



A REPORT
TO THE
MONTANA
LEGISLATURE

FINANCIAL-COMPLIANCE AUDIT

*Montana Historical
Society*

*For the Two Fiscal Years Ended
June 30, 2020*

MAY 2021

LEGISLATIVE AUDIT
DIVISION

20-24

FINANCIAL-COMPLIANCE AUDITS

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Financial-compliance audits are conducted by the Legislative Audit Division to determine if an agency's financial operations are properly conducted, the financial reports are presented fairly, and the agency has complied with applicable laws and regulations. In performing the audit work, the audit staff uses standards set forth by the American Institute of Certified Public Accountants and the United States Government Accountability Office. Financial-compliance audit staff members hold degrees with an emphasis in accounting and many staff members hold Certified Public Accountant (CPA) certificates.

The Single Audit Act Amendments of 1996 and the Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards require the auditor to issue certain financial, internal control, and compliance reports in addition to those reports required by *Government Auditing Standards*. This individual agency audit report is not intended to comply with these reporting requirements and is therefore not intended for distribution to federal grantor agencies. The Legislative Audit Division issues a statewide biennial Single Audit Report which complies with the above reporting requirements. The Single Audit Report for the two fiscal years ended June 30, 2019, was issued March 30, 2020. The Single Audit Report for the two fiscal years ended June 30, 2021, will be issued by March 31, 2022.

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LEGISLATIVE AUDIT DIVISION

Angus Maciver, Legislative Auditor
Deborah F. Butler, Legal Counsel



Deputy Legislative Auditors:
Cindy Jorgenson
William Soller

May 2021

The Legislative Audit Committee
of the Montana State Legislature:

This is our financial-compliance audit of the Montana Historical Society for the two fiscal years ended June 30, 2020. During the audit, we reviewed support for operating expenses, performed analytic procedures over personal services, reviewed support for federal grants, examined support for sales and donation revenues, and reviewed budget authority and direct entries to fund equity. Additionally, we determined implementation of the two prior audit recommendations, tested applicable controls, and evaluated compliance with selected laws and regulations. This audit report contains no recommendations.

We thank the Director and her staff for their cooperation and assistance throughout the audit.

Respectfully submitted,

/s/ Angus Maciver

Angus Maciver
Legislative Auditor

TABLE OF CONTENTS

Appointed and Administrative Officials	ii
Report Summary	S-1
CHAPTER I – INTRODUCTION.....	1
Introduction	1
Background.....	1
Prior Audit Recommendations.....	2
INDEPENDENT AUDITOR’S REPORT AND SOCIETY FINANCIAL SCHEDULES	
Independent Auditor’s Report	A-1
Schedule of Changes in Fund Equity for the Fiscal Year Ended June 30, 2020	A-4
Schedule of Changes in Fund Equity for the Fiscal Year Ended June 30, 2019.....	A-5
Schedule of Total Revenues & Transfers-In for the Fiscal Year Ended June 30, 2020	A-6
Schedule of Total Revenues & Transfers-In for the Fiscal Year Ended June 30, 2019.....	A-7
Schedule of Total Expenditures & Transfers-Out for the Fiscal Year Ended June 30, 2020	A-8
Schedule of Total Expenditures & Transfers-Out for the Fiscal Year Ended June 30, 2019.....	A-9
Notes to the Financial Schedules	A-11
REPORT ON INTERNAL CONTROL AND COMPLIANCE	
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Schedules Performed in Accordance With <i>Government</i> <i>Auditing Standards</i>	B-1
SOCIETY RESPONSE	
Montana Historical Society	C-1

APPOINTED AND ADMINISTRATIVE OFFICIALS

Montana Historical Society Administrative Officials

Bruce Whittenberg, Director (through October 2020)
Molly Kruckenberg, Director (effective October 2020)
Denise King, Centralized Services Administrator

Montana Historical Society Board of Trustees

			<u>Term Expires</u>
Hal Stearns, President	Missoula		July 2022
Jude Sheppard, Vice	Chinook		July 2025
Bob Brown	Whitefish		July 2021
Jestin Dupree	Poplar		June 2024
Tim Fox	Clancy		June 2024
Ed Jasmin	Helena		July 2023
William Jones	Harlowton		June 2025
Kent Kleinkopf	Missoula		July 2022
Steve Lozar	Polson		July 2022
Douglas MacDonald	Missoula		July 2023
Thomas Minckler	Billings		July 2023
Thomas Nygard	Bozeman		July 2021
Ken Robison	Great Falls		June 2025
Crystal Wong Shors	Helena		July 2021
Norma Ashby Smith	Great Falls		June 2025

Montana State Historical Preservation Review Board

			<u>Term Expires</u>
C. Riley Auge	Missoula		October 2022
Carol Bronson	Great Falls		October 2021
Patti Casne	Helena		October 2023
Delia Hagen	Missoula		October 2024

Marvin Keller	Billings	October 2022
Nick Kujawa	Missoula	October 2023
Jeffrey Shelden	Lewistown	October 2024
Marcella Walter	Helena	October 2024

