

**MINNESOTA MUSEUM OF AMERICAN ART**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**AND SUPPLEMENTARY INFORMATION**  
**YEARS ENDED JUNE 30, 2021 AND 2020**



WEALTH ADVISORY | OUTSOURCING  
AUDIT, TAX, AND CONSULTING

[CLAconnect.com](https://www.CLAconnect.com)

**MINNESOTA MUSEUM OF AMERICAN ART  
TABLE OF CONTENTS  
YEARS ENDED JUNE 30, 2021 AND 2020**

<b>INDEPENDENT AUDITORS' REPORT</b>	<b>1</b>
<b>CONSOLIDATED FINANCIAL STATEMENTS</b>	
<b>CONSOLIDATED STATEMENTS OF FINANCIAL POSITION</b>	<b>3</b>
<b>CONSOLIDATED STATEMENTS OF ACTIVITIES</b>	<b>4</b>
<b>CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES</b>	<b>6</b>
<b>CONSOLIDATED STATEMENTS OF CASH FLOWS</b>	<b>8</b>
<b>NOTES TO CONSOLIDATED FINANCIAL STATEMENTS</b>	<b>10</b>
<b>SUPPLEMENTARY INFORMATION</b>	
<b>CONSOLIDATING STATEMENT OF FINANCIAL POSITION</b>	<b>25</b>
<b>CONSOLIDATING STATEMENT OF ACTIVITIES</b>	<b>26</b>



## 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, 2021 and 2020, and the related consolidated statements of activities, functional expenses, and cash flows for the years 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 audits. We conducted our audits 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.

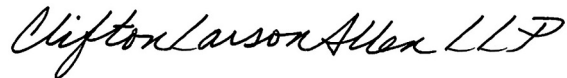
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**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, 2021 and 2020, and the results of its activities and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

**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  
November 18, 2021

**MINNESOTA MUSEUM OF AMERICAN ART**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
**JUNE 30, 2021 AND 2020**

	2021	2020
<b>ASSETS</b>		
Cash	\$ 1,828,706	\$ 767,342
Cash - Restricted	521,764	926,101
Grants and Pledges Receivable, Net	552,975	1,018,286
Inventory	5,034	5,034
Prepaid Expenses	35,426	30,828
Investments (Art Acquisitions Funds)	1,823,070	1,484,454
New Markets Tax Credit Note Receivable	4,825,000	4,825,000
Property and Equipment, Net	13,263,790	13,541,112
Other Assets, Net	171,114	187,496
Art Collections	-	-
	-	-
Total Assets	\$ 23,026,879	\$ 22,785,653
<b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES</b>		
Accounts Payable	\$ 44,592	\$ 21,129
Construction Payable	-	34,205
Accrued Expenses	44,360	60,323
Deferred Lease Payable	233,927	180,135
Notes Payable - Paycheck Protection Program	363,200	179,900
Long-Term Debt, Net	9,665,513	9,703,438
Total Liabilities	10,351,592	10,179,130
<b>NET ASSETS</b>		
Without Donor Restrictions:		
Undesignated	8,333,633	7,533,870
Noncontrolling Interest	1,275,731	1,348,452
Total Without Donor Restrictions	9,609,364	8,882,322
With Donor Restrictions	3,065,923	3,724,201
Total Net Assets	12,675,287	12,606,523
Total Liabilities and Net Assets	\$ 23,026,879	\$ 22,785,653

See accompanying Notes to Consolidated Financial Statements.

