

MINNESOTA MUSEUM OF AMERICAN ART

**CONSOLIDATED FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION**

YEARS ENDED JUNE 30, 2020
**(WITH SUMMARIZED FINANCIAL INFORMATION
FOR THE YEAR ENDED JUNE 30, 2019)**

**MINNESOTA MUSEUM OF AMERICAN ART
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INDEPENDENT AUDITORS' REPORT

Board of Trustees
Minnesota Museum of American Art
Saint Paul, Minnesota

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Minnesota Museum of American Art (a nonprofit organization), which comprise the financial position as of June 30, 2020, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Minnesota Museum of American Art as of June 30, 2020, and the results of its activities and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Summarized Comparative Information

The 2019 consolidated financial statements of Minnesota Museum of American Art were audited by other auditors whose report dated January 22, 2020 expressed an unmodified opinion on those statements. In their opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating statement of financial position and consolidating statement of activities are presented for purposes of additional analysis and are not a required part of the consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated 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 consolidated financial statements as a whole.



CliftonLarsonAllen LLP

Minneapolis, Minnesota
January 13, 2021

MINNESOTA MUSEUM OF AMERICAN ART
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
JUNE 30, 2020
(WITH COMPARATIVE TOTALS FOR JUNE 30, 2019)

	2020	2019
ASSETS		
Cash	\$ 767,342	\$ 133,754
Cash - Restricted	926,101	569,824
Grants and Pledges Receivable, Net	1,018,286	1,869,392
Accounts Receivable	-	6,679
Inventory	5,034	5,034
Prepaid Expenses	30,828	39,162
Investments (Art Acquisitions Funds)	1,484,454	1,467,253
New Markets Tax Credit Note Receivable	4,825,000	4,825,000
Property and Equipment, Net	13,541,112	11,548,588
Other Assets, Net	187,496	203,876
Art Collections	-	-
	<u>\$ 22,785,653</u>	<u>\$ 20,668,562</u>
Total Assets		
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts Payable	\$ 21,129	\$ 7,111
Construction Payable	34,205	99,862
Accrued Expenses	60,323	21,580
Deferred Lease Payable	180,135	61,085
Long-Term Debt, Net	9,883,338	9,176,873
Total Liabilities	<u>10,179,130</u>	<u>9,366,511</u>
NET ASSETS		
Without Donor Restrictions:		
Undesignated	7,533,870	6,187,801
Noncontrolling Interest	1,348,452	488,446
Total Without Donor Restrictions	<u>8,882,322</u>	<u>6,676,247</u>
With Donor Restrictions	3,724,201	4,625,804
Total Net Assets	<u>12,606,523</u>	<u>11,302,051</u>
Total Liabilities and Net Assets	<u>\$ 22,785,653</u>	<u>\$ 20,668,562</u>

See accompanying Notes to Consolidated financial statements.

MINNESOTA MUSEUM OF AMERICAN ART
CONSOLIDATED STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2020
(WITH COMPARATIVE TOTALS FOR JUNE 30, 2019)

	Without Donor Restrictions	With Donor Restrictions	Total 2020	Total 2019
OPERATING SUPPORT AND REVENUE				
Grants and Contributions	\$ 311,850	\$ 268,179	\$ 580,029	\$ 740,515
Government Grants	159,629	133,532	293,161	363,701
In-Kind Contributions	5,945	-	5,945	94,876
Admissions and Exhibition Fees	13,580	-	13,580	16,806
Rental Revenue	11,715	-	11,715	5,649
Other	23,498	-	23,498	2,000
Net Assets Released from Restrictions	363,844	(363,844)	-	-
Total Operating Support and Revenue	<u>890,061</u>	<u>37,867</u>	<u>927,928</u>	<u>1,223,547</u>
EXPENSES				
Program Services:				
Collections	202,156	-	202,156	196,619
Exhibits and Programming	916,025	-	916,025	995,497
Total Program Expenses	<u>1,118,181</u>	<u>-</u>	<u>1,118,181</u>	<u>1,192,116</u>
General and Administrative	533,539	-	533,539	116,100
Fundraising	190,378	-	190,378	217,992
Total Expenses	<u>1,842,098</u>	<u>-</u>	<u>1,842,098</u>	<u>1,526,208</u>
CHANGE IN NET ASSETS FROM OPERATIONS	(952,037)	37,867	(914,170)	(302,661)
OTHER INCOME (EXPENSE)				
Capital Campaign Contributions	-	1,995,481	1,995,481	3,103,441
Developer Fee	-	-	-	491,512
TIF Revenue	95,114	-	95,114	283,443
Capital Campaign and Development Expenses	(130,616)	-	(130,616)	(844,444)
Loss on Uncollectible Pledges	(59,200)	-	(59,200)	(31,112)
Investor Contributions	987,809	-	987,809	-
Investment Income, Net	123,952	-	123,952	152,019
Interest Expense	(283,161)	-	(283,161)	(266,872)
Depreciation and Amortization	(437,172)	-	(437,172)	(276,474)
Net Assets Released from Restrictions	2,876,973	(2,876,973)	-	-
Total Other Income (Expense)	<u>3,173,699</u>	<u>(881,492)</u>	<u>2,292,207</u>	<u>2,611,513</u>
CHANGE IN NET ASSETS BEFORE CHANGES RELATED TO COLLECTION ITEMS NOT CAPITALIZED	2,221,662	(843,625)	1,378,037	2,308,852
ADDITIONS TO ART COLLECTIONS	<u>(15,587)</u>	<u>(57,978)</u>	<u>(73,565)</u>	<u>(98,302)</u>
CHANGE IN NET ASSETS	2,206,075	(901,603)	1,304,472	2,210,550
Net Assets - Beginning of Year	<u>6,676,247</u>	<u>4,625,804</u>	<u>11,302,051</u>	<u>9,091,501</u>
NET ASSETS - END OF YEAR	<u>\$ 8,882,322</u>	<u>\$ 3,724,201</u>	<u>\$ 12,606,523</u>	<u>\$ 11,302,051</u>

See accompanying Notes to Consolidated financial statements.