For additional information concerning the Montana Historical Society, contact:

Denise King, Centralized Services Administrator
225 North Roberts
P.O. Box 201201
Helena, MT 59620-1201
(406) 444-4699
e-mail: dking@mt.gov



MONTANA LEGISLATIVE AUDIT DIVISION

Montana Historical Society

FOR THE TWO FISCAL YEARS ENDED JUNE 30, 2020

BACKGROUND

The Montana Historical Society (society) operates with six programs: The Museum, Research Center, Montana State Historical Preservation Office, Education and Outreach Program, Publications, and Administration Program. The society's purpose is to aid in the preservation of historic resources, aid organizations preserving Montana's history, and to provide programs to interpret Montana's past.

The museum collection is made up of more than 50,000 artifacts, including but not limited to: native artifacts, art, costumes, textiles, firearms, saddles, film and industry objects for agriculture, cattle, and mining industries. The society's collection also includes 200 pieces of work created by Charles Marion Russell, also known as C.M. Russell.

Volunteers at the Montana Historical Society also provide significant services for the society. These services include giving school tours, performing research, and providing administrative support.

The Montana Historical Society's (society) primary sources of revenue are federal grants, donations, and sales of Museum store merchandise and their award-winning quarterly magazine, *Montana The Magazine of Western History*. Total Revenues were \$2.1 million in fiscal year 2020 and \$2.2 million in fiscal year 2019. The society's expenditures are primarily from personal services and operating expenses. Total Expenditures were \$6.2 million in fiscal year 2020 and \$6.4 million in fiscal year 2019.

AUDITOR'S OPINION (page A-1): UNMODIFIED

We found the society's financial schedules presented fairly the activity of the society in all material respects and issued unmodified opinions on the regulatory basis of accounting under which the financial schedules are presented. This means a reader can rely on the information presented and the underlying financial records.

For the full context of the society's financial activity, see the financial schedules and notes beginning on page A-4.

RECOMMENDATIONS:

This report contains no recommendations to the society.

In this report, we determined the implementation status of recommendations in the prior audit:

Fully Implemented: 2

Partially Implemented: 0

Not Implemented: 0

SUMMARY OF AUDIT WORK:

During the audit we focused our audit efforts on reviewing support for operating expenses, performing analytic procedures over personal services, and reviewing support for federal grants. We also examined support for sales and donation revenues and reviewed budget authority, and direct entries to fund equity. We reviewed the department's internal controls and determined implementation of prior audit recommendations. We also evaluated the society's compliance with selected laws and regulations.

For the full report or more information, contact the Legislative Audit Division.

leg.mt.gov/lad

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REPORT ON INTERNAL CONTROL AND COMPLIANCE

(page B-1):

In this report, we identified the following:
Material Weaknesses in Internal Control: 0
Significant Deficiencies in Internal Control: 0
Material Non-Compliance: 0
Other Matters: 0

For the full context of this information, including the distinction between the types of items reported, see the report beginning on page B-1.

Chapter I – Introduction

Introduction

We performed a financial-compliance audit of the Montana Historical Society (society) for the two fiscal years ended June 30, 2020. The objectives of the audit were to:

1. Determine whether the society's financial schedules present fairly the results of operations and changes in fund equity for fiscal year 2020 and 2019.
2. Obtain an understanding of the society's internal control system to the extent necessary to support our audit of the society's financial schedules and, if appropriate, make recommendations for improvements in management and internal controls of the society.
3. Determine whether the society complied with selected state laws and regulations during the audit period.
4. Determine the implementation status of prior audit recommendations.

During the audit we focused our audit efforts on reviewing support for operating expenses, performing analytic procedures over personal services, reviewing support for federal grants, examining support for sales and donation revenues, and reviewing budget authority and direct entries to fund equity. Additionally, we determined implementation of prior audit recommendations and evaluated compliance with selected laws and regulations.

Background

The purpose of the society is to protect, preserve, and interpret Montana and western American history for the benefit of the public. The following describes society operations and notes the full-time equivalent employees (FTE) authorized by the legislature for fiscal year 2020.

Administration Program (14.68 FTE) provides supervision, administration, and coordination of the six programs in the society. Program staff are responsible for the management, planning, direction, and leadership of the society. Activities include public information sharing, payroll processing and personnel management, fund raising, financial reporting, business management, security, building management, community outreach, and the society store.

Research Center Program (13.50 FTE) consists of the library, archives, and photograph archives functions. This program acquires, organizes, preserves, and makes resources accessible to the public. Researchers are assisted with published materials, historical records and manuscripts, photographs and related media, and oral histories

illustrative of the history of Montana and the surrounding region. This program houses the official archives of the state.

Museum Program (7.75 FTE) collects, preserves, and interprets the history of Montana. The program collects fine art and historical, archaeological, and ethnological artifacts from Montana and the general geographic region. The program displays and interprets its collections through exhibits and tours. The program also coordinates with the society's Education Program to orchestrate events, programs, and materials on Montana history for learners of all ages.

