

**CHEROKEE NATIONAL HISTORICAL  
SOCIETY, INC.**

**AUDITED FINANCIAL STATEMENTS**

**DECEMBER 31, 2017**



**CHEROKEE NATIONAL HISTORICAL SOCIETY, INC.**  
**DECEMBER 31, 2017**

**CONTENTS**

	<b><u>Page</u></b>
<b>Independent Auditor's Report</b> .....	1-2
<b>Financial Statements</b>	
Statements of Financial Position.....	3
Statements of Activities.....	4
Statements of Functional Expenses.....	5
Statements of Cash Flows.....	6
Notes to Financial Statements.....	7-19
<b>Supplemental Information</b>	
Statements of Program Expenses.....	20



## **Independent Auditor's Report**

---

To the Board of Trustees  
Cherokee National Historical Society, Inc.  
Tahlequah, Oklahoma

We have audited the accompanying financial statements of the Cherokee National Historical Society, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2017 and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Cherokee National Historical Society, Inc. as of December 31, 2017, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Report on Summarized Comparative Information**

We have previously audited Cherokee National Historical Society, Inc.'s 2016 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated August 11, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived

## **Other Matters**

### *Other Information*

Our audit was performed for the purpose of forming an opinion on the financial statements of the Cherokee National Historical Society, Inc. taken as a whole. The schedule of program expenses is presented for the 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 relate 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 statement 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 taken as a whole.



**Przybysz & Associates, CPAs, P.C.**  
**Fort Smith, Arkansas**  
**September 10, 2018**

***FINANCIAL STATEMENTS***

# CHEROKEE NATIONAL HISTORICAL SOCIETY, INC.

## STATEMENTS OF FINANCIAL POSITION

AS OF DECEMBER 31,	2017	2016
<b>Assets</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 118,764	\$ 91,420
Restricted cash and cash equivalents	222,499	207,886
Accounts receivable	35,913	27,338
Inventory	32,677	30,619
Prepaid expenses	405	1,398
<b>Total Current Assets</b>	<b>410,258</b>	<b>358,661</b>
<b>Noncurrent Assets</b>		
Investments	978,718	911,372
<b>Capital Assets</b>		
Land	198,867	198,867
Buildings	2,576,621	2,576,621
Property improvements and Ancient Village	868,812	868,812
Furniture, fixtures, and equipment	448,639	436,639
Vehicles	5,500	5,500
Total	4,098,439	4,086,439
Less accumulated depreciation	(2,947,468)	(2,903,008)
<b>Total Capital Assets</b>	<b>1,150,971</b>	<b>1,183,431</b>
<b>Total Noncurrent Assets</b>	<b>2,129,689</b>	<b>2,094,803</b>
<b>Total Assets</b>	<b>\$ 2,539,947</b>	<b>\$ 2,453,464</b>
<b>Liabilities and Net Assets</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ 6,134	\$ 6,127
Accrued payroll and related payroll expenses	2,428	2,863
Current portion of note payable	4,608	4,608
<b>Total Current Liabilities</b>	<b>13,170</b>	<b>13,598</b>
<b>Long-Term Debt</b>	<b>76,114</b>	<b>80,722</b>
<b>Total Liabilities</b>	<b>89,284</b>	<b>94,320</b>
<b>Net Assets</b>		
Unrestricted	1,876,633	1,800,151
Temporarily restricted	224,030	208,993
Permanently restricted	350,000	350,000
<b>Total Net Assets</b>	<b>2,450,663</b>	<b>2,359,144</b>
<b>Total Liabilities Net Assets</b>	<b>\$ 2,539,947</b>	<b>\$ 2,453,464</b>

See accompanying notes to financial statements.

