	Additions	Dispositions	Balance December 31, 2023
Construction in progress	\$ 784,628	\$ 93,518		\$ 878,146
Land and improvements	34,072	-	-	34,072
Buildings	1,527,476	-	-	1,527,476
Leasehold improvements	3,216,850	-	-	3,216,850
Equipment and furniture	174,188	15,027	-	189,215
Museum fixtures	1,268,322	9,435	-	1,277,757
Total	<u>6,176,662</u>	<u>117,980</u>	<u>-</u>	<u>7,123,516</u>
Less accumulated depreciation	<u>1,139,135</u>	<u>181,821</u>	<u>-</u>	<u>1,320,956</u>
Net	<u>\$ 5,215,751</u>	<u>\$ (63,841)</u>	<u>\$ -</u>	<u>\$ 5,802,560</u>

Capital asset activity for the year ended December 31, 2022 was as follows:

	Balance January 1, 2022	Additions	Dispositions	Balance December 31, 2022
Construction in progress	\$ 775,760	\$ 784,628	\$ 775,760	\$ 784,628
Land and improvements	34,072	-	-	34,072
Buildings	787,038	778,096	-	1,565,134
Leasehold improvements	3,161,594	17,599	-	3,179,193
Equipment and furniture	161,593	12,595	-	174,188
Museum fixtures	1,256,605	11,717	-	1,268,322
Total	<u>6,176,662</u>	<u>1,604,635</u>	<u>775,760</u>	<u>7,005,537</u>
Less accumulated depreciation	<u>960,911</u>	<u>178,224</u>	<u>-</u>	<u>1,139,135</u>
Net	<u>\$ 5,215,751</u>	<u>\$ 1,426,411</u>	<u>\$ 775,760</u>	<u>\$ 5,866,402</u>

Mason County Historical Society, Inc.

Notes to the Financial Statements

December 31, 2023 and 2022

Note G. Line of credit

The Organization has a loan commitment for up to \$855,850 on a line of credit, with an interest rate of prime plus .25%. This line of credit was being utilized to provide bridge financing in anticipation of pledge collections for the construction of the new research center and Port of Ludington Maritime Museum. As of December 31, 2023, the balance outstanding was \$682,135 and as of December 31, 2022, the balance was \$787,988.

Note H. Date of Management Review

In preparing the financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through June 21, 2024, the date the financial statements were available to be issued.