Publications Program (5.00 FTE) promotes the study of Montana history and education through lectures, publications, and curriculum materials. The program publishes quarterly editions of *Montana The Magazine of Western History* and the *Society Star*, the official membership newsletter. Books are also published under the Montana Historical Society Press imprint.

Education Program (4.45 FTE) conducts tours, produces public programs, manages the volunteer program, produces curriculum resources for teachers, and produces outreach resources. Outreach resources include staff-assembled "hands-on history" footlockers, Montana history textbook, and on-line teacher resources. Other activities include the National Register Sign Program, which produces interpretive signage for eligible structures and sites in all parts of the state.

Historic Sites Preservation Program (State Historic Preservation Office) (9.00 FTE) staff provide technical assistance to all Montana property owners, maintain a statewide inventory of recorded historic and archaeological sites, review and comment on all proposed or permitted federally funded preservation projects, and administer the National Register of Historic Places through the State Preservation Review Board. The program awards and administers pass-through federal grants to local governments participating in the federal Certified Local Government Program. When funds are available, the program may also award funds for historic survey and planning.

Prior Audit Recommendations

The audit report for the two fiscal years ended June 30, 2018, contained two recommendations. The recommendations were related to the value of magazine inventory and controls to ensure, in a timely manner, the money collected on the society's behalf is complete and accurate.

The Department of Revenue collects the Lodging Facility Use Tax for the state, portions of which are distributed to the society under §15-65-121, MCA. In fiscal year 2019 the society continued with procedures they previously had and the review was not done on a timely basis. As a result, the society's internal controls are not implemented in a manner to allow for timely detection or correction of errors associated with this revenue. The society implemented new controls in 2020 which allows for timely detection of errors, so we have no further recommendation.

During the current audit period we evaluated the corrective actions the society took to implement these prior recommendations. Based on the results, the society has fully implemented both prior audit recommendations.

Independent Auditor's Report and Society Financial Schedules

Angus Maciver, Legislative Auditor
Deborah F. Butler, Legal Counsel



Deputy Legislative Auditors:
Cindy Jorgenson
William Soller

INDEPENDENT AUDITOR'S REPORT

The Legislative Audit Committee
of the Montana State Legislature:

Introduction

We have audited the accompanying Schedules of Changes in Fund Equity, Schedules of Total Revenues & Transfers-In, and Schedules of Total Expenditures & Transfers-Out of the Montana Historical Society (society) for each of the fiscal years ended June 30, 2020, and 2019, and the related notes to the financial schedules.

Management's Responsibility for the Financial Schedules

Management is responsible for the preparation and fair presentation of these financial schedules in accordance with the regulatory format prescribed by the Legislative Audit Committee, based on the transactions posted to the state's accounting system without adjustment; this responsibility includes recording transactions in accordance with state accounting policy; and designing, implementing, and maintaining internal controls relevant to the preparation and fair presentation of the financial schedules that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial schedules 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 Auditing 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 schedules are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial schedules. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial schedules, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the society's preparation and fair presentation of the financial schedules 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, and 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 the overall presentation of the financial schedules.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Basis for Adverse Opinions on U.S. Generally Accepted Accounting Principles

As described in Note 1, the financial schedules are prepared from the transactions posted to the state's primary accounting system without adjustment, in the regulatory format prescribed by the Legislative Audit Committee. This is a basis of accounting other than accounting principles generally accepted in the United States of America. The financial schedules are not intended to, and do not, report assets, deferred outflows of resources, liabilities, deferred inflows of resources, and cash flows.

The effects on the financial schedules of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinions on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the "Basis for Adverse Opinions on U.S. Generally Accepted Accounting Principles" paragraph, the financial schedules referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the society as of June 30, 2020, and June 30, 2019, or changes in financial position for the years then ended.

Unmodified Opinions on Regulatory Basis of Accounting

In our opinion, the Schedules of Changes in Fund Equity, Schedules of Total Revenues & Transfers-In, and Schedules of Total Expenditures & Transfers-Out, present fairly, in all material respects, the results of operations and changes in fund equity of the Montana Historical Society for each of the fiscal years ended June 30, 2020, and 2019, in conformity with the basis of accounting described in Note 1.

Emphasis of Matters

As discussed in Note 1 – Basis of Presentation, the financial schedule format was adopted by the Legislative Audit Committee. On June 16, 2020, the Committee approved a change in format to remove the presentation of revenue estimates from the Schedule of Total Revenues & Transfers-In. Our opinion is not modified with respect to this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 6, 2021, on our consideration of the society's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and

other matters. The purpose of that report is 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 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 the society's internal control over financial reporting and compliance.