# CHEROKEE NATIONAL HISTORICAL SOCIETY, INC.

## STATEMENTS OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2017, WITH COMPARATIVE TOTALS FOR 2016

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total 2017	Total 2016
<b>Revenue and Other Support</b>					
Contributions				\$	
Individual, corporate and foundations	\$ 52,556	\$ 26,737	\$ -	\$ 79,293	70,280
Cherokee Nation	940,093	-	-	940,093	934,714
In-kind	18,024	-	-	18,024	2,600
Grants and sponsorships	-	108,638	-	108,638	74,990
Special events	25,410	-	-	25,410	28,750
Memberships	18,345	-	-	18,345	20,705
Program service fees	191,060	-	-	191,060	226,393
Interest and dividends, net of fees	10,212	424	-	10,636	8,761
Other	13,998	-	-	13,998	6,221
Unrealized gain on investments	58,268	-	-	58,268	24,623
Realized gain on sale of investments	29,024	-	-	29,024	4,298
Net assets released from restrictions	120,762	(120,762)	-	-	-
<b>Total Revenue and Other Support</b>	<b>1,477,752</b>	<b>15,037</b>	<b>-</b>	<b>1,492,789</b>	<b>1,402,335</b>
<b>Expenses</b>					
Program Service	828,663	-	-	828,663	737,246
Management and General	456,240	-	-	456,240	389,230
Fundraising	116,367	-	-	116,367	256,976
<b>Total Expenses</b>	<b>1,401,270</b>	<b>-</b>	<b>-</b>	<b>1,401,270</b>	<b>1,383,452</b>
<b>Change in Net Assets</b>	<b>76,482</b>	<b>15,037</b>	<b>-</b>	<b>91,519</b>	<b>18,883</b>
Net Assets at Beginning of Year, as previously stated	1,800,151	208,993	350,000	2,359,144	2,406,073
Prior period adjustment	-	-	-	-	(65,812)
Net Assets at Beginning of Year, restated	1,800,151	208,993	350,000	2,359,144	2,340,261
<b>Net Assets at End of Year</b>	<b>\$ 1,876,633</b>	<b>\$ 224,030</b>	<b>\$ 350,000</b>	<b>\$ 2,450,663</b>	<b>\$ 2,359,144</b>

See accompanying notes to financial statements.

# CHEROKEE NATIONAL HISTORICAL SOCIETY, INC.

## STATEMENTS OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 2017, WITH COMPARATIVE TOTALS FOR 2016

	Program Service	Management & General	Fundraising	Total 2017	Total 2016
<b>Expenses</b>					
Awards and memorials	\$ 29,905	\$ -	\$ -	\$ 29,905	33,993
Contract labor	25,845	5,000	1,500	32,345	26,259
Cost of materials sold	9,882	-	-	9,882	23,165
Depreciation	43,543	917	-	44,460	46,645
Dues, subscriptions and permits	3,086	2,609	1,231	6,926	6,051
Education course	11,592	-	-	11,592	14,552
Equipment purchase, repair and rental	3,511	3,772	669	7,952	6,303
Finance charges	-	1,409	178	1,587	2,265
Indirect cost allocation	53,444	24,601	6,786	84,831	83,662
Insurance	9,656	2,774	-	12,430	12,108
Interest	-	2,385	-	2,385	2,014
Maintenance and repairs	2,845	4,579	149	7,573	4,829
Marketing	131,709	921	51,579	184,209	207,663
Miscellaneous expenses	3,774	2,296	125	6,195	4,198
Meals and entertainment	1,818	275	525	2,618	2,306
Meeting and trade show expenses	600	555	-	1,155	2,473
Postage and shipping	1,999	877	1,729	4,605	3,836
Printing and copying	1,978	678	1,831	4,487	5,979
Professional fees	-	5,597	-	5,597	13,450
Salaries and wages	421,373	360,574	40,919	822,866	772,083
Special event expense	17,501	520	-	18,021	3,812
Staff development	1,081	2,384	60	3,525	4,416
Supplies	18,969	12,590	4,085	35,644	38,691
Telephone	3,052	15,342	1,987	20,381	17,781
Travel expenses	3,233	154	831	4,218	6,376
Utilities	28,267	5,431	2,183	35,881	38,542
<b>Total Expenses</b>	<b>\$ 828,663</b>	<b>\$ 456,240</b>	<b>\$ 116,367</b>	<b>\$ 1,401,270</b>	<b>\$ 1,383,452</b>

See accompanying notes to financial statements.