MINNESOTA MUSEUM OF AMERICAN ART
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2020
(WITH COMPARATIVE TOTALS FOR JUNE 30, 2019)

	Program Expenses			General and Administrative	Fundraising	Total	Total
	Collections	Exhibits and Programming	Total			Expenses 2020	Expenses 2019
Salaries	\$ 82,231	\$ 297,684	\$ 379,915	\$ 233,489	\$ 187,302	\$ 800,706	\$ 771,875
Payroll Taxes	6,971	23,448	30,419	18,378	14,576	63,373	61,177
Employee Benefits	7,803	26,245	34,048	20,571	16,314	70,933	75,061
Subtotal Salaries and Related	97,005	347,377	444,382	272,438	218,192	935,012	908,113
Professional Fees	2,869	139,835	142,704	120,891	50,335	313,930	456,759
Lobbying	-	-	-	-	-	-	27,000
Occupancy	43,870	238,698	282,568	37,224	12,408	332,200	351,399
Program and Exhibit Supplies and Signage	1,000	18,041	19,041	3,019	3,934	25,994	77,073
Telecommunications	1,253	4,215	5,468	3,303	2,620	11,391	10,853
Information Technology	2,327	7,826	10,153	6,134	4,864	21,151	19,067
Equipment Costs	3,601	17,841	21,442	9,602	4,800	35,844	104,367
Dues and Subscriptions	3,067	10,225	13,292	8,179	4,090	25,561	20,550
Promotions	-	40,402	40,402	5,200	-	45,602	188,774
Insurance	24,465	9,511	33,976	7,609	3,805	45,390	35,894
Utilities	5,138	17,125	22,263	13,700	6,850	42,813	36,661
Travel and Meetings	715	5,808	6,523	11,246	1,496	19,265	28,902
Postage and Shipping	13,669	41,250	54,919	1,756	1,394	58,069	37,867
Publications, Printing, and Photography	3,158	17,089	20,247	9,252	6,165	35,664	54,218
Miscellaneous	19	782	801	23,986	41	24,828	13,155
Subtotal Other Expenses	105,151	568,648	673,799	261,101	102,802	1,037,702	1,462,539
Total Operating Expenses Before Capital Campaign	202,156	916,025	1,118,181	533,539	320,994	1,972,714	2,370,652
Less: Capital Campaign	-	-	-	-	(130,616)	(130,616)	(844,444)
Total Operating Expenses	202,156	916,025	1,118,181	533,539	190,378	1,842,098	1,526,208
Expenses Paid with Capital Campaign Proceeds	-	-	-	-	130,616	130,616	844,444
Interest	-	283,161	283,161	-	-	283,161	266,872
Depreciation and Amortization	11,168	381,334	392,502	29,780	14,890	437,172	276,474
Total Expenses by Function	\$ 213,324	\$ 1,580,520	\$ 1,793,844	\$ 563,319	\$ 335,884	\$ 2,693,047	\$ 2,913,998
Expenses by Function as a Percentage of Total	8%	59%	67%	21%	12%	100%	100%

See accompanying Notes to Consolidated financial statements.

MINNESOTA MUSEUM OF AMERICAN ART
CONSOLIDATED STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2020
(WITH COMPARATIVE TOTALS FOR JUNE 30, 2019)

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 1,304,472	\$ 2,210,550
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Depreciation and Amortization	437,172	276,474
Interest Expense - Amortization of Finance Fees	61,990	20,487
Loss (Gain) on Investments	(47,117)	(100,388)
Change in Pledges Receivable Discount to Present Value	(32,570)	13,861
Capital Campaign Contributions	(906,558)	(3,103,441)
Investor Contributions	(987,809)	-
Loss on Disposal of Assets	-	31,112
Purchase of Collection Items	73,565	98,302
(Increase) Decrease in Assets:		
Accounts Receivable	6,679	3,494
Grants and Pledges Receivable, Net	883,676	(150,037)
Inventory	-	(5,035)
Prepaid Expenses	8,334	(18,158)
Other Assets	(11,909)	-
Increase (Decrease) in Liabilities:		
Accounts Payable	14,018	(5,389)
Accrued Expenses	38,743	(3,963)
Deferred Lease Liability	119,050	61,085
Net Cash Provided (Used) by Operating Activities	961,736	(671,046)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Property and Equipment	(2,495,353)	(5,483,420)
Purchase of Additions to Collection	(73,565)	(98,302)
Purchase of Investments	(130,916)	-
Sales of Investments	160,832	97,328
Net Cash Used by Investing Activities	(2,539,002)	(5,484,394)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from Debt	1,201,900	-
Payments on Debt	(529,136)	(1,518,272)
Capital Campaign Contributions	906,558	2,497,765
Purchase of Other Assets	-	(215,785)
Investor Contributions	987,809	-
Net Cash Provided by Financing Activities	2,567,131	763,708
CHANGE IN CASH AND CASH EQUIVALENTS	989,865	(5,391,732)
Cash and Cash Equivalents - Beginning of Year	703,578	6,095,310
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 1,693,443	\$ 703,578

See accompanying Notes to Consolidated financial statements.

MINNESOTA MUSEUM OF AMERICAN ART
CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)
YEAR ENDED JUNE 30, 2020
(WITH COMPARATIVE TOTALS FOR JUNE 30, 2019)

	2020	2019
RECONCILIATION TO THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION		
Cash	\$ 767,342	\$ 133,754
Cash - Restricted	926,101	569,824
Total	\$ 1,693,443	\$ 703,578
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash Paid for Interest	\$ 283,161	\$ 266,872
SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING AND FINANCING ACTIVITY		
Property Additions in Payables	\$ 34,205	\$ 99,862

See accompanying Notes to Consolidated financial statements.

MINNESOTA MUSEUM OF AMERICAN ART
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2020
(WITH COMPARATIVE TOTALS FOR JUNE 30, 2019)

NOTE 1 PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES

Organization

The mission of Minnesota Museum of American Art (The M) is to explore American identities and experiences through art and creativity. The M is one of the oldest visual arts institutions in the region, with roots as an art school dating back to the 1890's.

The M's collection consists of works by American artists from the 19th century to the present. The collection contains nearly 5,000 items, with a focus on artists active in the Minnesota region and work exhibited at shows organized by the M.

Revenue and support are primarily from grants and contributions, government grants, and investment income.

