

MOUNT RUSHMORE NATIONAL MEMORIAL SOCIETY

**INDEPENDENT AUDITOR'S REPORT
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021**



Ketel Thorstenson, LLP

Certified Public Accountants/Business & Personal Consultants

ktllp.com

MOUNT RUSHMORE NATIONAL MEMORIAL SOCIETY

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Mount Rushmore National Memorial Society
Rapid City, South Dakota

Report on the Financial Statements

Opinion

We have audited the accompanying financial statements of **MOUNT RUSHMORE NATIONAL MEMORIAL SOCIETY** (the Society), which comprise the statements of financial position as of December 31, 2022 and 2021, 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 the Society as of December 31, 2022 and 2021, and the results of its operations 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 audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Society and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Effect of Adopting New Accounting Standard

As discussed in Note 1 to the financial statements, the Financial Accounting Standards Board issued Accounting Standards Update 2016-02, *Leases*, which was adopted by the Society as of January 1, 2022, and supersedes prior lease guidance. The effects of implementing this standard include reflecting right-of-use assets and lease liabilities for long-term noncancelable leases. Leases are classified as operating or financing leases, which determines whether lease expense is recognized on an effective interest method or on a straight-line basis over the term of the lease, respectively. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Society's ability to continue as a going concern within one year after the date that the financial statements were 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 there 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 a fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, 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 procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Society's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Society'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 other internal control matters that we identified during the audit.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The 2022 and 2021 supplementary divisional information is presented for purposes of additional analysis 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 information is fairly stated in all material respects in relation to the financial statements as a whole.



KETEL THORSTENSON, LLP
Certified Public Accountants

April 13, 2023

MOUNT RUSHMORE NATIONAL MEMORIAL SOCIETY

**STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2022 AND 2021**

<u>ASSETS</u>	2022	2021
Cash and Cash Equivalents (Note 2)	\$ 1,365,544	\$ 1,599,473
Investments (Notes 2 and 6)	13,940,658	18,557,700
Accounts Receivable	20,210	1,382
Promises to Give (Note 4)	28,687	29,365
Inventory	616,631	371,032
Prepaid Expenses	13,147	17,931
Other	20,248	20,248
Total Current Assets	16,005,125	20,597,131
 Property and Equipment, Net (Note 3)	 1,783,168	 1,879,318
 Other Assets		
Operating Right-of-Use Asset (Note 8)	159,766	-
 TOTAL ASSETS	 \$ 17,948,059	 \$ 22,476,449
 <u>LIABILITIES AND NET ASSETS</u>		
 Current Liabilities		
Current Portion of Operating Lease Liability (Note 8)	\$ 80,835	\$ -
Accounts Payable and Accrued Expenses	103,032	155,491
Accrued Leave	28,777	29,969
Total Current Liabilities	212,644	185,460
 Long-Term Liabilities		
Operating Lease Liabilities, Net of Current Portion (Note 8)	78,931	-
 Commitments (Notes 7 and 9)		
 Net Assets		
With Donor Restrictions - Purpose - Monumental Movie	113,185	877,798
With Donor Restrictions - Purpose - Junior Rangers	8,261	11,541
With Donor Restrictions - Purpose - Bus Vouchers	1,910	3,000
Total Net Assets with Donor Restrictions	123,356	892,339
 Without Donor Restrictions	 17,533,128	 21,398,650
Total Net Assets	17,656,484	22,290,989
 TOTAL LIABILITIES AND NET ASSETS	 \$ 17,948,059	 \$ 22,476,449

The accompanying notes are an integral part of these financial statements.

MOUNT RUSHMORE NATIONAL MEMORIAL SOCIETY

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2022**

	Net Assets without Donor Restrictions	Net Assets with Donor Restrictions	Total
Support and Revenue			
Net Educational and Product Sales (Note 5)	\$ 1,217,803	\$ -	\$ 1,217,803
Net Investment Return	(2,714,407)	-	(2,714,407)
Net Event Revenue	41,818	-	41,818
Event Center Rental	17,050	-	17,050
Contributions (Note 4)	120,829	113,725	234,554
Membership Sales	10,967	-	10,967
Gain on Disposal of Assets	9,659	-	9,659
Miscellaneous	9,733	-	9,733
Net Asset Released from Restrictions	882,708	(882,708)	-
Total Support and Revenue	(403,840)	(768,983)	(1,172,823)
Expenses			
<i>Program Expenses:</i>			
Direct Program Support for Memorial	1,579,363	-	1,579,363
Indirect Program Support for Memorial	302,345	-	302,345
Retail Program Support	657,158	-	657,158
	2,538,866	-	2,538,866
<i>Support Expenses:</i>			
Management and General	380,143	-	380,143
Retail Support	375,588	-	375,588
Fundraising	167,085	-	167,085
	922,816	-	922,816
Total Expenses	3,461,682	-	3,461,682
Change in Net Assets	(3,865,522)	(768,983)	(4,634,505)
Net Assets -- Beginning of Year	21,398,650	892,339	22,290,989
Net Assets -- End of Year	\$ 17,533,128	\$ 123,356	\$ 17,656,484

The accompanying notes are an integral part of this financial statement.