# CHEROKEE NATIONAL HISTORICAL SOCIETY, INC.

## STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31,	2017	2016
<b>Cash Flows From Operating Activities</b>		
Change in net assets	\$ 91,519	\$ 18,883
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	44,460	46,645
Realized and unrealized (gain)/loss on investments	(87,292)	(28,921)
Noncash contributions	(958,117)	(937,314)
Noncash expenses	951,617	937,314
Change in:		
Accounts receivable	(8,575)	(7,015)
Inventory	(2,058)	(91)
Prepaid expenses	993	(1,398)
Accounts payable	7	1,095
Accrued payroll and related payroll expenses	(435)	2,863
<b>Net Cash Provided By Operating Activities</b>	<b>32,119</b>	<b>32,061</b>
<b>Cash Flows From Investing Activities</b>		
Purchases of property, plant, and equipment	(5,500)	-
Net reinvestment of earnings on investments	(9,314)	(8,039)
Distributions from endowments	29,260	27,465
<b>Net Cash Provided By Investing Activities</b>	<b>14,446</b>	<b>19,426</b>
<b>Cash Flows From Financing Activities</b>		
Principal paid on note payable	(4,608)	(4,608)
<b>Net Cash Used By Financing Activities</b>	<b>(4,608)</b>	<b>(4,608)</b>
<b>Net Increase In Cash, Cash Equivalents and Restricted Cash</b>	<b>41,957</b>	<b>46,879</b>
Cash, Cash Equivalents and Restricted Cash At Beginning of Year	299,306	252,427
<b>Cash, Cash Equivalents and Restricted Cash At End of Year</b>	<b>\$ 341,263</b>	<b>\$ 299,306</b>
<b>Reconciliation to the Statement of Financial Position</b>		
Cash and cash equivalents	\$ 118,764	\$ 91,420
Restricted cash and cash equivalents	222,499	207,886
<b>Total Cash, Cash Equivalents and Restricted Cash</b>	<b>\$ 341,263</b>	<b>\$ 299,306</b>
<b>Schedule of Noncash Investing Activities</b>		
Property, plant and equipment acquired during the year	\$ 12,000	\$ -
Donation for John Deere mower	(6,500)	-
<b>Net cash to purchase property, plant and equipment</b>	<b>\$ 5,500</b>	<b>\$ -</b>
<b>Supplemental Disclosure of Cash Flow Information</b>		
Cash paid for interest	\$ 2,385	\$ 2,014

See accompanying notes to financial statements.

# CHEROKEE NATIONAL HISTORICAL SOCIETY, INC.

## NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017

### NATURE OF BUSINESS

The Cherokee National Historical Society, Inc. (the Society) is an educational, cultural and charitable membership nonprofit organization originally incorporated under the laws of the State of Oklahoma in 1963. The Society's mission is to preserve, promote, and teach Cherokee history and culture. The Cherokee Heritage Center complex includes the Cherokee National Museum, a historically re-created Cherokee ancient village, an Indian Territory period town Adams Corner, the Cherokee National Archives and the Family Research Center.

#### 1. Summary of Significant Accounting Policies

##### a. Basis of Accounting

The financial statements of the Society have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles. Revenues and gains are recognized when earned, and expenses and losses are recognized when incurred.

##### b. Financial Statement Presentation

Net assets of the Society and changes therein are classified and reported as follows:

*Unrestricted net assets* - net assets that are not subject to grantor or donor-imposed stipulations.

*Temporarily restricted net assets* - Net assets subject to grantor or donor-imposed stipulations that may or will be met, either by actions of the Society and/or passage of time.

*Permanently restricted net assets* - Net assets subject to grantor or donor-imposed stipulations that they be maintained permanently by the Society.

Revenues are reported as increases in unrestricted net assets unless use of the related asset is limited by donor-imposed restrictions. Gains and losses on the disposition of assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulations or laws. Expenses are generally reported as decreases in unrestricted net assets. Contributions with donor-imposed restrictions, such as time or purpose restrictions, are recorded as temporarily restricted net assets. When donor-imposed time conditions expire, or a donor imposed restriction is fulfilled, the temporarily restricted net assets are reclassified to unrestricted net assets. This reclassification is reported as net assets released from restrictions.