Financial Statement Presentation

Revenues and support are classified based on the presence or absence of donor restrictions and reported in the following net asset categories:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

Net Assets With Donor Restrictions – Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other actions specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. 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.

The M includes in its definitions of operations all revenue and expenses that are an integral part of its programs and supporting activities. Investment income, including net realized and unrealized gains and losses, interest expense, capital campaign activity (see Note 11), developer fee, and depreciation and amortization are recognized as nonoperating changes in net assets.

Principles of Consolidation

The consolidated financial statements include Minnesota Museum of American Art, M Property Partners LLC, M Managing Member LLC, M Master Tenant LLC, and Friends of the M. The affiliated entities were created to facilitate financing and construction of the expansion project. All significant intercompany accounts and transactions have been eliminated.

MINNESOTA MUSEUM OF AMERICAN ART
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2020
(WITH COMPARATIVE TOTALS FOR JUNE 30, 2019)

NOTE 1 PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Principles of Consolidation (Continued)

M Property Partners LLC is owned 1% by The M, 89% by M Managing Member LLC, and 10% by M Master Tenant LLC. The LLC will own the leasehold improvements which are under construction financed in part by New Markets and Historic Tax Credits.

M Managing Member LLC is wholly owned by the M. M Managing Member LLC will serve as the managing member of M Property Partners LLC and M Master Tenant LLC.

M Master Tenant LLC is owned 1% by M Managing Member LLC and 99% by the tax credits investor. M Master Tenant LLC will sublease the space from M Property Partners LLC.

The Friends of the M is a nonprofit corporation whose board is appointed by The M.

Under accounting principles generally accepted in the United States of America (U.S. GAAP), there is a presumption that a managing member invested in a LLC has control over that LLC, regardless of the percentage of ownership. Unless that presumption of control is overcome, the managing member must consolidate the LLC. The M evaluated its investment in M Master Tenant LLC and determined that the presumption of control could not be overcome. Therefore, The M has consolidated the LLC. The interest of the noncontrolling tax credits investor member have been included in net assets and the change in net assets.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP may require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash Equivalents

For purposes of the statements of cash flows, The M considers cash on hand, cash in the bank, and highly liquid investment instruments purchased with original maturities of three months or less to be cash equivalents. Cash restricted for long-term purposes such as for property and equipment is not included in cash equivalents.

Cash Restricted

Cash restricted represents loan proceeds, reserves, and capital campaign funds received to be used for construction of the leasehold improvements and other nonoperating costs.

Accounts and Grants and Pledges Receivable

Receivables are stated at the amount management expects to collect. Management reviews receivables on a regular basis and establishes an allowance based on expected collections. Receivables are written off as a charge to the allowance when, in management's estimation, it is probable that the receivable is uncollectible.

MINNESOTA MUSEUM OF AMERICAN ART
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2020
(WITH COMPARATIVE TOTALS FOR JUNE 30, 2019)

NOTE 1 PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments

Investments are recorded at fair value. Donated investments are recorded at fair value on the date of donation. Investment income is recognized when earned. The change in realized and unrealized gains and losses is included in changes in net assets.

Fair Value Measurements

The M determines fair value, when necessary, based on the assumptions that market participants would use when pricing the asset or liability. Valuation inputs are categorized using the following fair value hierarchy:

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 – inputs that are observable, directly or indirectly, other than the quoted prices included in Level 1; and

Level 3 – inputs that are unobservable for the asset or liability, which are typically based on an organization's own assumptions, as there is little, if any, related market activity.

Fair value measurements were applied to the investments based on Level 1 inputs.

Inventory

Inventory consists of books and is stated at the lower of cost (first in, first out) or market.

Property and Equipment

Property and equipment are recorded at cost if purchased. Costs for architect, construction, construction management, interest, and other incurred to develop the Project are capitalized during periods incurred. Assets acquired by gift are recorded at fair market value at the time of the donation. The M depreciates property and equipment using the straight-line method over the estimated useful life of the asset. The cost of maintenance and repairs is charged to expense as incurred; significant renewals or betterments are capitalized.

The M reviews its investment in long lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of such property may not be recoverable. No impairment loss was recognized during 2020.

Art Collection

Art is accepted into the primary collection and is cataloged into the accession records at the time it is acquired. Each of the items is catalogued, preserved, and cared for, and kept unencumbered. The primary collection is used for exhibition by The M or loaned to other museums. The collections committee of the board of trustees continuously provides oversight in the accessioning or deaccessioning of art in the collection.

MINNESOTA MUSEUM OF AMERICAN ART
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2020
(WITH COMPARATIVE TOTALS FOR JUNE 30, 2019)

NOTE 1 PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Art Collection (Continued)

The M follows the accounting guidance under FASB ASC 958-360-45-3 for collections of works of art. The collection is not recorded as an asset on the statement of financial position, whether purchased or donated. Purchases of collection items are recorded as decreases in net assets without donor restrictions if purchased with net assets without donor restrictions and as decreases in net assets with donor restrictions if purchased with donor-restricted assets. Proceeds from deaccessioned art are reflected on the statement of activities based on the absence or existence and nature of donor-imposed restrictions. If collection items are sold, the proceeds from the sale are used to purchase additional collection items or direct care of existing collection items.

Other Assets

Tax credit fees are amortized over a five-year period using the straight-line method. Lease acquisition costs are amortized over the term of the related lease using the straight-line method.

Finance Fees

Finance fees are deferred and amortized over the term of the related debt using the straight-line method and are reported as deductions from the face amount of the related debt. Amortization is included with interest expense on the statement of activities.

Contributions

Contributions are recognized when the donor makes an unconditional promise to give to The M. Conditional promises to give are not recognized until the conditions on which they depend are substantially met. Contributions that are restricted by the donor are reported as an increase in net assets without donor restrictions if the restriction expires in the year in which the contribution is recognized. The M received contributions and grants of \$1,000,000 that have not been recognized as of June 30, 2020 due to conditions not being met.

Contributions of cash or other assets to be used to acquire property or equipment are reported as revenues with donor restrictions. The restrictions are considered to be released at the time the property or equipment is purchased and placed in service.

The M reports gifts of goods and equipment as net assets without donor restrictions unless explicit donor stipulations specify how the donated assets must be used.