Respectfully submitted,

/s/ Cindy Jorgenson

Cindy Jorgenson, CPA
Deputy Legislative Auditor
Helena, MT

April 6, 2021

MONTANA HISTORICAL SOCIETY
 SCHEDULE OF CHANGES IN FUND EQUITY
 FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	General Fund	State Special Revenue Fund	Federal Special Revenue Fund	Enterprise Fund	Permanent Fund
FUND EQUITY: July 1, 2019	\$ (124,042)	\$ 6,874,991	\$ 0	\$ 539,103	\$ 1,406,224
ADDITIONS					
Budgeted Revenues & Transfers-In	31,634	208,449	1,014,342	884,263	
Nonbudgeted Revenues & Transfers-In	16,687	954,658		2,219	113,100
Prior Year Revenues & Transfers-In Adjustments	2,904,196	(222)	211	(0)	(4)
Direct Entries to Fund Equity	2,952,517	1,286,061		23,705	
Total Additions	<u>2,952,517</u>	<u>2,448,946</u>	<u>1,014,553</u>	<u>910,186</u>	<u>113,096</u>
REDUCTIONS					
Budgeted Expenditures & Transfers-Out	2,973,926	1,246,953	983,122	723,605	
Nonbudgeted Expenditures & Transfers-Out	16,625	171,581	30,056	(1,007)	35,995
Prior Year Expenditures & Transfers-Out Adjustments	2,990,552	(4,308)	1,375	(6,000)	35,995
Total Reductions	<u>2,990,552</u>	<u>1,414,226</u>	<u>1,014,553</u>	<u>716,597</u>	<u>35,995</u>
FUND EQUITY: June 30, 2020	<u>\$ (162,077)</u>	<u>\$ 7,909,711</u>	<u>\$ 0</u>	<u>\$ 732,691</u>	<u>\$ 1,483,324</u>

This schedule is prepared from the Statewide Accounting, Budgeting, and Human Resources System (SABHRS) without adjustment. Additional information is provided in the notes to the financial schedules beginning on page A-11.

HISTORICAL SOCIETY
SCHEDULE OF CHANGES IN FUND EQUITY
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	General Fund	State Special Revenue Fund	Federal Special Revenue Fund	Enterprise Fund	Permanent Fund
FUND EQUITY: July 1, 2018	\$ (66,670)	\$ 6,323,721	\$ 0	\$ 519,332	\$ 1,335,339
ADDITIONS					
Budgeted Revenues & Transfers-In	26,525	214,978	1,038,840	877,489	
Nonbudgeted Revenues & Transfers-In		832,677		2,056	111,810
Prior Year Revenues & Transfers-In Adjustments	2,610,561	(45)	118	346	(1)
Direct Entries to Fund Equity		1,268,844		3,432	
Total Additions	<u>2,637,086</u>	<u>2,316,454</u>	<u>1,038,959</u>	<u>883,322</u>	<u>111,809</u>
REDUCTIONS					
Budgeted Expenditures & Transfers-Out	2,699,323	1,375,610	1,011,219	812,301	
Nonbudgeted Expenditures & Transfers-Out	(4,863)	389,573	24,551	51,260	40,924
Prior Year Expenditures & Transfers-Out Adjustments			3,188	(10)	
Total Reductions	<u>2,694,459</u>	<u>1,765,184</u>	<u>1,038,959</u>	<u>863,551</u>	<u>40,924</u>
FUND EQUITY: June 30, 2019	\$ (124,042)	\$ 6,874,991	\$ 0	\$ 539,103	\$ 1,406,224

This schedule is prepared from the Statewide Accounting, Budgeting, and Human Resources System (SABHRS) without adjustment. Additional information is provided in the notes to the financial schedules beginning on page A-11.

HISTORICAL SOCIETY
 SCHEDULE OF TOTAL REVENUES & TRANSFERS-IN
 FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	General Fund	State Special Revenue Fund	Federal Special Revenue Fund	Enterprise Fund	Permanent Fund	Total
TOTAL REVENUES & TRANSFERS-IN BY CLASS						
Taxes	\$ 1,504	\$	211	\$	\$	211
Charges for Services		4,803		230,259		236,566
Investment Earnings		218,614		3,760		329,801
Sale of Documents, Merchandise and Property		6,373		650,977	107,427	657,350
Rentals, Leases and Royalties		1,115		100		1,215
Grants, Contracts, and Donations		866,351				866,351
Transfers-in		59,742		1,386		61,128
Capital Asset Sale Proceeds					5,669	5,669
Inception of Lease/Installment Contract	16,687	5,875				22,562
Federal Indirect Cost Recoveries	30,056		58,384			88,440
Miscellaneous	74	11				85
Federal						
Total Revenues & Transfers-In	48,321	1,162,884	955,958	886,481	113,096	3,225,336
Less: Nonbudgeted Revenues & Transfers-In	16,687	954,658	1,014,553	2,219	113,100	1,086,665
Prior Year Revenues & Transfers-In Adjustments		(222)	211	(0)	(4)	(16)
Actual Budgeted Revenues & Transfers-In	\$ 31,634	\$ 208,449	\$ 1,014,342	\$ 884,263	\$ 0	\$ 2,138,687

This schedule is prepared from the Statewide Accounting, Budgeting, and Human Resources System (SABHRS) without adjustment. Additional information is provided in the notes to the financial schedules beginning on page A-11.