# CHEROKEE NATIONAL HISTORICAL SOCIETY, INC.

## NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017

### 1. Summary of Significant Accounting Policies (continued)

#### c. Fair Value Measurement

Guidance provided by the FASB defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When measuring a fair value, a fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). Inputs are broadly defined as assumptions market participants would use in pricing an asset or liability. The three levels of the fair value hierarchy are described below:

Level 1 - Quoted prices in active markets for identical assets or liabilities as of the reporting date.

Level 2 - Pricing inputs other than quoted prices included in Level 1, which are either directly observable or that can be derived or supported from observable data as of the reporting date.

Level 3 - Pricing inputs include those that are significant to the fair value of the financial asset or financial liability and are generally less observable from objective sources. These inputs may be used with internally developed techniques that result in management's best estimate of fair value.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. The valuation methods used may produce a fair value calculation that may not be indicative of the net realizable value or reflective of future fair values. Furthermore, although the Society 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. There have been no changes in the methodologies used at December 31, 2017.

#### d. Cash Equivalents

For purposes of the Statement of Cash Flows, the Society considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

#### e. Accounts Receivable

Accounts receivable consists of grants, campaign contributions and program service fees. It is management's assertion that these receivables are fully collectable, therefore, no allowance for doubtful accounts is necessary at December 31, 2017 and 2016.

# CHEROKEE NATIONAL HISTORICAL SOCIETY, INC.

## NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017

### 1. Summary of Significant Accounting Policies (continued)

#### f. Inventory

Inventory is valued at cost (first-in, first out) or market, whichever is lower, and consists of historical and cultural publications relating to the Cherokee Indian Nation.

#### g. Prepaid Expenses

Payments made to vendors for services that will benefit future periods are recorded as prepaid expenses using the consumption method by recording a current asset for the prepaid amount at the time of purchase and reflecting the expense in the year which services are consumed.

#### h. Property and Equipment

With the exception of donated assets, all items of property and equipment of the Society are recorded at cost. The cost and related accumulated depreciation of retired or disposed assets are removed from the accounts, and any resulting gain or loss is recognized in the statement of activities.

Donations of property and equipment are recorded as support at their estimated fair market value. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor restrictions regarding how long those donated assets must be maintained, the Society reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Society reclassifies temporarily restricted net assets to unrestricted net assets at that time.

Depreciation of property and equipment is computed by using the straight-line method over the estimated useful lives as follows:

	<u>Years</u>
Buildings	5 - 40
Property improvements and Ancient Village	4 - 35
Furniture, fixtures and equipment	3 - 30
Vehicles	5

It is the Society's policy to capitalize all asset purchases greater than \$5,000 per facility while expensing all asset purchases under \$5,000 per facility.

# **CHEROKEE NATIONAL HISTORICAL SOCIETY, INC.**

## **NOTES TO FINANCIAL STATEMENTS**

**DECEMBER 31, 2017**

### **1. Summary of Significant Accounting Policies (continued)**

#### **i. Investments**

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at fair value. Fair value is determined by reference to quoted market prices and other relevant information generated by market transactions. Investment income and gains that are initially restricted by donor stipulation and for which the restriction will be satisfied in the same year are included in unrestricted net assets. Other investment income, gains and losses are reflected in the statement of activities as unrestricted, temporarily restricted or permanently restricted based upon the existence and nature of any donor or legally imposed restrictions.

#### **j. Contributions**

Gifts of cash and other assets are recorded as unrestricted, temporarily restricted or permanently restricted net assets, depending on the absence or existence and nature of any donor restrictions. Contributions are presented as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized.

Gifts of land, building and equipment are presented as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Society reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

#### **k. Functional Allocation of Expenses**

The costs of providing the various programs and activities have been summarized on a functional basis in the Statement of Activities and in the Statement of Functional Expenses. Accordingly, certain costs have been allocated (based on estimates) among the program and supporting services benefited.

#### **l. Advertising and Promotions**

The Society follows the policy of charging advertising and promotions to expense as incurred.

# CHEROKEE NATIONAL HISTORICAL SOCIETY, INC.

## NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017

### 1. Summary of Significant Accounting Policies (continued)

#### m. Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts in the financial statements and notes to the financial statements. Actual results could differ from those estimates.