**MINNESOTA MUSEUM OF AMERICAN ART  
CONSOLIDATED STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2021**

	Without Donor Restrictions	With Donor Restrictions	Total 2021
<b>OPERATING SUPPORT AND REVENUE</b>			
Grants and Contributions	\$ 1,831,093	\$ -	\$ 1,831,093
Government Grants	108,305	-	108,305
In-Kind Contributions	4,844	-	4,844
Admissions and Exhibition Fees	10,835	-	10,835
Net Assets Released from Restrictions	197,217	(197,217)	-
Total Operating Support and Revenue	<u>2,152,294</u>	<u>(197,217)</u>	<u>1,955,077</u>
<b>EXPENSES</b>			
Program Services:			
Collections	189,508	-	189,508
Exhibits and Programming	747,827	-	747,827
Total Program Expenses	<u>937,335</u>	<u>-</u>	<u>937,335</u>
General and Administrative	642,013	-	642,013
Fundraising	102,019	-	102,019
Total Expenses	<u>1,681,367</u>	<u>-</u>	<u>1,681,367</u>
<b>CHANGE IN NET ASSETS FROM OPERATIONS</b>	470,927	(197,217)	273,710
<b>OTHER INCOME (EXPENSE)</b>			
TIF Revenue	96,203	-	96,203
Investment Income, Net	423,658	-	423,658
Interest Expense	(272,108)	-	(272,108)
Depreciation and Amortization	(458,548)	-	(458,548)
Other Income and Transfers	40,669	-	40,669
Net Assets Released from Restrictions	426,241	(426,241)	-
Total Other Income (Expense)	<u>256,115</u>	<u>(426,241)</u>	<u>(170,126)</u>
<b>CHANGE IN NET ASSETS BEFORE CHANGES RELATED TO COLLECTION ITEMS NOT CAPITALIZED</b>	727,042	(623,458)	103,584
<b>ADDITIONS TO ART COLLECTIONS</b>	<u>-</u>	<u>(34,820)</u>	<u>(34,820)</u>
<b>CHANGE IN NET ASSETS</b>	727,042	(658,278)	68,764
Net Assets - Beginning of Year	<u>8,882,322</u>	<u>3,724,201</u>	<u>12,606,523</u>
<b>NET ASSETS - END OF YEAR</b>	<u>\$ 9,609,364</u>	<u>\$ 3,065,923</u>	<u>\$ 12,675,287</u>

See accompanying Notes to Consolidated Financial Statements.

**MINNESOTA MUSEUM OF AMERICAN ART  
CONSOLIDATED STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2020**

	Without Donor Restrictions	With Donor Restrictions	Total 2020
<b>OPERATING SUPPORT AND REVENUE</b>			
Grants and Contributions	\$ 311,850	\$ 268,179	\$ 580,029
Government Grants	159,629	133,532	293,161
In-Kind Contributions	5,945	-	5,945
Admissions and Exhibition Fees	13,580	-	13,580
Rental Revenue	11,715	-	11,715
Other	23,498	-	23,498
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>
<b>EXPENSES</b>			
Program Services:			
Collections	202,156	-	202,156
Exhibits and Programming	916,025	-	916,025
Total Program Expenses	<u>1,118,181</u>	<u>-</u>	<u>1,118,181</u>
General and Administrative	533,539	-	533,539
Fundraising	190,378	-	190,378
Total Expenses	<u>1,842,098</u>	<u>-</u>	<u>1,842,098</u>
<b>CHANGE IN NET ASSETS FROM OPERATIONS</b>	(952,037)	37,867	(914,170)
<b>OTHER INCOME (EXPENSE)</b>			
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	987,809	-	987,809
Investment Income, Net	123,952	-	123,952
Interest Expense	(283,161)	-	(283,161)
Depreciation and Amortization	(437,172)	-	(437,172)
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>
<b>CHANGE IN NET ASSETS BEFORE CHANGES RELATED TO COLLECTION ITEMS NOT CAPITALIZED</b>	2,221,662	(843,625)	1,378,037
<b>ADDITIONS TO ART COLLECTIONS</b>	<u>(15,587)</u>	<u>(57,978)</u>	<u>(73,565)</u>
<b>CHANGE IN NET ASSETS</b>	2,206,075	(901,603)	1,304,472
Net Assets - Beginning of Year	<u>6,676,247</u>	<u>4,625,804</u>	<u>11,302,051</u>
<b>NET ASSETS - END OF YEAR</b>	<u>\$ 8,882,322</u>	<u>\$ 3,724,201</u>	<u>\$ 12,606,523</u>

See accompanying Notes to Consolidated Financial Statements.