HISTORICAL SOCIETY
SCHEDULE OF TOTAL REVENUES & TRANSFERS-IN
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

TOTAL REVENUES & TRANSFERS-IN BY CLASS	General Fund	State Special Revenue Fund	Federal Special Revenue Fund	Enterprise Fund	Permanent Fund	Total
Taxes			118			118
Charges for Services	1,974	5,929		180,706		188,609
Investment Earnings		226,424		4,011		334,093
Sale of Documents, Merchandise and Property		1,850		694,038	103,658	695,888
Rentals, Leases and Royalties		864		1,135		1,999
Grants, Contracts, and Donations		751,430				751,430
Transfers-in		60,987				60,987
Capital Asset Sale Proceeds			46,400		8,151	8,151
Federal Indirect Cost Recoveries	24,551					24,551
Miscellaneous		125				125
Federal						70,952
Total Revenues & Transfers-In	26,525	1,047,609	1,038,959	879,890	111,809	3,104,792
Less: Nonbudgeted Revenues & Transfers-In		832,677		2,056	111,810	946,543
Prior Year Revenues & Transfers-In Adjustments		(45)	118	346	(1)	417
Actual Budgeted Revenues & Transfers-In	\$ 26,525	\$ 214,978	\$ 1,038,840	\$ 877,489	\$ 0	\$ 2,157,832

This schedule is prepared from the Statewide Accounting, Budgeting, and Human Resources System (SABHRS) without adjustment. Additional information is provided in the notes to the financial schedules beginning on page A-11.

HISTORICAL SOCIETY
SCHEDULE OF TOTAL EXPENDITURES & TRANSFERS-OUT
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

PROGRAM (ORG) EXPENDITURES & TRANSFERS-OUT	Administration Program	Education	Historic Preservation Program	Museum Program	Publications Program	Research Center	Total
Personal Services							
Salaries	\$ 669,266	\$ 267,677	\$ 418,871	\$ 342,420	\$ 226,275	\$ 699,740	\$ 2,624,248
Hourly Wages						208	208
Employee Benefits	253,757	120,364	179,499	161,465	64,191	329,646	1,108,920
Personal Services-Other	2,781		1,550		(825)		3,506
Total	<u>925,804</u>	<u>388,041</u>	<u>599,920</u>	<u>503,885</u>	<u>289,640</u>	<u>1,029,594</u>	<u>3,736,883</u>
Operating Expenses							
Other Services	199,394	113,280	68,295	68,132	38,800	198,173	686,074
Supplies & Materials	50,674	10,953	18,088	43,488	5,534	42,153	170,890
Communications	46,859	11,013	14,705	16,329	7,247	28,357	124,509
Travel	8,622	5,310	6,865	10,412	2,061	12,911	46,181
Rent	29,752	20,250	58,138	371,833	11,496	146,804	638,271
Repair & Maintenance	7,843	1,853	99	2,297	941	35,705	48,738
Other Expenses	24,504	38,211	16,440	27,241	36,738	84,797	227,930
Goods Purchased For Resale	120,821				96,196		217,018
Total	<u>488,469</u>	<u>200,870</u>	<u>182,630</u>	<u>539,732</u>	<u>199,012</u>	<u>548,898</u>	<u>2,159,611</u>
Equipment & Intangible Assets							
Equipment	59,970			24,300		89,989	174,259
Total	<u>59,970</u>			<u>24,300</u>		<u>89,989</u>	<u>174,259</u>
Grants							
From Federal Sources			77,464				77,464
Total			<u>77,464</u>				<u>77,464</u>
Debt Service							
Capital Leases	857	486		656		2,388	4,387
Total	<u>857</u>	<u>486</u>		<u>656</u>		<u>2,388</u>	<u>4,387</u>
Post Employment Benefits							
Other Post Employment Benefits	182		164		386		732
Employer Pension Expense	3,819		4,134		10,634		18,586
Total	<u>4,001</u>		<u>4,297</u>		<u>11,020</u>		<u>19,319</u>
Total Expenditures & Transfers-Out	<u>\$ 1,479,101</u>	<u>\$ 589,396</u>	<u>\$ 864,312</u>	<u>\$ 1,068,573</u>	<u>\$ 499,672</u>	<u>\$ 1,670,869</u>	<u>\$ 6,171,923</u>
EXPENDITURES & TRANSFERS-OUT BY FUND							
General Fund	\$ 990,736	\$ 192,380	\$ 51,306	\$ 507,476	\$ 184,226	\$ 1,064,428	\$ 2,990,552
State Special Revenue Fund	177,279	369,592	7	555,864	9,921	301,563	1,414,226
Federal Special Revenue Fund	61,184		710,303			243,066	1,014,553
Enterprise Fund	235,821	27,424	102,696	5,233	305,526	39,899	716,597
Permanent Fund	14,082					21,914	35,995
Total Expenditures & Transfers-Out	1,479,101	589,396	864,312	1,068,573	499,672	1,670,869	6,171,923
Less: Nonbudgeted Expenditures & Transfers-Out	59,939	15,111	17,806	7,797	12,344	140,253	253,250
Prior Year Expenditures & Transfers-Out Adjustments	(6,000)	(4,924)	1,375			616	(8,933)
Actual Budgeted Expenditures & Transfers-Out	1,425,162	579,209	845,130	1,060,775	487,329	1,530,001	5,927,606
Budget Authority	1,494,279	663,714	1,378,198	1,261,389	502,176	2,067,016	7,366,771
Unspent Budget Authority	<u>\$ 69,117</u>	<u>\$ 84,506</u>	<u>\$ 533,068</u>	<u>\$ 200,614</u>	<u>\$ 14,847</u>	<u>\$ 537,014</u>	<u>\$ 1,439,165</u>
UNSPENT BUDGET AUTHORITY BY FUND							
General Fund	\$ 40,689						\$ 40,689
State Special Revenue Fund	7,012	\$ 84,224	\$ 5,400	\$ 200,293		\$ 66,942	\$ 363,872
Federal Special Revenue Fund	8,900		515,211			462,585	986,696
Enterprise Fund	12,516	281	12,457	320	\$ 14,847	7,487	47,908
Unspent Budget Authority	<u>\$ 69,117</u>	<u>\$ 84,506</u>	<u>\$ 533,068</u>	<u>\$ 200,614</u>	<u>\$ 14,847</u>	<u>\$ 537,014</u>	<u>\$ 1,439,165</u>