In-Kind Contributions

Contributed materials and services are recorded as contributions, at their fair value, when donated or, if a service, when it creates or enhances a nonfinancial asset or the service requires specialized skills that would need to be purchased if not provided by donation.

MINNESOTA MUSEUM OF AMERICAN ART
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2020
(WITH COMPARATIVE TOTALS FOR JUNE 30, 2019)

NOTE 1 PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Government Grants

The M receives certain government grants which are accounted for as contributions. Revenue is recognized when the governmental agency makes an unconditional promise to give or grant or when any conditions such as allowable costs are incurred. Funds received but not yet earned would be shown as deferred revenue.

Developer Fee

The developer fee is from M Property Partners LLC, is recognized when earned, has been or is expected to be collected from debt proceeds, and has not been eliminated. This fee is considered a reimbursement of salaries and benefits, overhead, consultants, and other development expenses incurred for Phase 1 of the Project. The total amount of the fee was \$983,023 and was fully earned as of June 30, 2019.

Lease Expense Recognition

Lease expense is recognized evenly over the term of the lease. The cumulative excess straight-line expense recognized over payments due is reported as deferred lease liability.

Functional Expenses

Expenses are recorded to program and support services directly when possible. Indirect costs that benefit multiple functional areas have been allocated on a reasonable basis that is consistently applied. Indirect expenses including insurance, telecommunications, publications, and information technology are allocated based on employee time and effort estimates. Occupancy is allocated based on square footage. Depreciation is allocated by employee time efforts and square footage, based on the nature of the asset.

Advertising and Promotion

Advertising and promotion costs are charged to expense during the year in which they are incurred.

Income Taxes

The M and Friends of the M are exempt from income taxes under Internal Revenue Code Section 501(c)(3) and applicable Minnesota Statutes, except to the extent they have taxable income from activities that are not related to their tax-exempt purpose. Unrelated business income is taxed at the corporate tax rate. The organizations did not incur any unrelated business income taxes in 2020 or 2019. Management believes there are no material uncertain tax positions that require recognition or disclosure in the financial statements.

The limited liability companies are not taxable entities with the exception of M Managing Member LLC. M Managing Member LLC has elected to be taxed as a corporation. Income or losses for the other LLCs are passed through to the members.

MINNESOTA MUSEUM OF AMERICAN ART
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2020
(WITH COMPARATIVE TOTALS FOR JUNE 30, 2019)

NOTE 1 PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Comparative Financial Information

The consolidated financial statements include certain 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 U.S. GAAP. Accordingly, such information should be read in conjunction with the consolidated financial statements for the year ended June 30, 2019, from which the summarized information was derived.

Change in Accounting Principle

In June 2018, Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2018-08, *Not-for-Profit Entities (Topic 958) – Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The update clarifies and improves the scope and the accounting guidance for contributions received and contributions made. The amendments in the update assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of Topic 958, *Not-for-Profit Entities*, or as exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional. The M's consolidated financial statements reflect the full retrospective application of ASU 2018-08 guidance beginning in fiscal year 2020. The adoption of ASU 2018-08 did not materially impact The M's reported revenue.

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers* (Topic 606). Subsequent to May 2014, the FASB issued six ASUs to clarify certain matters related to Topic 606. Topic 606 supersedes the revenue recognition requirements in FASB ASC 605, Revenue Recognition, and requires the recognition of revenue when promised goods or services are transferred to customers in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services. The updates address the complexity of revenue recognition and provide sufficient information to enable financial statements users to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. There was no material impact on The M's financial position or changes in net assets upon adoption of the new standard using the modified retrospective approach.

Risks and Uncertainties

In March 2020, the World Health Organization declared a pandemic as a result of Coronavirus (COVID-19). Future contributions, revenues and expenses of The M are uncertain due to the potential impact on the market and other general economic conditions. The M has remained closed to visitors since March 2020 and has transitioned to a virtual model with The M @ Home. In addition, domestic equity markets have experienced significant fluctuations since March 2020. As of January 13, 2021, the amount and likelihood of any loss relating to these events is not yet determined.

MINNESOTA MUSEUM OF AMERICAN ART
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2020
(WITH COMPARATIVE TOTALS FOR JUNE 30, 2019)

NOTE 1 PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Subsequent Events

In preparing these consolidated financial statements, The M has evaluated events and transactions for potential recognition or disclosure through January 13, 2021, the date the consolidated financial statements were available to be issued.

Subsequent to year-end, in July 2020, The M released the executive director who had served the organization for more than a decade. An interim director was named and the board of directors plans a national search for a permanent executive director.

NOTE 2 LIQUIDITY AND AVAILABILITY

As part of The M's liquidity management, it has structured its financial assets to be available as its general expenditures, liabilities, and other obligations come due. The M's board approves annual operating budgets and anticipates collecting sufficient revenue to cover expenses. The M's investments are restricted for the purchase of collection items and are not available for general operations.

In addition, as part of the major renovation of its space, The M has included in its capital campaign amounts to be used to help cover operating costs during construction. Those unexpended funds are included in the table below. The capital campaign amounts attributed to the payment on debt or purchase of property and equipment have been excluded.

Financial assets available for general expenditure within one year as of June 30, 2020 and 2019 comprise the following:

	<u>2020</u>	<u>2019</u>
Cash	\$ 767,342	\$ 133,754
Grants and Pledges Receivable	538,358	1,277,034
Accounts Receivable	-	6,679
Less: Unavailable for General Expenditures Within One Year:		
Grants and Pledges Receivable	<u>(519,700)</u>	<u>(962,500)</u>
Total	<u>\$ 786,000</u>	<u>\$ 454,967</u>

MINNESOTA MUSEUM OF AMERICAN ART
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2020
(WITH COMPARATIVE TOTALS FOR JUNE 30, 2019)

NOTE 3 GRANTS AND PLEDGES RECEIVABLE

Grants and pledges receivable from various foundations and individuals at June 30 are as follows:

	<u>2020</u>	<u>2019</u>
Grants and Pledges Due:		
Within One Year	\$ 538,358	\$ 1,277,034
In One to Five Years	485,000	630,000
Total	<u>1,023,358</u>	<u>1,907,034</u>
Less: Discount to Net Present Value	(5,072)	(37,642)
Grants and Pledges Receivable, Net	<u>\$ 1,018,286</u>	<u>\$ 1,869,392</u>

The present value of grants and pledges receivable has been calculated using an interest rate ranging from 0.13% to 1.79% at June 30, 2020 and 2019. Grants and pledges receivable due in less than one year are not discounted.