**MINNESOTA MUSEUM OF AMERICAN ART  
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES  
YEAR ENDED JUNE 30, 2021**

	Program Expenses			General and Administrative	Fundraising	Total Expenses
	Collections	Exhibits and Programming	Total			
Salaries	\$ 79,960	\$ 188,440	\$ 268,400	\$ 209,078	\$ 41,069	\$ 518,547
Payroll Taxes	6,262	14,757	21,019	16,373	3,216	40,608
Employee Benefits	6,456	15,214	21,670	16,881	3,316	41,867
Subtotal Salaries and Related	<u>92,678</u>	<u>218,411</u>	<u>311,089</u>	<u>242,332</u>	<u>47,601</u>	<u>601,022</u>
Professional Fees	7,480	199,202	206,682	271,647	26,504	504,833
Occupancy	49,532	206,389	255,921	40,773	-	296,694
Program and Exhibit Supplies and Signage	-	34,717	34,717	991	-	35,708
Telecommunications	1,903	112	2,015	5,976	-	7,991
Information Technology	-	1,550	1,550	27,346	-	28,896
Equipment Costs	1,161	2,834	3,995	4,144	-	8,139
Dues and Subscriptions	291	3,034	3,325	9,616	8,207	21,148
Promotions	-	2,820	2,820	-	-	2,820
Insurance	23,607	-	23,607	15,156	-	38,763
Utilities	8,472	19,084	27,556	15,361	-	42,917
Travel and Meetings	-	1,140	1,140	287	6	1,433
Postage and Shipping	2,935	13,950	16,885	408	1,429	18,722
Publications, Printing, and Photography	1,445	36,341	37,786	429	4,404	42,619
Miscellaneous	4	8,243	8,247	7,547	13,868	29,662
Subtotal Other Expenses	<u>96,830</u>	<u>529,416</u>	<u>626,246</u>	<u>399,681</u>	<u>54,418</u>	<u>1,080,345</u>
Total Operating Expenses Before Capital Campaign	<u>189,508</u>	<u>747,827</u>	<u>937,335</u>	<u>642,013</u>	<u>102,019</u>	<u>1,681,367</u>
Less: Capital Campaign	-	-	-	-	-	-
Total Operating Expenses	<u>189,508</u>	<u>747,827</u>	<u>937,335</u>	<u>642,013</u>	<u>102,019</u>	<u>1,681,367</u>
Expenses Paid with Capital Campaign Proceeds	-	-	-	-	-	-
Interest	-	84,569	84,569	187,540	-	272,109
Depreciation and Amortization	<u>70,708</u>	<u>166,636</u>	<u>237,344</u>	<u>184,887</u>	<u>36,317</u>	<u>458,548</u>
Total Expenses by Function	<u>\$ 260,216</u>	<u>\$ 999,033</u>	<u>\$ 1,259,248</u>	<u>\$ 1,014,440</u>	<u>\$ 138,336</u>	<u>\$ 2,412,024</u>
Expenses by Function as a Percentage of Total	11%	41%	52%	42%	6%	100%

See accompanying Notes to Consolidated Financial Statements.



**MINNESOTA MUSEUM OF AMERICAN ART**  
**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES**  
**YEAR ENDED JUNE 30, 2020**

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

See accompanying Notes to Consolidated Financial Statements.

**MINNESOTA MUSEUM OF AMERICAN ART  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
YEARS ENDED JUNE 30, 2021 AND 2020**