This schedule is prepared from the Statewide Accounting, Budgeting, and Human Resources System (SABHRS) without adjustment. Additional information is provided in the notes to the financial schedules beginning on page A-11.

HISTORICAL SOCIETY
SCHEDULE OF TOTAL EXPENDITURES & TRANSFERS-OUT
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

PROGRAM (ORG) EXPENDITURES & TRANSFERS-OUT	Administration Program	Education	Historic Preservation Program	Museum Program	Publications Program	Research Center	Total
Personal Services							
Salaries	\$ 635,617	\$ 248,985	\$ 432,930	\$ 348,455	\$ 220,383	\$ 665,118	\$ 2,551,489
Employee Benefits	261,987	117,250	193,421	168,389	77,701	316,484	1,135,232
Personal Services-Other	(840)		(1,824)		(36,230)	(16,667)	(55,561)
Total	<u>896,764</u>	<u>366,235</u>	<u>624,527</u>	<u>516,845</u>	<u>261,854</u>	<u>964,936</u>	<u>3,631,160</u>
Operating Expenses							
Other Services	246,205	99,908	80,841	109,475	33,260	173,590	743,278
Supplies & Materials	29,302	8,273	11,076	36,199	3,172	35,658	123,681
Communications	45,173	11,376	14,134	16,355	7,408	27,030	121,475
Travel	6,173	18,051	15,544	8,733	6,279	24,144	78,923
Rent	31,044	22,060	57,516	362,965	11,776	146,358	631,718
Repair & Maintenance	3,247	1,800		1,292		17,901	24,240
Other Expenses	35,620	40,288	20,371	24,653	92,393	81,489	294,816
Goods Purchased For Resale	135,561	30,414			120,424	1,400	287,799
Total	<u>532,325</u>	<u>232,171</u>	<u>199,480</u>	<u>559,672</u>	<u>274,712</u>	<u>507,569</u>	<u>2,305,929</u>
Equipment & Intangible Assets							
Equipment	104,330			60,077		168,102	332,509
Total	<u>104,330</u>			<u>60,077</u>		<u>168,102</u>	<u>332,509</u>
Grants							
From Federal Sources			85,817				85,817
Total			<u>85,817</u>				<u>85,817</u>
Post Employment Benefits							
Other Post Employment Benefits	328		328		683		1,338
Employer Pension Expense	27,516		7,189		11,617		46,322
Total	<u>27,844</u>		<u>7,517</u>		<u>12,300</u>		<u>47,660</u>
Total Expenditures & Transfers-Out	<u>\$ 1,561,263</u>	<u>\$ 598,407</u>	<u>\$ 917,342</u>	<u>\$ 1,136,593</u>	<u>\$ 548,866</u>	<u>\$ 1,640,607</u>	<u>\$ 6,403,077</u>
EXPENDITURES & TRANSFERS-OUT BY FUND							
General Fund	\$ 925,917	\$ 128,302	\$ 26,480	\$ 488,377	\$ 129,534	\$ 995,848	\$ 2,694,459
State Special Revenue Fund	257,788	432,071	643	646,752	41,361	386,569	1,765,184
Federal Special Revenue Fund	46,400		786,548			206,010	1,038,959
Enterprise Fund	315,827	38,034	103,671	1,465	377,970	26,585	863,551
Permanent Fund	15,330					25,594	40,924
Total Expenditures & Transfers-Out	<u>1,561,263</u>	<u>598,407</u>	<u>917,342</u>	<u>1,136,593</u>	<u>548,866</u>	<u>1,640,607</u>	<u>6,403,077</u>
Less: Nonbudgeted Expenditures & Transfers-Out	141,176	31,063	13,443	3,591	81,632	230,540	501,445
Prior Year Expenditures & Transfers-Out Adjustments	(10)		3,188				3,178
Actual Budgeted Expenditures & Transfers-Out	<u>1,420,097</u>	<u>567,344</u>	<u>900,711</u>	<u>1,133,003</u>	<u>467,234</u>	<u>1,410,066</u>	<u>5,898,454</u>
Budget Authority	1,494,631	610,859	1,018,334	1,194,746	475,921	1,745,462	6,539,953
Unspent Budget Authority	<u>\$ 74,534</u>	<u>\$ 43,515</u>	<u>\$ 117,623</u>	<u>\$ 61,743</u>	<u>\$ 8,687</u>	<u>\$ 335,396</u>	<u>\$ 641,499</u>
UNSPENT BUDGET AUTHORITY BY FUND							
General Fund	\$ 1,689			\$ 7		\$ 0	\$ 1,696
State Special Revenue Fund	20,106	\$ 43,389		60,192		231	123,919
Federal Special Revenue Fund	31,595		\$ 106,082			320,677	458,353
Enterprise Fund	21,145	126	11,541	1,544	\$ 8,687	14,487	57,531
Unspent Budget Authority	<u>\$ 74,534</u>	<u>\$ 43,515</u>	<u>\$ 117,623</u>	<u>\$ 61,743</u>	<u>\$ 8,687</u>	<u>\$ 335,396</u>	<u>\$ 641,499</u>