NOTE 4 INVESTMENTS (ART ACQUISITIONS FUNDS)

A summary of investments as of June 30 follows:

	<u>2020</u>	<u>2019</u>
SIT Dividend Growth Fund I	\$ 976,015	\$ 944,811
SIT U.S. Government Securities Fund	508,439	522,442
Total	<u>\$ 1,484,454</u>	<u>\$ 1,467,253</u>

NOTE 5 FAIR VALUE MEASUREMENTS

The M measures its investments at fair value on a recurring basis. The fair values of SIT investment funds are based on quoted prices in active markets. There have been no changes in the methodology used.

The following tables present the categories of inputs used to measure fair values of investments:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Fair Value</u>
<u>June 30, 2020</u>				
Dividend Growth Fund I	\$ 976,015	\$ -	\$ -	\$ 976,015
U.S. Government Securities Fund	508,439	-	-	508,439
Total Investments at Fair Value	<u>\$ 1,484,454</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,484,454</u>
<u>June 30, 2019</u>				
Dividend Growth Fund I	\$ 944,811	\$ -	\$ -	\$ 944,811
U.S. Government Securities Fund	522,442	-	-	522,442
Total Investments at Fair Value	<u>\$ 1,467,253</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,467,253</u>

MINNESOTA MUSEUM OF AMERICAN ART
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NOTE 6 NEW MARKETS TAX CREDIT NOTE RECEIVABLE

In connection with the New Markets Tax Credit, Friends of the M has a \$4,825,000 note receivable with 1% interest. Interest is payable quarterly through December 14, 2047, at which time all remaining principal and accrued interest are due. The note is secured by the borrower's equity in the investment fund (see Note 12).

NOTE 7 PROPERTY AND EQUIPMENT

Property and equipment consists of the following as of June 30:

	2020	2019	Estimated Useful Lives in Years
Furniture and Equipment	\$ 725,666	\$ 717,682	5 to 7
Building Space and Improvements	11,815,903	9,923,134	28 to 39
Subtotal	<u>12,541,569</u>	<u>10,640,816</u>	
Less: Accumulated Depreciation	(938,544)	(508,677)	
Subtotal	<u>11,603,025</u>	<u>10,132,139</u>	
Construction in Progress	1,938,087	1,416,449	
Total Property and Equipment	<u>\$ 13,541,112</u>	<u>\$ 11,548,588</u>	

NOTE 8 OTHER ASSETS

	2020	2019	Amortization Period in Years
Tax Credit Fees	\$ 42,175	\$ 42,175	5
Lease Acquisition Costs	173,610	173,610	19 to 40
Less: Accumulated Amortization	(28,289)	(11,909)	
Total	<u>\$ 187,496</u>	<u>\$ 203,876</u>	

NOTE 9 LONG-TERM DEBT

Long-term debt consists of the following as of June 30:

	2020	2019
Dougherty Funding LLC	\$ 620,604	\$ 671,160
Sunrise Banks	2,021,420	2,300,000
Sunrise New Markets Fund XI	4,825,000	4,825,000
Sunrise New Markets Fund XI	2,035,000	2,035,000
ENC RP LLC	822,000	-
Payroll Protection Program (PPP) Note	179,900	-
Total	<u>10,503,924</u>	<u>9,831,160</u>
Less: Unamortized Finance Fees	(620,586)	(654,287)
Long-Term Debt, Net	<u>\$ 9,883,338</u>	<u>\$ 9,176,873</u>

MINNESOTA MUSEUM OF AMERICAN ART
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NOTE 9 LONG-TERM DEBT (CONTINUED)

Dougherty Funding LLC Developer Loan

Note payable to Dougherty Funding LLC in the original amount of \$900,000 maturing March 1, 2030. Interest accrues at an annual rate of 5.25% through February 28, 2023, paid semi-annually. On March 1, 2023, the interest rate will be adjusted to an annual rate of 3% plus that rate equal to the yield of U.S. treasury securities adjusted to a constant maturity of five years as published by the Federal Reserve, but not less than 5.25% or greater than 6.25%. Principal and unpaid interest are due at maturity.

Collections on the TIF note (see Note 13) by the City of St. Paul are pledged to pay this loan.

Sunrise Banks

Note payable to Sunrise Banks, National Association in the original amount of \$3,000,000 maturing December 15, 2024. Interest accrues at 4.25% and is payable monthly. Principal and unpaid accrued interest are payable at maturity.

The note is partially secured by the capital campaign pledges and partially unsecured. Friends of the M's rights, title, and interest to the \$4.8M note receivable is used to secure the debt. An account with \$80,000 deposited by Friends of the M, is maintained by Sunrise Bank to secure the loan obligations. Minnesota Museum of American Art, as guarantor, will guarantee the full and timely payment of all debt obligations. Commencing December 31, 2018, a debt service coverage ratio of 1.20 to 1 is required.

Sunrise New Markets Fund XI

Notes payable to Sunrise New Markets Fund XI, LLC in the amount of \$4,825,000 (Loan A) and \$2,035,000 (Loan B) are due on December 15, 2047. Interest only payments are due quarterly at 1.4% on both loans. Beginning March 10, 2025, and continuing each quarter until maturity, payments of principal and accrued interest will be made in equal consecutive installments of \$61,978 for Loan A and \$26,140 for Loan B. Both loans are secured by the leasehold improvements.

ENC RP LLC Loan

Note payable to ENC RP LLC in the original amount of \$1,022,000 maturing December 31, 2021. Interest accrues at an annual rate of 4.0% beginning August 14, 2020, through maturity. On April 30, 2020, a principal payment of \$200,000 was required per the terms of the note and was made by The M. The entire remaining principal and accrued interest balance are due at the first occurrence of either closing on a construction loan for Phase II, commencement of construction for Phase II, or December 31, 2021.