MOUNT RUSHMORE NATIONAL MEMORIAL SOCIETY

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2021**

	Net Assets without Donor Restrictions	Net Assets with Donor Restrictions	Total
Support and Revenue			
Net Educational and Product Sales (Note 5)	\$ 1,396,223	\$ -	\$ 1,396,223
Net Investment Return	2,397,117	-	2,397,117
Event Center Rental	8,100	-	8,100
Contributions (Note 4)	175,310	390,086	565,396
Grant Revenue	203,746		203,746
Membership Sales	18,865	-	18,865
Loss on Disposal of Assets	(4,996)	-	(4,996)
Miscellaneous	1,727		1,727
Net Asset Released from Restrictions	100	(100)	-
Total Support and Revenue	4,196,192	389,986	4,586,178
Expenses			
<i>Program Expenses:</i>			
Direct Program Support for Memorial	134,397	-	134,397
Indirect Program Support for Memorial	291,275	-	291,275
Retail Program Support	624,222	-	624,222
	1,049,894	-	1,049,894
<i>Support Expenses:</i>			
Management and General	315,695	-	315,695
Retail Support	404,319	-	404,319
Fundraising	186,349	-	186,349
	906,363	-	906,363
Total Expenses	1,956,257	-	1,956,257
Change in Net Assets	2,239,935	389,986	2,629,921
Net Assets -- Beginning of Year	19,158,715	502,353	19,661,068
Net Assets -- End of Year	\$ 21,398,650	\$ 892,339	\$ 22,290,989

The accompanying notes are an integral part of this financial statement.

MOUNT RUSHMORE NATIONAL MEMORIAL SOCIETY

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2022**

	Program		Supporting Services			Total
	Memorial	Retail	Management and General	Retail Support	Fund Raising	2022
Expenses						
Aid to the Park	\$ 1,579,363	\$ -	\$ -	\$ -	\$ -	\$1,579,363
Payroll and Related Benefits (Note 7)	142,206	460,319	243,920	196,258	127,106	1,169,809
Cost of Sales (Note 5)	-	567,429	-	308,564	-	875,993
Rent Airport (Note 8)	-	22,457	-	91,191	-	113,648
Depreciation	43,202	27,574	19,775	18,874	2,409	111,834
Technology and Equipment	13,081	22,308	5,988	14,475	20,839	76,691
Professional Fees	-	-	27,486	810	44,450	72,746
Charges and Fees	-	33,030	2,238	16,604	667	52,539
Licenses and Taxes	8,833	3,505	34,155	1,663	542	48,698
Retail Processing Supplies	-	36,158	-	12,537	-	48,695
Advertising	19,487	1,948	12,167	-	7,753	41,355
Office	7,438	6,572	11,598	3,802	8,259	37,669
Meals and Mileage	2,426	4,426	2,515	4,051	20,212	33,630
Repairs and Maintenance	8,891	18,448	4,070	1,674	496	33,579
Occupancy	8,066	5,991	4,844	5,781	450	25,132
Insurance	10,239	3,765	4,687	5,216	571	24,478
Travel	18,871	4,878	202	-	-	23,951
Other	9,950	916	1,110	-	265	12,241
Telephone	3,365	3,293	1,540	2,652	188	11,038
Dues and Subscriptions	4,348	1,568	3,798	-	335	10,049
Conferences and Meetings	1,942	2	50	-	337	2,331
Total Expenses	1,881,708	1,224,587	380,143	684,152	234,879	4,405,469
Less expenses included with revenues on the Statement of Activities	-	(567,429)	-	(308,564)	(67,794)	(943,787)
Total expenses included in expense section on the Statement of Activities	\$ 1,881,708	\$ 657,158	\$ 380,143	\$ 375,588	\$ 167,085	\$3,461,682

The accompanying notes are an integral part of this financial statement.