#### n. Prior-year Comparative Information

The financial statements include prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with financial statements for the year-ended December 31, 2016 from which the summarized information was derived.

### 2. Income Taxes

The Society is exempt from federal income taxes under Section 501(C)(3) of the Internal Revenue Code and a similar section of Oklahoma statutes. Accordingly, no provision or liability for federal or state income taxes has been included in the consolidated financial statements. In addition, the Society has been determined by the Internal Revenue Service not to be a private foundation within the meaning of Section 509(a) of the Code.

Additionally, the Society qualifies for the charitable contribution deduction Under Section 170(b)(1)(A).

Generally accepted accounting principles require tax effects from an uncertain tax position to be recognized in the financial statements only if the position is more likely than not to be sustained if the position were to be challenged by a taxing authority. The assessment of the tax position is based solely on the technical merits of the position, without regard to the likelihood that the tax position may be challenged. If an uncertain tax position meets the more-likely-than-not threshold, the largest amount of tax benefit that is greater than 50% likely to be recognized upon ultimate settlement with the taxing authority is recorded. The Society's primary tax positions relate to its status as a not-for-profit entity exempt from income taxes and classification of activities related to its exempt purpose. Management has evaluated the tax positions reflected in the Society's tax filings and does not believe that any material uncertain tax positions exist.

The Society's tax returns are subject to possible examination by the taxing authorities. For federal income tax purposes, the Society's tax years 2015 through 2017 remain open for possible examination by the Internal Revenue Service.

# CHEROKEE NATIONAL HISTORICAL SOCIETY, INC.

## NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017

### 3. Concentrations of Credit

The Society maintains its operating cash accounts in two local financial institutions. The Federal Deposit Insurance Corporation (FDIC) insures accounts at each institution up to \$250,000. The Society's cash balances may, at times, exceed these insured limits. At December 31, 2017 and 2016, all of the Society's deposits were insured. The Society does not believe that there is any significant risk associated with the concentrations of credit nor has the Society experienced any losses in such accounts.

The Society maintains accounts with a financial institution that contain cash, securities and other investments. Only the cash and cash equivalents in the account are FDIC insured up to \$250,000. The remaining investment balances are not insured by the FDIC or any other federal government agency, nor are they protected against market losses on investments. At December 31, 2017 and 2016, the Society had \$978,718 and \$911,372, respectively, in this account.

### 4. Restricted Cash

Cash is restricted for the following purposes:

<b>As Of December 31,</b>	<b>2017</b>	<b>2016</b>
Restricted donations, grants and scholarships	\$ 120,410	106,426
Capital campaign - restricted for outdoor living history exhibit	102,089	101,460
<b>Total Restricted Cash</b>	<b>\$ 222,499</b>	<b>\$ 207,886</b>

### 5. Investments

Long-term investments are stated at fair value, which are estimated based on quoted market prices for those investments. Fair values and unrealized appreciation (depreciation) are summarized as follows:

<b>As Of December 31, 2017</b>	<b>Cost</b>	<b>Fair Value</b>	<b>Unrealized Appreciation (Depreciation)</b>
Bank of Oklahoma Financial			
Short term investments	\$ 22,677	\$ 22,677	\$ -
Fixed income investments	130,135	123,241	(6,894)
Equity investments	221,633	379,805	158,172
Other	27,184	31,455	4,271
Adams Endowment			
Short term investments	351,531	351,531	-

# CHEROKEE NATIONAL HISTORICAL SOCIETY, INC.

## NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017

### 5. Investments (continued)

<b>As Of December 31, 2017</b>	Cost	Fair Value	Unrealized Appreciation (Depreciation)
Tulsa Community Foundation			
Short term investments	2,003	2,003	-
Fixed income investments	19,626	19,749	123
Equity investments	32,087	44,083	11,996
Other	3,923	4,174	251
<b>Total</b>	<b>\$ 810,799</b>	<b>\$ 978,718</b>	<b>\$ 167,919</b>