This schedule is prepared from the Statewide Accounting, Budgeting, and Human Resources System (SABHRS) without adjustment. Additional information is provided in the notes to the financial schedules beginning on page A-11.

Montana Historical Society
Notes to the Financial Schedules
For the Two Fiscal Years Ended June 30, 2020

1. Summary of Significant Accounting Policies

Basis of Accounting

The Montana Historical Society uses the modified accrual basis of accounting, as defined by state accounting policy, for its Governmental fund category (General, State Special Revenue, Federal Special Revenue, Capital Projects, and Permanent). In applying the modified accrual basis, the Montana Historical Society records:

- ◆ Revenues when it receives cash or when receipts are realizable, measurable, earned, and available to pay current period liabilities.
- ◆ Expenditures for valid obligations when the department incurs the related liability and it is measurable, with the exception of the cost of employees' annual and sick leave. State accounting policy requires the Montana Historical Society to record the cost of employees' annual and sick leave when used or paid.

The Montana Historical Society uses accrual basis accounting for its Proprietary (Enterprise) fund categories. Under the accrual basis, as defined by state accounting policy, the Montana Historical Society records revenues in the accounting period when realizable, measurable, and earned, and records expenses in the period incurred when measurable.

Expenditures and expenses may include: entire budgeted service contracts even though the Montana Historical Society receives the services in a subsequent fiscal year; goods ordered with a purchase order before fiscal year-end, but not received as of fiscal year-end; and equipment ordered with a purchase order before fiscal year-end.

Basis of Presentation

The financial schedule format was adopted by the Legislative Audit Committee. The financial schedules are prepared from the transactions posted to the state's accounting system without adjustment. The Legislative Audit Committee voted to remove revenue estimates from the Statement of Total Revenues and Transfers-In for the fiscal years 2019 and 2020.

The Montana Historical Society uses the following funds:

Governmental Fund Category

- ◆ **General Fund** – to account for all financial resources except those required to be accounted for in another fund. The Montana Historical Society uses general fund in each of the Programs: Administration, Research Center, Museum, Education, Publications, State Historic Preservation Office.
- ◆ **State Special Revenue Fund** – to account for proceeds of specific revenue sources (other than private-purpose trusts or major capital projects) that are legally restricted to expenditures for specific state program purposes. Montana Historical Society State Special Revenue Funds include the Historic Sites and Signs program, the Lodging Facility Use Tax, the Membership program, Lewis & Clark License Plates, the Original Governor’s Mansion, Senate Art, grants and/or agreements with other state agencies.
- ◆ **Federal Special Revenue Fund** – to account for activities funded from federal revenue sources. Montana Historical Society Federal Special Revenue Funds include the State Historic Preservation Office and other miscellaneous federal awards.
- ◆ **Permanent Fund** – to account for financial resources that are permanently restricted to the extent that only earnings, and not principal, may be used for purposes that support Montana Historical Society programs. The Montana Historical Society uses these private donations for which the donor permitted the use of investment earnings on the donations. Each fund has unique donor requirements as to what the investment earnings can support.