MINNESOTA MUSEUM OF AMERICAN ART
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(WITH COMPARATIVE TOTALS FOR JUNE 30, 2019)

NOTE 9 LONG-TERM DEBT (CONTINUED)

Paycheck Protection Program Loan

The M received a loan in the amount of \$179,900 to fund payroll, rent and utilities through the federal Paycheck Protection Program (PPP). The original loan agreement was written prior to the PPP Flexibility Act of 2020 (June 5) and was due over twenty-four months deferred for six months. Subsequent to this, the law changed the loan deferral terms retroactively. The PPP Flexibility Act and subsequent regulations supersede the loan agreement. The PPP Loan bears interest at a fixed rate of 1.0% per annum, with the first six months of interest deferred, has a term of two years, and is unsecured and guaranteed by the U.S. Small Business Administration. Payment of principal and interest is deferred until the date on which the amount of forgiveness is remitted to the lender or, if The M fails to apply for forgiveness within 10 months after the covered period, then payment of principal and interest shall begin on that date. These amounts may be forgiven subject to compliance and approval based on the timing and use of these funds in accordance with the program. To the extent that all or part of the PPP Loan is not forgiven, The M will be required to pay interest on the PPP Loan at a rate of 1.0% per annum and commencing in November 2020 principal interest payments will be required through the maturity date in April 2022.

Long-Term Debt Maturities

Maturities of long-term debt are as follows:

<u>Year Ending June 30.</u>	<u>Amount</u>
2021	\$ 79,623
2022	922,277
2023	-
2024	-
2025	2,151,133
Thereafter	7,350,891
Total	<u>\$ 10,503,924</u>

Interest of \$-0- and \$36,594 incurred during construction has been capitalized in the leasehold improvements in 2020 and 2019, respectively.

MINNESOTA MUSEUM OF AMERICAN ART
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2020
(WITH COMPARATIVE TOTALS FOR JUNE 30, 2019)

NOTE 10 NET ASSETS

Net assets with donor restrictions are as follows:

	<u>2020</u>	<u>2019</u>
Subject to Expenditure for Specified Purpose:		
Capital Campaign	\$ 2,129,818	\$ 3,011,309
Arts Access	49,036	31,029
Arts Learning	58,808	26,153
Mizna Exhibit	-	50,000
Other	-	6,896
Art Acquisitions, Ordway Fund	493,860	493,860
Art Acquisitions, Brodie Fund	65,684	65,684
Art Acquisitions, Acquisition Fund	768,995	826,973
Total	<u>3,566,201</u>	<u>4,511,904</u>
Subject to the Passage of Time:		
General Operations	158,000	113,900
Total Net Assets with Donor Restrictions	<u>\$ 3,724,201</u>	<u>\$ 4,625,804</u>

Net assets with donor restrictions were released as follows:

	<u>2020</u>	<u>2019</u>
Expiration of Time Restrictions	\$ 206,529	\$ 2,600
Satisfaction of Purpose Restrictions:		
Capital Campaign	2,876,973	3,042,323
Art Acquisitions	57,978	98,302
Other Programmatic Purposes	157,315	71,353
Total Net Assets Released from Donor Restrictions	<u>\$ 3,298,795</u>	<u>\$ 3,214,578</u>

The following table presents changes in controlling and noncontrolling interests in net assets without donor restrictions:

	<u>2020</u>	<u>2019</u>
Controlling Interest (The M):		
Balance - Beginning of Year	\$ 6,187,801	\$ 4,144,718
Change in Net Assets	1,346,069	2,043,083
Balance - End of Year	<u>7,533,870</u>	<u>6,187,801</u>
Noncontrolling Interest (Investor):		
Balance - Beginning of Year	488,446	439,024
Change in Net Assets	860,006	49,422
Balance - End of Year	<u>1,348,452</u>	<u>488,446</u>
Total	<u>\$ 8,882,322</u>	<u>\$ 6,676,247</u>

MINNESOTA MUSEUM OF AMERICAN ART
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2020
(WITH COMPARATIVE TOTALS FOR JUNE 30, 2019)

NOTE 11 CAPITAL CAMPAIGN

The M is conducting a capital campaign to create a permanent home for the museum in the Historic Pioneer Endicott building. The goal of the campaign is to raise \$33,500,000 through contributions, grants, and funding through Historic Tax Credits and New Markets Tax Credits and state bonding dollars. Funds will be used for the design, construction, and furnishing of gallery and office space.

The construction of the gallery and office space has been broken out into two phases. Phase I is the construction of exhibition gallery spaces, plus the Center for Creativity. This phase is being funded with contributions, grants, New Markets Tax Credits, and Historic Tax Credits.

Construction of Phase I was completed in December 2018 at a cost of approximately \$9,500,000.

Phase II includes the construction of additional gallery, storage, and exhibition prep space, the rehabilitation of the stained glass arcade, and renovation of office space. The M has received a commitment of \$10,500,000 in state bonding dollars towards this effort (approved by the Minnesota legislature in October 2020, subsequent to year-end). The M has purchased this space in the year ending June 30, 2020. Construction in progress includes this purchase as well as other costs incurred to towards Phase II. As noted in Note 1, The M has \$1,000,000 of conditional gifts that have not been recorded as of June 30, 2020, but these gifts will support this project as conditions are overcome.

As of June 30, 2020, The M has raised approximately \$29,300,000 and has expended approximately \$18,100,000 for costs incurred in association with the capital campaign. The amounts raised include private donations, bonding from the State of Minnesota, New Markets and Historic Tax Credits, and TIF financing from the City of St. Paul.

NOTE 12 NEW MARKETS AND HISTORIC TAX CREDITS FINANCING

To partially fund the rehabilitation of the museum, Friends of the M entered into a New Markets Tax Credit (NMTC) financing arrangement. The NMTC program is designed to spur new or increased investments into operating businesses and real estate projects located in low income communities by offering investors a federal tax credit in exchange for the investments.

To earn the tax credit, the NMTC investor must remain invested for a seven-year period, which will end in 2024 for Phase I of the Project. As part of this financing arrangement, Friends of the M loaned \$4,825,000 to an investment fund. The loan was funded in part by loans from Dougherty Funding LLC and Sunrise Banks. This investment fund also received \$2,320,500 of capital from the NMTC investor and in turn made a \$7,000,000 investment in a Community Development Entity (CDE), Sunrise New Markets Fund XI, LLC (Sunrise Fund) and holds a 99.99% investor member interest in Sunrise Fund. Sunrise Fund made loans for the Project totaling \$6,860,000.