<b>As Of December 31, 2016</b>	Cost	Fair Value	Unrealized Appreciation (Depreciation)
Bank of Oklahoma Financial			
Short term investments	\$ 7,546	\$ 7,546	-
Fixed income investments	130,135	122,744	(7,391)
Equity investments	230,976	339,405	108,429
Other	27,184	29,756	2,572
Adams Endowment			
Short term investments	351,108	351,108	-
Tulsa Community Foundation			
Short term investments	1,629	1,629	-
Fixed income investments	18,225	18,091	(134)
Equity investments	31,275	37,458	6,183
Other	3,629	3,635	6
<b>Total</b>	<b>\$ 801,707</b>	<b>\$ 911,372</b>	<b>\$ 109,665</b>

#### Fair Value Disclosures

The following table represents the Society's investments that are measured at fair value on a recurring basis at December 31, 2017:

	Level 1	Level 2	Level 3	Total
Short term investments	\$ 376,211	\$ -	\$ -	\$ 376,211
Fixed income investments	142,990	-	-	142,990
Equity investments	423,888	-	-	423,888
Other	35,629	-	-	35,629
<b>Total</b>	<b>\$ 978,718</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 978,718</b>



# CHEROKEE NATIONAL HISTORICAL SOCIETY, INC.

## NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017

### 6. Endowment

#### Interpretation of Relevant Law

The Board of Directors of the Society has interpreted the State Prudent Management of Institutional Funds Act (SPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Society classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Society in a manner consistent with the standard prudence prescribed by SPMIFA. In accordance with SPMIFA, the Society considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund
- (2) The purposes of the institution and the donor-restricted endowment fund
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of the institution
- (7) The investment policies of the institution

#### Endowment Net Asset Composition by Type of Fund as of December 31, 2017

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	\$ -	\$ 1,531	\$ 350,000	\$ 351,531
Total funds	\$ -	\$ 1,531	\$ 350,000	\$ 351,531

#### Endowment Net Asset Composition by Type of Fund as of December 31, 2016

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	\$ -	\$ 1,108	\$ 350,000	\$ 351,108
Total funds	\$ -	\$ 1,108	\$ 350,000	\$ 351,108

# CHEROKEE NATIONAL HISTORICAL SOCIETY, INC.

## NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017

### 6. Endowment (continued)

#### Changes in Endowment Net Assets for the Fiscal Year Ended December 31, 2017

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ -	\$ 1,108	\$ 350,000	\$ 351,108
Investment return:				
Investment income	-	3,537	-	3,537
Net appreciation (realized and unrealized)	-	-	-	-
Total investment return	-	3,537	-	3,537
Contributions	-	-	-	-
Fees	-	(1,054)	-	(1,054)
Appropriation of endowment assets for expenditure	-	(2,060)	-	(2,060)
Endowment net assets, end of year	\$ -	\$ 1,531	\$ 350,000	\$ 351,531

#### Changes in Endowment Net Assets for the Fiscal Year Ended December 31, 2016

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ -	\$ 1,137	\$ 350,000	\$ 351,137
Investment return:				
Investment income	-	1,537	-	1,537
Net appreciation (realized and unrealized)	-	-	-	-
Total investment return	-	1,537	-	1,537
Contributions	-	-	-	-
Fees	-	(1,053)	-	(1,053)
Appropriation of endowment assets for expenditure	-	(513)	-	(513)
Endowment net assets, end of year	\$ -	\$ 1,108	\$ 350,000	\$ 351,108

# CHEROKEE NATIONAL HISTORICAL SOCIETY, INC.

## NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017

### 6. Endowment (continued)

#### Return Objectives and Risk Parameters

The Society has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding for programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Society must hold in perpetuity or for a donor-specified period(s). Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of the S&P 500 index while assuming a moderate level of investment risk. The Endowment will be evaluated at least semi-annually for performance. Overall Endowment returns will be compared to a blended benchmark created using the stated class benchmarks to correspond to the target percentage asset allocation or other appropriate blended benchmark as defined by the Investment Committee.

#### Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Society relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Society's endowment funds consists primarily of a balanced fund to achieve its long-term return objectives within prudent risk constraints.