Proprietary Fund Category

- ◆ **Enterprise Fund** – to account for operations (a) financed and operated in a manner similar to private business enterprises, where the Legislature intends that the department finance or recover costs primarily through user charges; (b) where the Legislature has decided that periodic determination of revenues earned, expenses incurred or net income is appropriate; (c) where the activity is financed solely by a pledge of the net revenues from fees and charges of the activity; or (d) when laws or regulations require that the activities’ cost of providing services, including capital costs, be recovered with fees and charges rather than with taxes or similar revenues. Montana Historical Society Enterprise Funds include activities in all six programs within the society: Administration, Research Center, Museum, Publication, Education, State Historic Preservation Office.

2. General Fund Equity Balance

The negative fund equity balance in the General Fund does not indicate overspent appropriation authority. The Montana Historical Society has authority to pay obligations from the statewide General Fund within its appropriation limits. The Montana Historical Society expends cash or other assets from the statewide fund

when it pays General Fund obligations. The Montana Historical Society outstanding liabilities exceed the assets it has placed in the fund, resulting in negative ending General Fund equity balances for each of the fiscal years ended June 30, 2019 and June 30, 2020.

3. Direct Entries to Fund Equity

Direct entries to fund equity in the General, State Special Revenue, Enterprise Funds in both fiscal years consist of entries generated by SABHRS to reflect the flow of resources within individual funds shared by separate agencies.

The Montana Historical Society State Special Revenue Fund amounts relate to accommodations tax revenue that are provided for use in operation of the Society in accordance with Montana Code Annotated.

Direct entries to fund equity in the Enterprise Fund are related to mandated entries by the Governmental Accounting Standards Board (GASB) in conjunction with requirement to address accounting and financial reporting for pensions and other post-employment benefits (OPEB).

4. Non-Budgeted Activity

The society had significant non-budgeted revenues in the State Special Revenue Fund on the Schedule of Total Revenues & Transfers-In in fiscal years 2019 and 2020. Additionally, the society had significant non-budgeted expenditures on the Schedule of Total Expenditures & Transfers-Out in the Administration Program, the Museum Program, and the Research Center. The majority of this activity is related to the receipt and expenditure of private donations.

5. Unspent Budget Authority

The Schedule of Total Expenditures & Transfers- Out for fiscal year 2019 presents unspent budget authority in Federal Special Revenue Fund in the amount of \$458,353. The amounts of unspent budget authority for the Research Center \$320,677, Historical Preservation Program \$ 106,082 Administration \$ 31,595. The Federal Special Revenue Fund budgeted authority exceeds estimated expenditures.

The Schedule of Total Expenditures & Transfers- Out for fiscal year 2020 presents unspent budget authority in Federal Special Revenue Fund in the amount of \$986,696. The amounts of unspent budget authority for the Research Center \$462,585, Historical Preservation Program \$515,211, Administration \$8,900. The Federal Special Revenue Fund budgeted authority exceeds estimated expenditures.

Unspent budget authority for federal programs in the beginning of the grant is not unusual as federal grants typically span over multiple fiscal years. Generally, federal authority is a continuing appropriation in, accordance with §17-7-502 and §17-3-106 (2), MCA., therefore any unspent authority rolls forward to the next fiscal year.

Report on Internal Control and Compliance

LEGISLATIVE AUDIT DIVISION

B-1

Angus Maciver, Legislative Auditor
Deborah F. Butler, Legal Counsel



Deputy Legislative Auditors:
Cindy Jorgenson
William Soller

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL SCHEDULES PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

The Legislative Audit Committee
of the Montana State Legislature:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the Schedules of Changes in Fund Equity, Schedules of Total Revenues & Transfers-In, and Schedules of Total Expenditures & Transfers-Out of the Montana Historical Society (society) for each of the fiscal years ended June 30, 2020, and 2019, and the related notes to the financial schedules, and have issued our report thereon dated April 6, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial schedules, we considered the society's internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial schedules, but not for the purpose of expressing an opinion on the effectiveness of the society's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 schedules 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 controls 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 were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the society's financial schedules 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 determination of financial schedule amounts. 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*.

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 society'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 society's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully submitted,

/s/ Cindy Jorgenson

Cindy Jorgenson, CPA
Deputy Legislative Auditor
Helena, MT

April 6, 2021

MONTANA HISTORICAL
SOCIETY

SOCIETY RESPONSE



*Historic Preservation
Museum
Outreach & Interpretation
Publications
Research Center*

April 30, 2021

Angus Maciver, Legislative Auditor
Legislative Audit Division
P. O. Box 201705
Helena, MT 59620-1705

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MAY 03 2021

LEGISLATIVE AUDIT DIV.

Dear Mr. Maciver,

The Montana Historical Society appreciates the professionalism and the efforts of the Legislative Audit Division staff in completing the financial- compliance audit for the two Fiscal years ended June 30, 2020. During the audit period there was an additional complexity with the limitations presented by the Covid-19 pandemic. The Montana Historical Society wishes to acknowledge the Legislative Auditors commitment to safety of the staff.

The Board of Trustees, management and staff of the Montana Historical Society are pleased your report contains no audit recommendation. We assure you that we will strive to continue to maintain and improve the fiscal management of the Montana Historical Society.

Sincerely,


Molly Kruckenberg

Director

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