MINNESOTA MUSEUM OF AMERICAN ART
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2020
(WITH COMPARATIVE TOTALS FOR JUNE 30, 2019)

NOTE 12 NEW MARKETS AND HISTORIC TAX CREDITS FINANCING (CONTINUED)

Friends of the M and the investor entered into a put and call agreement to take place at the end of the seven-year tax credit period. Under the agreement, the NMTC investor can exercise a put option to sell all its interest in the investment fund to Friends of the M for \$1,000 plus costs. If the NMTC Investor does not exercise the put option, the agreement allows Friends of the M to exercise a call option to purchase the interest in the investment fund at an appraised fair market value.

The investor has also agreed to make capital contributions to M Master Tenant LLC of \$1,463,414 in exchange for Historic Tax Credits (HTC). The capital contributions were made once certain conditions were met. The capital contributions were paid in full as of October 31, 2019.

NOTE 13 TAX INCREMENT REVENUE NOTE RECEIVABLE

The M has entered into a Contract for Private Development and Tax Increment Revenue Note with the Housing and Redevelopment Authority of the City of Saint Paul, Minnesota (HRA) to renovate approximately 35,000 square feet of space on the ground floor and skyways of the museum (Phase I) through the use of tax increment financing (TIF). Under the agreement, HRA agreed to reimburse certain development costs and issued a tax increment note in payment.

The principal amount of the note is \$2,500,000. The note initially accrues simple interest at 5.25% and can be adjusted twice to a rate equal to the lesser of 6.25% or the rate on the Dougherty Funding LLC loan. The initial payment of the note is \$154,209, plus the greater of (a) 12% of the Available Tax Increments received by the HRA in December 2017 through July 2018 or (b) up to \$60,000 of Net Available Tax Increments received by the HRA in the same time frame. HRA will make semi-annual (March 1 and September 1) payments on the note beginning September 1, 2018. Such amounts are payable solely from the pledged tax increment derived from the Project. Payments will be made until the note is paid in full or the statutory TIF period expires (March 1, 2043) whichever occurs first. HRA's obligation is subject to The M's compliance with the development contract and the construction agreement over the period that principal and accrued interest is outstanding. Payments on the TIF note are recognized as revenue when the received.

The M has assigned the Tax Increment Revenue Note to Dougherty Funding LLC as additional security on the outstanding debt described in Note 9.

MINNESOTA MUSEUM OF AMERICAN ART
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2020
(WITH COMPARATIVE TOTALS FOR JUNE 30, 2019)

NOTE 14 IN-KIND CONTRIBUTIONS

In-kind contributions consist of the following:

	<u>2020</u>	<u>2019</u>
Professional Fees	\$ 5,945	\$ 59,783
Advertising and Promotion	-	23,243
Meetings and Hospitality	-	11,850
Total	<u>\$ 5,945</u>	<u>\$ 94,876</u>

NOTE 15 CONCENTRATIONS

Financial instruments which potentially subject The M to concentrations of credit risk are cash and cash equivalents and grants and pledges receivables. The M maintains its cash balance with local financial institutions. At June 30, 2020 and 2019, accounts at these institutions are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At June 30, 2020 and 2019, uninsured balance were \$612,614 and \$0-, respectively.

The balance in grants and pledge receivable at June 30, 2020 consisted of amounts due from one donor which accounted for 36% of the total balance.

NOTE 16 RETIREMENT PLAN

The M has two 403(b) defined contribution retirement plans which cover all full time employees. The M matches all eligible employee contributions up to a maximum of 3% of the participant's compensation and the amount is fully vested when the contribution is made. The matching contributions to the plans were \$23,028 in 2020 and \$24,902 in 2019.

MINNESOTA MUSEUM OF AMERICAN ART
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2020
(WITH COMPARATIVE TOTALS FOR JUNE 30, 2019)

NOTE 17 OPERATING LEASES

The M leases a portion of its gallery space and parking spaces under operating leases. The parking spaces leases are month to month. The lease for gallery space requires annual payments beginning at \$65,000 and increasing 3% annually. In addition to base rent, The M must pay all real estate taxes, utilities, insurance, maintenance, and a proportionate share of common area maintenance (CAM) costs incurred in connection with the gallery space. The lease expires in December 2057.

The M leases storage space under an operating lease that expires October 2026. The lease requires annual payments of \$28,000 and will increase 15% in 2022.

Rent expense under operating leases for the years ended June 30, 2020 and 2019, was approximately \$181,000 and \$209,000, respectively.

Future minimum lease obligations under the above leases are as follows for the years ending June 30:

<u>Year Ending June 30,</u>	<u>Amount</u>
2021	\$ 104,143
2022	109,449
2023	112,682
2024	114,912
2025	117,209
Thereafter	<u>4,312,516</u>
Total	<u><u>\$ 4,870,911</u></u>

MINNESOTA MUSEUM OF AMERICAN ART
CONSOLIDATING STATEMENT OF FINANCIAL POSITION
JUNE 30, 2020
(SEE INDEPENDENT AUDITORS' REPORT)