### 7. Note Payable

On July 15, 2015, the Society refinanced a loan totaling \$91,858 for the replacement of a roof at the facility. The loan calls for monthly principal payments of \$384 plus interest with a final balloon payment due August 15, 2020. The Interest rate is a variable rate at 1.8 percentage points above the LIBOR rate. The interest rate at the inception of the loan was 1.99%

Debt is scheduled to mature as follows:

<b>December 31,</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2018	\$ 4,608	\$ 1,661	\$ 6,269
2019	4,608	1,602	6,210
2020	71,506	610	72,116
<b>Total</b>	<b>\$ 80,722</b>	<b>\$ 3,873</b>	<b>\$ 84,595</b>

# CHEROKEE NATIONAL HISTORICAL SOCIETY, INC.

## NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017

### 7. Note Payable (continued)

Activity of the long-term debt consists of the following:

As Of	January 1, 2017	Additions	Retirements	December 31, 2017
Note payable	\$ 85,330	\$ -	\$ 4,608	\$ 80,722
<b>Total</b>	<b>\$ 85,330</b>	<b>\$ -</b>	<b>\$ 4,608</b>	<b>\$ 80,722</b>

As Of	January 1, 2016	Additions	Retirements	December 31, 2016
Note payable	\$ 89,938	\$ -	\$ 4,608	\$ 85,330
<b>Total</b>	<b>\$ 89,938</b>	<b>\$ -</b>	<b>\$ 4,608</b>	<b>\$ 85,330</b>

### 8. Restricted Net Assets

Net assets are restricted for the following purposes:

As of December 31, 2017	Temporarily Restricted	Permanently Restricted
Cash, restricted donations, grants and scholarships	\$ 120,410	\$ -
Cash, restricted for outdoor living exhibit	102,089	-
Adams Endowment, restricted for maintaining and keeping up the Adams Family Corner Village	1,531	350,000
<b>Total Restricted Net Assets</b>	<b>\$ 224,030</b>	<b>\$ 350,000</b>

As of December 31, 2016	Temporarily Restricted	Permanently Restricted
Cash, restricted donations, grants and scholarships	\$ 106,425	\$ -
Cash, restricted for outdoor living exhibit	101,460	-
Adams Endowment, restricted for maintaining and keeping up the Adams Family Corner Village	1,108	350,000
<b>Total Restricted Net Assets</b>	<b>\$ 208,993</b>	<b>\$ 350,000</b>

# CHEROKEE NATIONAL HISTORICAL SOCIETY, INC.

## NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017

### 9. Related Party / Concentration

The Society signed a Memorandum of Agreement (MOA) with the Cherokee Nation (CN) and Cherokee Nation Entertainment (CNE). Under the agreement, the Society shall do all charitable fundraising, maintain memberships, operate archival, genealogical, and collection services, operate the Cherokee National Museum, Cherokee Humanities Course, and coordinate the activities of the Cherokee Heritage Center. CNE shall provide marketing services and operate the museum store. CN shall operate the Ancient Village, operate educational programs, and supply financial, maintenance and support services. CN and CNE shall supply all employees, respectively, supplies, equipment, materials, or other resources necessary to perform its obligations. The MOA agreement is for one year terms and renews automatically unless notice of termination is provided.

Total support received by the Society was the for the following:

<b>For the Year Ended December 31,</b>	<b>2017</b>	<b>2016</b>
Salaries and wages	\$ 391,137	\$ 393,798
Fringe benefits	223,982	225,925
Marketing	181,622	205,063
Indirect cost allocation	84,831	83,662
Employment expense	26,507	-
Insurance	12,429	12,427
Equipment purchase, repair and rental	5,353	-
Telephone	4,820	3,728
Internet and web page	3,376	3,483
Fuel	3,347	3,078
Travel and meals	1,085	2,213
Other	1,604	1,337
<b>Total Support</b>	<b>\$ 940,093</b>	<b>\$ 934,714</b>

Generally accepted accounting principles require disclosure of current vulnerabilities due to certain concentrations. The Society's revenues are primarily received from CN and CNE. Termination of this MOA could negatively impact the Society.

### 10. Donations In-Kind

Contributed services are recorded in the financial statements to the extent that those services create or enhance a nonfinancial asset or meet the following criteria" a) the service requires specialized skills, b) the service provided by individuals who possess those skills, and c) the service would typically need to be purchased if not contributed.