MOUNT RUSHMORE NATIONAL MEMORIAL SOCIETY

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2021**

	Program		Supporting Services			Total
	Memorial	Retail	Management and General	Retail Support	Fund Raising	2021
Expenses						
Aid to the Park	\$ 134,397	\$ -	\$ -	\$ -	\$ -	\$ 134,397
Payroll and Related Benefits (Note 7)	148,217	398,801	203,203	190,104	126,677	1,067,002
Cost of Sales (Note 5)	-	660,101	-	368,694	-	1,028,795
Rent Airport (Note 8)	-	13,215	-	106,483	-	119,698
Depreciation	53,251	26,688	8,472	18,014	3,421	109,846
Technology and Equipment	13,325	32,469	(310)	22,478	26,257	94,219
Professional Fees	-	-	64,128	5,474	3,250	72,852
Charges and Fees	-	37,463	5,031	19,015	521	62,030
Licenses and Taxes	12,953	2,563	2,357	1,775	832	20,480
Retail Processing Supplies	182	32,881	-	13,882	-	46,945
Advertising	2,837	4,790	2,837	603	9,743	20,810
Office	6,950	23,290	13,998	8,809	7,915	60,962
Meals and Mileage	2,146	6,377	1,729	3,232	1,177	14,661
Repairs and Maintenance	12,874	26,854	2,048	2,040	827	44,643
Occupancy	8,082	4,811	5,270	5,443	519	24,125
Insurance	9,267	2,791	1,474	3,915	595	18,042
Travel	245	40	92	-	-	377
Other	7,714	558	984	-	3,735	12,991
Telephone	5,061	7,399	805	2,843	325	16,433
Dues and Subscriptions	2,545	1,630	3,577	209	555	8,516
Conferences and Meetings	5,626	1,602	-	-	-	7,228
Total Expenses	425,672	1,284,323	315,695	773,013	186,349	2,985,052
Less expenses included with revenues on the Statement of Activities	-	(660,101)	-	(368,694)	-	(1,028,795)
Total expenses included in expense section on the Statement of Activities	\$ 425,672	\$ 624,222	\$ 315,695	\$ 404,319	\$ 186,349	\$ 1,956,257

The accompanying notes are an integral part of this financial statement.

MOUNT RUSHMORE NATIONAL MEMORIAL SOCIETY

**STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021**

	2022	2021
Cash Flows from Operating Activities		
Change in Net Assets	\$ (4,634,505)	\$ 2,629,921
<i>Adjustments to Reconcile Change in Net Assets to Net Cash Flows Provided by (Used in) Operating Activities:</i>		
Depreciation	111,834	109,846
(Gain)/Loss on Disposal of Assets	(9,659)	4,996
Net Realized and Unrealized (Gain)/Loss on Investments	2,980,744	(2,080,652)
Donated Investments	-	(10,035)
<i>Working Capital Changes Increasing (Decreasing) Cash:</i>		
Accounts Receivable	(18,828)	79,031
Promises to Give	678	2,665
Inventory	(245,599)	(173,592)
Prepaid Expenses	4,784	20,374
Other	-	(76)
Accounts Payable and Accrued Expenses	(53,651)	76,344
Refundable Advance	-	(175,548)
Net Cash Flows Provided by (Used in) Operating Activities	(1,864,202)	483,274
Cash Flows from Investing Activities		
Purchase of Property and Equipment	(19,245)	(35,130)
Proceeds from Disposal of Equipment	13,220	-
Purchase of Investments	(347,056)	(368,445)
Proceeds from Sale of Investments	1,983,354	539,697
Net Cash Flows Provided by Investing Activities	1,630,273	136,122
Change in Cash and Cash Equivalents	(233,929)	619,396
Cash and Cash Equivalents -- Beginning of Year	1,599,473	980,077
Cash and Cash Equivalents -- End of Year	\$ 1,365,544	\$ 1,599,473

Supplemental Disclosures of Cash Flow Information:

Cash Paid for Amounts Included in Measurement of Lease Liabilities

Operating Cash Flows from Operating Leases	\$ 78,528	\$ -
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The accompanying notes are an integral part of these financial statements.

MOUNT RUSHMORE NATIONAL MEMORIAL SOCIETY

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022 AND 2021

(1) Nature of Operations and Summary of Significant Accounting Policies

Operations

Mount Rushmore National Memorial Society (the Society) is a nonprofit organization incorporated in the District of Columbia, for the purpose of supporting America's national and state parks, monuments, memorials, and other lands. The Society's main focus has been to cooperate with the National Park Service (NPS) in operating and maintaining the Mount Rushmore National Memorial (the Memorial) in the best interest of the public. The Society raises funds to finance improvements and programs at the Memorial. Furthermore, the Society promotes the historical, cultural, scientific, and educational activities of the Memorial and the NPS.

The Society, under the division of the Mount Rushmore Bookstores (the Bookstores), also sells program related products at the Memorial and Rapid City Regional Airport (Airport), the activities of which are included in the accompanying financial statements.

The Society also operates a 100 percent-owned subsidiary, known as Mount Rushmore Institute (the Institute) to provide forums, interpret and measure the value of democracy, and to advance the cause of freedom to the world. The Institute had no activity for the year ended December 31, 2022 or 2021.