	Minnesota Museum of American Art	Friends of the M	M Property Partners LLC	M Managing Member LLC	M Master Tenant LLC	Eliminations	Total
ASSETS							
Cash	\$ 644,137	\$ 123,205	\$ -	\$ -	\$ -	\$ -	\$ 767,342
Cash - Restricted	831,314	80,000	3	-	14,784	-	926,101
Grants and Pledges Receivable	1,018,286	-	-	-	-	-	1,018,286
Intercompany Receivable	829	-	113,687	-	-	(114,516)	-
Lease Receivable	-	-	226,248	-	367,412	(593,660)	-
Inventory	5,034	-	-	-	-	-	5,034
Prepaid Expenses	30,208	-	620	-	-	-	30,828
Investments (Art Acquisitions Funds)	1,484,454	-	-	-	-	-	1,484,454
Investments in Subsidiaries	1,714,982	-	-	1,694,049	123,203	(3,532,234)	-
New Market Tax Credit Note Receivable	-	4,825,000	-	-	756,262	(756,262)	4,825,000
Property and Equipment, Net	4,682,389	-	8,531,485	-	327,238	-	13,541,112
Other Assets, Net	-	-	187,496	-	-	-	187,496
	<u>\$ 10,411,633</u>	<u>\$ 5,028,205</u>	<u>\$ 9,059,539</u>	<u>\$ 1,694,049</u>	<u>\$ 1,588,899</u>	<u>\$ (4,996,672)</u>	<u>\$ 22,785,653</u>
LIABILITIES AND NET ASSETS							
LIABILITIES							
Accounts Payable	\$ 21,129	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 21,129
Construction Payable	34,205	-	-	-	-	-	34,205
Intercompany Payables	-	113,687	620	-	226,248	(340,555)	-
Accrued Expenses	53,164	7,159	-	-	-	-	60,323
Deferred Lease Payable	-	-	180,135	-	-	-	180,135
Lease Payable	367,412	-	-	-	209	(367,621)	-
Long-Term Debt, Net	1,622,504	1,962,506	7,054,590	-	-	(756,262)	9,883,338
Total Liabilities	<u>2,098,414</u>	<u>2,083,352</u>	<u>7,235,345</u>	<u>-</u>	<u>226,457</u>	<u>(1,464,438)</u>	<u>10,179,130</u>
NET ASSETS							
Without Donor Restrictions:							
Undesignated	4,589,485	2,944,386	1,824,194	1,694,049	13,990	(3,532,234)	7,533,870
Noncontrolling Interest	-	-	-	-	1,348,452	-	1,348,452
Total Without Donor Restrictions	<u>4,589,485</u>	<u>2,944,386</u>	<u>1,824,194</u>	<u>1,694,049</u>	<u>1,362,442</u>	<u>(3,532,234)</u>	<u>8,882,322</u>
With Donor Restrictions	3,723,734	467	-	-	-	-	3,724,201
Total Net Assets	<u>8,313,219</u>	<u>2,944,853</u>	<u>1,824,194</u>	<u>1,694,049</u>	<u>1,362,442</u>	<u>(3,532,234)</u>	<u>12,606,523</u>
Total Liabilities and Net Assets	<u>\$ 10,411,633</u>	<u>\$ 5,028,205</u>	<u>\$ 9,059,539</u>	<u>\$ 1,694,049</u>	<u>\$ 1,588,899</u>	<u>\$ (4,996,672)</u>	<u>\$ 22,785,653</u>

**MINNESOTA MUSEUM OF AMERICAN ART
CONSOLIDATING STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2020
(SEE INDEPENDENT AUDITORS' REPORT)**

	Minnesota Museum of American Art	Friends of the M	M Property Partners LLC	M Managing Member LLC	M Master Tenant LLC	Eliminations	Total
OPERATING SUPPORT AND REVENUE							
Grants and Contributions	\$ 580,029	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 580,029
Government Grants	293,161	-	-	-	-	-	293,161
In-Kind Contributions	5,945	-	-	-	-	-	5,945
Admissions and Exhibition Fees	13,580	-	-	-	-	-	13,580
Rental Revenue	11,716	-	588,669	-	592,248	(1,180,918)	11,715
Other	23,498	-	-	-	-	-	23,498
Total Operating Support and Revenue	<u>927,929</u>	<u>-</u>	<u>588,669</u>	<u>-</u>	<u>592,248</u>	<u>(1,180,918)</u>	<u>927,928</u>
EXPENSES							
Program Services:							
Collections	202,156	-	-	-	-	-	202,156
Exhibits and Programming	1,286,725	-	221,539	-	588,679	(1,180,918)	916,025
Total Program Expenses	<u>1,488,881</u>	<u>-</u>	<u>221,539</u>	<u>-</u>	<u>588,679</u>	<u>(1,180,918)</u>	<u>1,118,181</u>
General and Administrative	505,324	137	13,119	-	14,959	-	533,539
Fundraising	190,378	-	-	-	-	-	190,378
Total Expenses	<u>2,184,583</u>	<u>137</u>	<u>234,658</u>	<u>-</u>	<u>603,638</u>	<u>(1,180,918)</u>	<u>1,842,098</u>
CHANGE IN NET ASSETS FROM OPERATIONS	(1,256,654)	(137)	354,011	-	(11,390)	-	(914,170)
OTHER INCOME (EXPENSE)							
Capital Campaign Contributions	1,995,481	-	-	-	-	-	1,995,481
TIF Revenue	95,114	-	-	-	-	-	95,114
Capital Campaign and Development Expenses	(130,616)	-	-	-	-	-	(130,616)
Loss on Uncollectible Pledges	(59,200)	-	-	-	-	-	(59,200)
Investor Contributions, Net	-	-	-	-	987,809	-	987,809
Investment Income, Net	75,658	48,294	-	-	-	-	123,952
Interest Expense	(57,877)	(105,644)	(119,640)	-	-	-	(283,161)
Interest - Inter-entity	-	-	(19,327)	-	19,327	-	-
Depreciation and Amortization	(93,063)	-	(245,938)	-	(98,171)	-	(437,172)
Income (Losses) from Subsidiaries and Transfers	(330,075)	336,751	(720,068)	496,688	(38,860)	255,564	-
Total Other Income (Expense)	<u>1,495,422</u>	<u>279,401</u>	<u>(1,104,973)</u>	<u>496,688</u>	<u>870,105</u>	<u>255,564</u>	<u>2,292,207</u>
CHANGE IN NET ASSETS BEFORE CHANGES RELATED TO COLLECTION ITEMS NOT CAPITALIZED	238,768	279,264	(750,962)	496,688	858,715	255,564	1,378,037
ADDITIONS TO ART COLLECTIONS	<u>(73,565)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(73,565)</u>
CHANGE IN NET ASSETS	165,203	279,264	(750,962)	496,688	858,715	255,564	1,304,472
Net Assets - Beginning of Year	8,148,016	2,665,589	2,575,156	1,197,361	503,727	(3,787,798)	11,302,051
NET ASSETS - END OF YEAR	<u>\$ 8,313,219</u>	<u>\$ 2,944,853</u>	<u>\$ 1,824,194</u>	<u>\$ 1,694,049</u>	<u>\$ 1,362,442</u>	<u>\$ (3,532,234)</u>	<u>\$ 12,606,523</u>