# CHEROKEE NATIONAL HISTORICAL SOCIETY, INC.

## NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017

### 10. Donations In-Kind

The Society recognized in-kind donations for the following services and items:

<b>For the Year Ended December 31,</b>	<b>2017</b>	<b>2016</b>
Seven Star Gala - banquet service	\$ 11,524	\$ -
John Deere mower	6,500	-
Advertising	-	2,600
<b>Total</b>	<b>\$ 18,024</b>	<b>\$ 2,600</b>

### 11. Employee Benefits

Employees earn vacation and sick pay in varying amounts based upon length of service with the Society. Employees can carryforward unused sick and vacation days from year to year. Upon termination from the Society, employees are paid up to forty hours of accumulated unused vacation. No unused accumulated sick pay is paid upon termination. No provision has been made in the accompanying financial statements for compensated absences as the amounts are not material.

The Society does not provide a pension plan to employees.

### 12. Risks and Uncertainties

Investment securities are exposed to various risks such as interest rate, market, and credit. Due to the level of risk associated with certain investment securities, and the level of uncertainty related to changes in the fair value of investment securities, it is at least reasonably possible that changes in the risks in the near term could materially affect the net assets of the Society. The Society has an investment policy in place to help mitigate any risk.

### 13. Prior Period Adjustment

In 2016, the Society made a prior period adjustment to write off inventory to adjust to physical inventory records. The effect was to decrease inventory and unrestricted net assets by \$65,812.

### 14. Subsequent Events

Management has evaluated subsequent events through September 10, 2018, the date which the financial statements were available for issue and has determined that there are no additional adjustments and/or financial statement disclosures required.

***SUPPLEMENTAL INFORMATION***

# CHEROKEE NATIONAL HISTORICAL

## STATEMENTS OF PROGRAM EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 2017, WITH COMPARATIVE TOTALS FOR 2016

	Museums	Programs	Preservation	Heritage Press	Total 2017	Total 2016
<b>Expenses</b>						
Awards and memorials	\$ 29,905	\$ -	\$ -	\$ -	29,905	33,993
Contract labor	3,980	21,865	-	-	25,845	26,159
Cost of materials sold	6,234	217	-	3,431	9,882	23,065
Depreciation	43,543	-	-	-	43,543	46,645
Dues, subscriptions & permits	669	614	1,508	295	3,086	2,696
Education course	-	11,592	-	-	11,592	14,552
Equipment purchase, repair and rental	66	1,907	1,538	-	3,511	4,033
Indirect cost allocation	27,994	12,725	12,725	-	53,444	52,707
Insurance	8,813	575	268	-	9,656	9,394
Maintenance and repairs	1,525	737	583	-	2,845	2,735
Marketing	21,073	107,014	3,293	329	131,709	4,776
Miscellaneous expenses	506	1,022	2,226	20	3,774	2,141
Meals and entertainment	585	1,108	125	-	1,818	1,594
Meeting expenses	150	150	300	-	600	500
Postage and shipping	629	125	664	581	1,999	1,745
Printing and copying	678	352	948	-	1,978	3,083
Professional fees	-	-	-	-	-	4,000
Salaries and related expenses	185,545	99,949	135,879	-	421,373	431,245
Special event expense	4,311	12,998	192	-	17,501	2,816
Staff development	806	275	-	-	1,081	825
Supplies	9,688	7,020	2,261	-	18,969	29,980
Telephone	709	1,094	1,249	-	3,052	3,580
Travel expenses	650	1,763	820	-	3,233	4,491
Utilities	21,611	1,470	5,186	-	28,267	30,491
<b>Total Expenses</b>	<b>\$ 369,670</b>	<b>\$ 284,572</b>	<b>\$ 169,765</b>	<b>\$ 4,656</b>	<b>\$ 828,663</b>	<b>\$ 737,246</b>

**Notes to schedule:**

Museums includes the museum, art shows, Adam's Corner and Diligwa

Programs include outreach, education and special events

Preservation includes archives, genealogy and collections

See independent auditor's report.