Summary of Significant Accounting Policies

Basis of Accounting and Financial Statement Presentation

The financial statements are prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles (US GAAP), which required the Society to report information regarding its financial position and activities according to the following net asset classifications:

Net Assets with Donor Restrictions – Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. No such net assets exist at December 31, 2022 or 2021. Donor-imposed restrictions are released when a restriction expires, that is when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both and are reported as reclassifications between the applicable classes of net assets. If the Society receives assets with donor-imposed restrictions and the restriction expires within the same year, the activity is recorded all within Net Assets without Donor Restrictions as the restrictions have expired.

Net Assets without Donor Restrictions – Net assets not subject to donor-imposed restrictions may be expended for any purpose in performing the primary objectives of the Society. Although they may in the future, the Board of Directors has not designated any net assets without donor restrictions for specific purposes.

Use of Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts and disclosures reported in the financial statements. Actual results could differ from those estimates.

Cash and Cash Equivalents

For purposes of the financial statements, the Society considers all highly liquid financial instruments with original maturities of three months or less to be cash equivalents.

MOUNT RUSHMORE NATIONAL MEMORIAL SOCIETY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2022 AND 2021

(1) Nature of Operations and Summary of Significant Accounting Policies (Continued)

Summary of Significant Accounting Policies (Continued)

Concentrations of Credit Risk

Financial instruments that potentially subject the Society to concentrations of credit risk consist principally of cash and cash equivalents and investments. The Society maintains cash and cash equivalents balances in various bank accounts that often exceed federally insured limits or include uninsured investments. To date, the Society has not experienced any losses in any of these accounts and feels the risk of exposure to loss is minimal.

Investments

The Society records its investment purchases at cost, or if donated, at fair value on the date of donation. Thereafter, investments are reported at fair value in the statements of financial position, and changes in fair value are reported as net investment return in the statements of activities. Net investment return consists of realized and unrealized gains and losses, interest and dividend income, and external and direct internal investment expenses. Realized gains and losses are determined on a specific identity basis. Net investment return is recorded as net assets without donor restrictions unless such amounts are restricted by the donor or by law.

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

Investments are managed by professional investment managers whose performance is monitored by management and the Society's investment committee of the Board of the Directors. Although the fair value of investments is subject to fluctuation on a year-to-year basis, management and the investment committee believe the investment policies and guidelines are prudent for the long-term welfare of the Society.

Contributions, Grants, and Promises to Give

Contributions, grants, and unconditional promises to give are recognized as assets and revenue in the period when the contribution is received, or notification is made of a promise to give at their fair value. Amounts are distinguished between those that increase net assets with and without donor restrictions. Management estimates an allowance for uncollectible promises to give based on potential collection issues and previous history with donors. Promises to give are written off when deemed uncollectable. For the years ended December 31, 2022 and 2021, no allowance has been estimated based on an analysis of promises to give.

Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met. Conditional gifts received prior to the satisfaction of conditions are recorded as refundable advances.

At December 31, 2022, contributions totaling \$250,000 have not been received or recognized in the accompanying statements of activities because the condition on which they depend has not yet been met. This conditional contribution depends on completion of the project.

Contributed goods and services are recorded at fair value at the date of donation. No significant contributions of such goods or services were received during the years ended December 31, 2022 and 2021, respectively. Volunteers contribute their time to the Society's activities; however, the financial statements do not reflect the value of these contributed services because they do not meet the recognition criteria prescribed by US GAAP.

MOUNT RUSHMORE NATIONAL MEMORIAL SOCIETY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2022 AND 2021

(1) Nature of Operations and Summary of Significant Accounting Policies (Continued)

Summary of Significant Accounting Policies (Continued)

Inventory

Inventory consists primarily of educational and historical products held for resale and is stated at the lower of cost or net realizable value, using the average cost method.

Property and Equipment

The Society's policy is to capitalize property and equipment acquired for greater than \$2,500 and expense normal repairs and maintenance as incurred. The Society's management periodically evaluates whether events or circumstances have occurred indicating that the carrying amount of long-lived assets may not be recovered.

The Society operates and manages retail operations at the Memorial but does not own or lease the property utilized, which is part of the Memorial.

Depreciation is calculated using the straight-line method over the lesser of the estimated useful lives of the assets ranging from 3 to 40 years, or in the case of leasehold improvements, the lesser of the useful life of the asset or the lease term.

Revenue Recognition

The Society recognizes special event revenue at the time of admission for the event. The Society records special events revenue equal to the fair value of direct benefits to donors when the event takes place. Revenue received in excess of the fair value is recorded as contribution revenue.

The Society recognizes revenue from merchandise sales and tour rentals, included in net educational and product sales, and membership sales at the time of purchase. Membership sales are not material to recognize over the term of the membership.