	2021	2020
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in Net Assets	\$ 68,764	\$ 1,304,472
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Depreciation and Amortization	458,548	437,172
Interest Expense - Amortization of Finance Fees	33,701	61,990
Loss (Gain) on Investments	(353,031)	(47,117)
Change in Pledges Receivable Discount to Present Value	(4,211)	(32,570)
Capital Campaign Contributions	-	(906,558)
Investor Contributions	-	(987,809)
Purchase of Collection Items	34,820	73,565
(Increase) Decrease in Assets:		
Accounts Receivable	-	6,679
Grants and Pledges Receivable, Net	469,522	883,676
Other Assets	16,382	(11,909)
Increase (Decrease) in Liabilities:		
Accounts Payable	23,463	14,018
Deferred Lease Liability	53,792	119,050
Net Cash Provided by Operating Activities	781,189	961,736
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of Property and Equipment	(215,431)	(2,495,353)
Purchase of Additions to Collection	(34,820)	(73,565)
Sales of Investments	97,640	160,832
Net Cash Used by Investing Activities	(235,836)	(2,539,002)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from Debt and Notes Payable	183,300	1,201,900
Payments on Debt	(71,626)	(529,136)
Capital Campaign Contributions	-	906,558
Investor Contributions	-	987,809
Net Cash Provided by Financing Activities	111,674	2,567,131
<b>CHANGE IN CASH, CASH EQUIVALENTS, AND RESTRICTED CASH</b>	657,027	989,865
Cash, Cash Equivalents, and Restricted Cash - Beginning of Year	1,693,443	703,578
<b>CASH, CASH EQUIVALENTS, AND RESTRICTED CASH - END OF YEAR</b>	\$ 2,350,470	\$ 1,693,443

See accompanying Notes to Consolidated Financial Statements.

**MINNESOTA MUSEUM OF AMERICAN ART  
CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)  
YEARS ENDED JUNE 30, 2021 AND 2020**

	2021	2020
<b>RECONCILIATION TO THE CONSOLIDATED STATEMENTS OF FINANCIAL POSITION</b>		
Cash	\$ 1,828,706	\$ 767,342
Cash - Restricted	521,764	926,101
Total	\$ 2,350,470	\$ 1,693,443
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>		
Cash Paid for Interest	\$ 272,109	\$ 283,161
<b>SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING AND FINANCING ACTIVITY</b>		
Property Additions in Payables	\$ -	\$ 34,205

*See accompanying Notes to Consolidated Financial Statements.*

**MINNESOTA MUSEUM OF AMERICAN ART  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2021 AND 2020**

**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 12), 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, 2021 AND 2020**

**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 an 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.

**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. No allowance was considered necessary as of June 30, 2021 and 2020.

**MINNESOTA MUSEUM OF AMERICAN ART  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2021 AND 2020**

**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 2021 or 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, 2021 AND 2020**

**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.

According to The M's policies, direct care of the collection is defined as art conservation and insurance costs, rent and utilities for the storage facility, storage materials, transportation directly related to care of the collection, and staff time directly related to the care of the collection.

**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 \$125,000 that have not been recognized as of June 30, 2021, 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.

**MINNESOTA MUSEUM OF AMERICAN ART  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2021 AND 2020**

**NOTE 1 PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**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. In-kind contributions at June 30, 2021 and 2020 consisted of donated professional services in the amount of \$5,718 and \$5,945, respectively.

**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.

**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 2021 or 2020. 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, 2021 AND 2020**

**NOTE 1 PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Concentrations**

The M manages deposit concentration risk by placing cash with financial institutions believed to be creditworthy. At times, amounts on deposit may exceed insured. To date, The M has not experienced losses in any of these accounts.

The balance in grants and pledge receivable at June 30, 2021 and 2020 consisted of amounts due from three donors which accounted for 64% of the total balance and one donor which accounted for 36% of the total balance, respectively.

**Change in Accounting Principle**

The Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2019-03, *Updating the Definition of Collections*. The update requires further disclosure on The M's policy for use of proceeds from sale of deaccessioned works of art and a definition of direct care if proceeds are used for that purpose. The M's consolidated financial statements reflect the adoption and additional disclosure of this ASU.

**Subsequent Events**

In preparing these consolidated financial statements, The M has evaluated events and transactions for potential recognition or disclosure through November 18, 2021, the date the consolidated financial statements were available to be issued.