Functional Allocation of Expenses

The costs of Memorial and Society programs have been summarized on a functional basis in the statements of activities. Direct program support for Memorial expenses consists of payments made directly to the NPS and various independent contractors to perform work on and provide materials, expertise, talent, and program support for various Memorial related projects. NPS guidance allows for philanthropic partners to donate funds directly to the Memorial or maintain the funds in an account and spend at the park management's request. This process typically takes place through NPS Partner Annual Work Plans and Aid to Park requests.

The statements of functional expenses present the natural classification detail of expenses by function. Costs are directly charged to the functions they benefit. Certain categories of expenses that are attributable to more than one program or supporting function require allocation on a consistently applied reasonable basis. Such allocations are determined by management on an equitable basis. Payroll and related expenses are allocated on estimates of time and effort based on time studies. Facility related expenses are allocated to each function based on square footage utilized by the function. Retail sales related expenses are allocated to each function based on the percentage of mission related business taxable income at each location. The unrelated or non-mission business income is presented as Retail Support supporting services as these activities are actively raising funds for NPS.

MOUNT RUSHMORE NATIONAL MEMORIAL SOCIETY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2022 AND 2021

(1) Nature of Operations and Summary of Significant Accounting Policies (Continued)

Summary of Significant Accounting Policies (Continued)

Leases

Due to the transition from Accounting Standards Codification (ASC) Topic 840 to Topic 842, the Society followed two different accounting policies during the years ended December 31, 2021 and 2022. See Adopted Accounting Standard paragraph below for additional information.

Prior to January 1, 2022

The Society analyzes all leases for operating or capital treatment under ASC 840. Operating leases are recognized as expense over the term of the lease. Capital leases are recognized at the present value of future minimum lease payments and result in a capital asset and corresponding liability.

Effective January 1, 2022

The Society analyzes all leases under ASC Topic 842. Accordingly, the Society determines if an arrangement is or contains a lease at inception or modification of the agreement. An election has been made for all asset classes to treat any non-lease components such as maintenance, utilities, and operator services as part of the lease contract. The right-of-use assets and lease liabilities primarily relate to store facilities. None of the Society's lease agreements contain material residual value guarantees, restrictions or covenants. A portfolio approach is used for leases with similar characteristics.

For leases with terms greater than 12 months or that contain a purchase option that is reasonably certain to be exercised, a right-of-use (ROU) asset and lease liability is recognized based on the present value of the future minimum lease payments over the lease term. Leases with ROU assets below \$2,500 or lease liabilities below \$2,500 are not deemed material and are recognized with short-term leases below. The Society has elected to use the risk-free interest rate for all asset classes to determine the lease present value when the implicit rate is not readily determinable. The initial measurement of the ROU asset also includes any initial direct costs and lease prepayments, net of lease incentives received. Leases are classified as either finance or operating leases. This classification dictates whether lease expense is recognized based on an effective interest method or on a straight-line basis over the term of the lease, respectively.

Leases with terms of 12 months or less or that are cancelable by the lessee and lessor without significant penalties are not capitalized as right-of-use assets and lease liabilities but are expensed on a straight-line basis over the lease term. The majority of the Society's short-term leases relate to parking spaces and storage facilities. These leases are entered into at periodic rental rates for an unspecified duration and typically have a termination for convenience provision.

Federal Income Taxes

The Society has been recognized as exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code (the Code), though it is subject to tax on income unrelated to its exempt purpose, unless that income is otherwise excluded by the Code. In addition, the Society has been determined by the Internal Revenue Service not to be a private foundation under Section 509(a)(2) of the Internal Revenue Code. Each entity is annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS. The Society also files an Exempt Organization Business Income Tax Return (Form 990-T) with the IRS to report its unrelated business taxable income.

Adopted Accounting Standard

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-02, *Leases*, which provides principles for the recognition, measurement, presentation and disclosures of leases for both lessees and lessors. The new standard requires lessees to apply a dual approach, classifying leases as either finance or operating leases based on a principle of whether or not the lease is effectively a financed purchase by the

MOUNT RUSHMORE NATIONAL MEMORIAL SOCIETY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2022 AND 2021

(1) Nature of Operations and Summary of Significant Accounting Policies (Concluded)

Summary of Significant Accounting Policies (Concluded)

Adopted Accounting Standards (Continued)

lessee. This classification will determine whether lease expense is recognized based on an effective interest method or on a straight-line basis over the term of the lease, respectively. A lessee is also required to record a right-of-use asset and a lease liability for all leases with a term of greater than 12 months regardless of classification. If the available accounting election is made, leases with a term of 12 months or less can be accounted for similar to existing guidance for operating leases.