**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, 2021 and 2020, comprise the following:

	<u>2021</u>	<u>2020</u>
Cash	\$ 1,828,706	\$ 767,342
Grants and Pledges Receivable	395,441	538,358
Less: Unavailable for General Expenditures Within One Year:		
Grants and Pledges Receivable	<u>(410,000)</u>	<u>(519,700)</u>
Total	<u>\$ 1,814,147</u>	<u>\$ 786,000</u>

**MINNESOTA MUSEUM OF AMERICAN ART**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2021 AND 2020**

**NOTE 3 GRANTS AND PLEDGES RECEIVABLE**

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

	2021	2020
Grants and Pledges Due:		
Within One Year	\$ 395,441	\$ 538,358
In One to Five Years	158,395	485,000
Total	553,836	1,023,358
Less: Discount to Net Present Value	(861)	(5,072)
Grants and Pledges Receivable, Net	\$ 552,975	\$ 1,018,286

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, 2021 and 2020. 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:

	2021	2020
SIT Dividend Growth Fund I	\$ 1,348,176	\$ 976,015
SIT U.S. Government Securities Fund	474,894	508,439
Total	\$ 1,823,070	\$ 1,484,454

**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:

	Level 1	Level 2	Level 3	Fair Value
<u>June 30, 2021</u>				
Dividend Growth Fund I	\$ 1,348,176	\$ -	\$ -	\$ 1,348,176
U.S. Government Securities Fund	474,894	-	-	474,894
Total Investments at Fair Value	\$ 1,823,070	\$ -	\$ -	\$ 1,823,070
<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	\$ 1,484,454	\$ -	\$ -	\$ 1,484,454

**MINNESOTA MUSEUM OF AMERICAN ART**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2021 AND 2020**

**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 13).

**NOTE 7 PROPERTY AND EQUIPMENT**

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

	2021	2020	Estimated Useful Lives in Years
Furniture and Equipment	\$ 725,666	\$ 725,666	5 to 7
Building Space and Improvements	11,815,903	11,815,903	28 to 39
Subtotal	<u>12,541,569</u>	<u>12,541,569</u>	
Less: Accumulated Depreciation	(1,397,092)	(938,544)	
Subtotal	<u>11,144,477</u>	<u>11,603,025</u>	
Construction in Progress	2,119,313	1,938,087	
Total Property and Equipment	<u>\$ 13,263,790</u>	<u>\$ 13,541,112</u>	

**NOTE 8 OTHER ASSETS**

	2021	2020	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	(44,671)	(28,289)	
Total	<u>\$ 171,114</u>	<u>\$ 187,496</u>	

**NOTE 9 LONG-TERM DEBT**

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

	2021	2020
Dougherty Funding LLC	\$ 556,137	\$ 620,604
Sunrise Banks	2,014,261	2,021,420
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	822,000
Total	<u>10,252,398</u>	<u>10,324,024</u>
Less: Unamortized Finance Fees	(586,885)	(620,586)
Long-Term Debt, Net	<u>\$ 9,665,513</u>	<u>\$ 9,703,438</u>

**MINNESOTA MUSEUM OF AMERICAN ART  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2021 AND 2020**

**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 14) 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  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2021 AND 2020**

**NOTE 9 LONG-TERM DEBT (CONTINUED)**

**Long-Term Debt Maturities**

Maturities of long-term debt are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2022	\$ 822,000
2023	-
2024	-
2025	2,143,974
2026	259,832
Thereafter	7,026,592
Total	<u>\$ 10,252,398</u>

Interest of \$-0- and \$36,594 incurred during construction has been capitalized in the leasehold improvements in 2021 and 2020, respectively.

**NOTE 10 NOTES PAYABLE – PAYCHECK PROTECTION PROGRAM**

On April 28, 2020, The M received a loan in the amount of \$179,900 to fund payroll, rent, utilities, and interest on mortgages and existing debt through the federal Paycheck Protection Program (PPP). 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 (SBA). 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 are subject to forgiveness based on compliance with program requirements and approval by the SBA. The M is following ASC 470, Debt, to account for the initial receipts related to the PPP loan.

Subsequent to year-end, on July 1, 2021, the SBA processed The M's PPP loan forgiveness application and notified the bank the PPP loan qualified for full forgiveness of the first draw of \$179,900. Loan proceeds were received by the bank from the SBA on this date. Therefore, The M was legally released from the debt and the loan forgiveness.

The SBA may review funding eligibility and usage of funds for compliance with program requirements based on dollar thresholds and other factors. The amount of liability, if any, from potential noncompliance cannot be determined with certainty; however, management is of the opinion that any review will not have a material adverse impact on The M's financial position.

**MINNESOTA MUSEUM OF AMERICAN ART  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2021 AND 2020**

**NOTE 10 NOTES PAYABLE – PAYCHECK PROTECTION PROGRAM (CONTINUED)**

On January 28, 2021, The M received a second draw PPP loan in the amount of \$183,300 to fund payroll, rent, utilities, and interest on mortgages and existing. 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 SBA. 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 are subject to forgiveness based on compliance with program requirements and approval by the SBA.

**NOTE 11 NET ASSETS**

Net assets with donor restrictions are as follows:

	2021	2020
Subject to Expenditure for Specified Purpose:		
Capital Campaign	\$ 1,703,110	\$ 2,129,818
Arts Access	20,443	49,036
Arts Learning	18,651	58,808
Art Acquisitions, Ordway Fund	493,860	493,860
Art Acquisitions, Brodie Fund	65,684	65,684
Art Acquisitions, Acquisition Fund	734,175	768,995
Total	3,035,923	3,566,201
Subject to the Passage of Time:		
General Operations	30,000	158,000
Total Net Assets with Donor Restrictions	\$ 3,065,923	\$ 3,724,201

Net assets with donor restrictions were released as follows:

	2021	2020
Expiration of Time Restrictions	\$ 128,000	\$ 206,529
Satisfaction of Purpose Restrictions:		
Capital Campaign	426,241	2,876,973
Art Acquisitions	34,820	57,978
Other Programmatic Purposes	69,217	157,315
Total Net Assets Released from Donor Restrictions	\$ 658,278	\$ 3,298,795

**MINNESOTA MUSEUM OF AMERICAN ART  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2021 AND 2020**

**NOTE 11 NET ASSETS (CONTINUED)**

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

	2021	2020
Controlling Interest (The M):		
Balance - Beginning of Year	\$ 7,533,870	\$ 6,187,801
Change in Net Assets	799,763	1,346,069
Balance - End of Year	8,333,633	7,533,870
Noncontrolling Interest (Investor):		
Balance - Beginning of Year	1,348,452	488,446
Change in Net Assets	(72,721)	860,006
Balance - End of Year	1,275,731	1,348,452
Total	\$ 9,609,364	\$ 8,882,322

**NOTE 12 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). 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 \$125,000 of conditional gifts that have not been recorded as of June 30, 2021, but these gifts will support this project as conditions are overcome.

As of June 30, 2021, 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.

**MINNESOTA MUSEUM OF AMERICAN ART**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2021 AND 2020**

**NOTE 13 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.

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 14 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.



**MINNESOTA MUSEUM OF AMERICAN ART  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2021 AND 2020**

**NOTE 14 TAX INCREMENT REVENUE NOTE RECEIVABLE (CONTINUED)**

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 10.

**NOTE 15 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 \$9,165 in 2021 and \$23,028 in 2020.

**NOTE 16 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, 2021 and 2020, was approximately \$116,000 and \$181,000, respectively.

**MINNESOTA MUSEUM OF AMERICAN ART**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2021 AND 2020**

**NOTE 16 OPERATING LEASES (CONTINUED)**

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>
2022	\$ 109,449
2023	112,682
2024	114,912
2025	117,209
2026	119,575
Thereafter	<u>4,192,941</u>
Total	<u>\$ 4,766,768</u>