The Society adopted this standard as of January 1, 2022, the beginning of the adoption period. As part of implementation, the Society elected the permitted package of practical expedients. Accordingly, existing and expired leases have been accounted for under the new guidance without reassessing (a) whether the contract contains a lease, (b) whether lease classification needs revised, or (c) whether previously capitalized initial direct costs qualify as such. An election has also been made to base the initial discount rate on the remaining term of the lease. In addition, the Society has elected to use hindsight in determining the likelihood that options (including lease extension, lease termination, or asset purchase) will be exercised or that right-of-use assets are impaired. Comparative disclosures for 2021 are presented in accordance with legacy standards in effect prior to January 1, 2022.

As a result of adoption, on January 1, 2022, the Society recognized an operating lease liability of \$238,294, and an operating right-of-use asset of \$238,294. Adoption did not materially impact the Society's Statements of Activities or Cash Flows. See above for lease accounting policies and Note 8 for additional disclosures.

Subsequent Events

Subsequent events have been evaluated through April 13, 2023, the date which the financial statements were available to be issued.

(2) Investments

Fair value is the price that would be received to sell an asset or paid to transfer a liability (an exit price) in the principal, or most advantageous, market for the asset in an orderly transaction between market participants on the measurement date. Fair value should be based on the assumptions market participants would use when pricing an asset. US GAAP establishes a fair value hierarchy that prioritizes investments based on those assumptions. The fair value hierarchy gives the highest priority to quoted prices in active markets (observable inputs) and the lowest priority to an entity's assumptions (unobservable inputs). The Society groups investments at fair value in three levels, based on the markets in which the investments are traded and the reliability of the assumptions used to determine fair value.

The three-level hierarchy categorizes the inputs as follows:

- Level One: Observable inputs such as quoted market prices for identical assets or liabilities in active markets that we can access at the measurement date.
- Level Two: Inputs other than quoted prices included within Level One that are observable for the asset or liability, either directly or indirectly. These include 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 liability, and market-corroborated inputs.
- Level Three: Inputs are based on prices or valuation techniques that are non-observable. The types of assets and liabilities included in Level Three require significant management judgment or estimation.

MOUNT RUSHMORE NATIONAL MEMORIAL SOCIETY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2022 AND 2021

(2) Investments (Continued)

Certain fixed income funds and corporate bonds are valued at either the yields currently available on comparable securities of issuers with similar credit ratings or valued under a discounted cash flow approach that maximizes observable inputs such as current yields of similar instruments but includes adjustments for certain risks that may not be observable such as credit and liquidity risks. Certain money market funds are valued based on the funds deposited and net investment earnings, less withdrawals and fees.

The valuation methodologies used by the Society may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Society's management believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following tables present the assets carried at fair value as of December 31, 2022 and 2021, on the accompanying statements of financial position by fair value hierarchy, as described above. All are measured on a recurring basis. The Society carried no other assets or liabilities measured at fair value on a recurring or non-recurring basis.

For the Year Ended December 31, 2022	Level One	Level Two	Level Three	Total
Money Market Funds	\$ 941,129	\$ -	\$ -	\$ 941,129
Total Money Market Funds Included in Cash and Cash Equivalents	\$ 941,129	\$ -	\$ -	\$ 941,129

Investments:

Publicly Traded Common Stock	\$ 10,286,886	\$ -	\$ -	\$ 10,286,886
Corporate Bonds	-	2,032,302	-	2,032,302
Mutual Funds:				
Fixed Income Funds	378,454	412,926	-	791,380
Equity Funds	826,858	-	-	826,858
Real Estate Investment Funds	3,232	-	-	3,232
Total Investments Held at Fair Value	\$ 11,495,430	\$ 2,445,228	\$ -	13,940,658
Total Investments				\$ 13,940,658

For the Year Ended December 31, 2021	Level One	Level Two	Level Three	Total
Money Market Funds	\$ 742,515	\$ -	\$ -	\$ 742,515
Total Money Market Funds Included in Cash and Cash Equivalents	\$ 742,515	\$ -	\$ -	742,515

Investments:

Publicly Traded Common Stock	\$ 12,895,651	\$ -	\$ -	\$ 12,895,651
Corporate Bonds	-	3,274,170	-	3,274,170
Mutual Funds:				
Fixed Income Funds	111,033	752,985	-	864,018
Equity Funds	1,486,247	-	-	1,486,247
Real Estate Investment Funds	12,408	-	-	12,408
Total Investments Held at Fair Value	\$ 14,505,339	\$ 4,027,155	\$ -	18,532,494
Certificates of Deposits Held at Cost				25,206
Total Investments				\$ 18,557,700

MOUNT RUSHMORE NATIONAL MEMORIAL SOCIETY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2022 AND 2021

(3) Property and Equipment

Property and equipment consists of the following at December 31:

	2022	2021
Office Equipment	\$ 658,983	\$ 652,966
Building	1,357,951	1,350,376
Motion Picture	77,348	77,348
Leasehold Improvements	46,760	46,760
Vehicles	30,428	50,063
	2,171,470	2,177,513
Accumulated Depreciation	729,424	639,317
	1,442,046	1,538,196
Land	341,122	341,122
Property and Equipment, Net	\$ 1,783,168	\$ 1,879,318

(4) Capital Campaign and Promises to Give

In 2017, the Society began a capital campaign to fund the Monumental Movie project. This campaign will continue until estimated completion of the project in 2025. Promises to give are required to be recorded at present value, which is the current value of cash to be received in the future, discounted at a market rate of interest. Unconditional promises to give balances as of December 31, 2022 and 2021, are due within one year, thus no present value calculation is necessary.

At December 31, 2022 and 2021, three donors accounted for 52 percent and five donors accounted for 82 percent of total promises to give, respectively. Eight donors accounted for 61 percent and three donors accounted for 59 percent of total contribution revenue for the years ended December 31, 2022 and 2021, respectively.

(5) Educational and Product Sales

Gross educational and product sales and related cost of sales are as follows for the years ended December 31:

	2022	2021
Gross Educational and Product Sales	\$ 2,032,581	\$ 2,369,126
Cost of Sales	(875,993)	(1,028,795)
	1,156,588	1,340,331
Self-Guided Tour Rental Revenue	61,215	55,892
Net Educational and Product Sales	\$ 1,217,803	\$ 1,396,223

(6) Line of Credit

The Society opened a line of credit on April 20, 2021 for \$500,000 for operation purposes. It is collateralized against investment balances. The maturity date is April 15, 2026. As of December 31, 2022 the interest rate is 6.85 percent and the balance is \$-0-. As of December 31, 2021 the interest rate was 2.85 percent and the balance was \$-0-.

MOUNT RUSHMORE NATIONAL MEMORIAL SOCIETY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2022 AND 2021

(7) Retirement Plan

The Society offers a SIMPLE IRA retirement plan covering substantially all full-time employees. The Society matches up to 3 percent of employee contributions. The Society's contributions to the plan were **\$11,970** and \$11,647 for the years ended December 31, 2022 and 2021, respectively.

(8) Rapid City Airport Concession and Lease Agreement

The Society leases certain store facilities, equipment, and parking spaces that expire at various dates through 2024.

The Society's only long-term lease is a five-year concession and lease agreement (the Agreement) with the Rapid City Regional Airport, to operate a retail, news, and gift concession store through December 31, 2024. The Agreement states rent will be paid monthly based on gross receipts with a minimum annual guarantee. Rent will be adjusted annually to the greater of a percentage rent based on annual gross receipts or the minimum annual guarantee. For the year ending December 31, 2022, rent was the higher of 13.5 percent of gross receipts or a minimum annual guarantee.

The minimum annual guarantee for 2023 through 2024 will be the greater of 90 percent of the prior year required rent or \$80,835.

Total lease costs for the year ended December 31, 2022 were as follows:

	<u>2022</u>
Operating Lease Cost	\$ 113,648
Short-Term Lease Cost *	12,275

* Included in Occupancy, Office, and Technology and Equipment on the Functional Expenses.

Total lease expense under noncancelable leases was \$119,698 for the year ended December 31, 2021.

The following summarizes the weighted-average remaining lease term and weighted-average discount rate for the year ended December 31, 2022:

	<u>2022</u>
Weighted Average Remaining Lease Term	
Operating Lease	1.85 Years
Weighted Average Discount Rate	
Operating Lease	1.14%

The future minimum lease payments under noncancelable operating leases with terms greater than one year represent minimum annual guarantee under the Agreement and are as follows as of December 31, 2022:

2023	\$ 80,835
2024	80,835
Total Lease Payments	161,670
Less Interest	(1,904)
Present Value of Lease Liability	\$ 159,766

MOUNT RUSHMORE NATIONAL MEMORIAL SOCIETY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2022 AND 2021

(8) Rapid City Airport Concession and Lease Agreement (Continued)

Future minimum payments determined under the guidance in ASC Topic 840 are as follows as of December 31, 2021:

2022	\$ 80,835
2023	80,835
2024	80,835
Total Lease Payments	\$ 242,505

(9) Commitments

The Society's Board of Directors agreed to contribute \$100,000 for an environmental impact study of the Mickelson Connector Trail. This contribution is contingent upon additional studies to be performed by various governmental agencies. Accordingly, the contingent contribution has not been recorded in the accompanying financial statements at December 31, 2022 and 2021, respectively.

During 2020, the Society's Board of Directors agreed to contribute funding for the Monumental Movie project. This contribution is contingent on the amount the project will take to complete. Accordingly, the contingent contribution has not been recorded in the accompanying financial statements at December 31, 2022 and 2021, respectively.

(10) Liquidity and Availability of Financial Assets

The Society's working capital and cash flows have seasonal variations during the year attributable to the tourism industry. To manage liquidity during slower sales months, the Society uses investment returns. The following reflects the Society's financial assets as of the statement of financial position date, reduced by amounts not available for general use within one year of the balance sheet date because of donor-imposed restrictions.

	2022	2021
Cash and Cash Equivalents	\$ 1,365,544	\$ 1,599,473
Accounts Receivable	20,210	1,382
Promises to Give	28,687	29,365
Investments	13,940,658	18,557,700
Total Financial Assets	15,355,099	20,187,920
 Donor-imposed Restrictions:		
Cash restricted by donors to specific uses	(123,356)	(892,339)
Financial assets available to meet cash needs for expenditures within one year	\$ 15,231,743	\$ 19,295,581

SUPPLEMENTARY INFORMATION

MOUNT RUSHMORE NATIONAL MEMORIAL SOCIETY

**STATEMENT OF ACTIVITIES BY DIVISION
FOR THE YEAR ENDED DECEMBER 31, 2022**

	Society	Bookstores	Main Street	Airport	Total
Support and Revenue					
Net Educational and Product Sales	\$ -	\$ 692,514	\$ 27,929	\$ 497,360	\$ 1,217,803
Net Investment Return	(2,714,407)	-	-	-	(2,714,407)
Net Events Revenue	41,818	-	-	-	41,818
Event Center Rental	17,050	-	-	-	17,050
Contributions	184,886	42,671	82	6,915	234,554
Membership Sales	1,285	9,682	-	-	10,967
Gain/(Loss) on Disposal of Assets	(1,466)	11,275	-	(150)	9,659
Miscellaneous	8,479	545	70	639	9,733
Total Support and Revenue	(2,462,355)	756,687	28,081	504,764	(1,172,823)
Expenses					
<i>Program Expenses:</i>					
Direct Program Support for Memorial	1,579,363	-	-	-	1,579,363
Indirect Program Support for Memorial	302,345	-	-	-	302,345
Retail Program Support	-	546,669	18,542	91,947	657,158
	1,881,708	546,669	18,542	91,947	2,538,866
<i>Support Expenses:</i>					
Management and General	274,472	61,109	9,918	34,644	380,143
Retail Support	73,618	17,212	27,718	257,040	375,588
Fundraising	120,472	25,988	4,591	16,034	167,085
	468,562	104,309	42,227	307,718	922,816
Total Expenses	2,350,270	650,978	60,769	399,665	3,461,682
Change in Net Assets	(4,812,625)	105,709	(32,688)	105,099	(4,634,505)
Net Assets -- Beginning of Year	21,855,407	443,323	(44,554)	36,813	22,290,989
Net Assets -- End of Year	\$ 17,042,782	\$ 549,032	\$ (77,242)	\$ 141,912	\$17,656,484

MOUNT RUSHMORE NATIONAL MEMORIAL SOCIETY

**STATEMENT OF ACTIVITIES BY DIVISION
FOR THE YEAR ENDED DECEMBER 31, 2021**

	Society	Bookstores	Main Street	Airport	Total
Support and Revenue					
Net Educational and Product Sales	\$ -	\$ 858,296	\$ 33,236	\$ 504,691	\$ 1,396,223
Net Investment Return	2,397,117	-	-	-	2,397,117
Event Center Rental	8,100	-	-	-	8,100
Contributions	468,312	96,342	517	225	565,396
Grant Revenue	203,746	-	-	-	203,746
Membership Sales	3,265	15,000	600	-	18,865
Loss on Disposal of Assets	(4,996)	-	-	-	(4,996)
Miscellaneous	442	610	35	640	1,727
Total Support and Revenue	3,075,986	970,248	34,388	505,556	4,586,178
Expenses					
<i>Program Expenses:</i>					
Direct Program Support for Memorial	134,397	-	-	-	134,397
Indirect Program Support for Memorial	291,275	-	-	-	291,275
Retail Program Support	-	547,591	15,235	61,396	624,222
	425,672	547,591	15,235	61,396	1,049,894
<i>Support Expenses:</i>					
Management and General	228,384	52,288	6,257	28,766	315,695
Retail Support	70,182	16,833	27,045	290,259	404,319
Fundraising	140,766	27,447	3,761	14,375	186,349
	439,332	96,568	37,063	333,400	906,363
Total Expenses	865,004	644,159	52,298	394,796	1,956,257
Change in Net Assets	2,210,982	326,089	(17,910)	110,760	2,629,921
Net Assets -- Beginning of Year	19,644,425	117,234	(26,644)	(73,947)	19,661,068
Net Assets -- End of Year	\$ 21,855,407	\$ 443,323	\$ (44,554)	\$ 36,813	\$ 22,290,989