**MINNESOTA MUSEUM OF AMERICAN ART**  
**CONSOLIDATING STATEMENT OF FINANCIAL POSITION**  
**JUNE 30, 2021**  
(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
<b>ASSETS</b>							
Cash	1,455,091	\$ 171,441	\$ 171,521	\$ -	\$ 30,653	\$ -	\$ 1,828,706
Cash - Restricted	441,764	80,000	-	-	-	-	521,764
Grants and Pledges Receivable	552,975	-	-	-	-	-	552,975
Intercompany Receivable	-	-	118,518	-	5,632	(124,150)	-
Inventory	5,034	-	-	-	-	-	5,034
Prepaid Expenses	33,546	-	1,250	-	202,168	(201,538)	35,426
Investments (Art Acquisitions Funds)	1,823,070	-	-	-	-	-	1,823,070
Investments in Subsidiaries	1,331,247	-	-	1,314,573	91,886	(2,737,706)	-
Note Receivable	-	4,825,000	-	-	756,262	(756,262)	4,825,000
Property and Equipment, Net	4,732,794	-	8,301,929	-	229,067	-	13,263,790
Other Assets, Net	-	-	171,114	-	-	-	171,114
	<u>\$ 10,375,521</u>	<u>\$ 5,076,441</u>	<u>\$ 8,764,332</u>	<u>\$ 1,314,573</u>	<u>\$ 1,315,668</u>	<u>\$ (3,819,656)</u>	<u>\$ 23,026,879</u>
<b>LIABILITIES AND NET ASSETS</b>							
<b>LIABILITIES</b>							
Accounts Payable	\$ 44,560	\$ -	\$ -	\$ -	\$ 32	\$ -	\$ 44,592
Intercompany Payables	3,551	114,537	6,062	-	-	(124,150)	-
Accrued Expenses	44,360	-	-	-	-	-	44,360
Deferred Lease Payable	166,734	-	40,948	-	26,245	-	233,927
Other Liabilities	-	-	201,538	-	-	(201,538)	-
Notes Payable - Paycheck Protection Program	363,200	-	-	-	-	-	363,200
Long-Term Debt, Net	1,378,137	1,968,562	7,075,076	-	-	(756,262)	9,665,513
Total Liabilities	<u>2,000,542</u>	<u>2,083,099</u>	<u>7,323,624</u>	<u>-</u>	<u>26,277</u>	<u>(1,081,950)</u>	<u>10,351,592</u>
<b>NET ASSETS</b>							
Without Donor Restrictions:							
Undesignated	5,309,056	2,993,342	1,440,708	1,314,573	13,660	(2,737,706)	8,333,633
Noncontrolling Interest	-	-	-	-	1,275,731	-	1,275,731
Total Without Donor Restrictions	<u>5,309,056</u>	<u>2,993,342</u>	<u>1,440,708</u>	<u>1,314,573</u>	<u>1,289,391</u>	<u>(2,737,706)</u>	<u>9,609,364</u>
With Donor Restrictions	3,065,923	-	-	-	-	-	3,065,923
Total Net Assets	<u>8,374,979</u>	<u>2,993,342</u>	<u>1,440,708</u>	<u>1,314,573</u>	<u>1,289,391</u>	<u>(2,737,706)</u>	<u>12,675,287</u>
Total Liabilities and Net Assets	<u>\$ 10,375,521</u>	<u>\$ 5,076,441</u>	<u>\$ 8,764,332</u>	<u>\$ 1,314,573</u>	<u>\$ 1,315,668</u>	<u>\$ (3,819,656)</u>	<u>\$ 23,026,879</u>

**MINNESOTA MUSEUM OF AMERICAN ART  
CONSOLIDATING STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2021  
(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
<b>OPERATING SUPPORT AND REVENUE</b>							
Grants and Contributions	\$ 1,831,093	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,831,093
Government Grants	108,305	-	-	-	-	-	108,305
In-Kind Contributions	4,844	-	-	-	-	-	4,844
Admissions and Exhibition Fees	10,835	-	-	-	-	-	10,835
Rental Revenue	-	-	543,396	-	549,353	(1,092,749)	-
Total Operating Support and Revenue	<u>1,955,077</u>	<u>-</u>	<u>543,396</u>	<u>-</u>	<u>549,353</u>	<u>(1,092,749)</u>	<u>1,955,077</u>
<b>EXPENSES</b>							
Program Services:							
Collections	189,508	-	-	-	-	-	189,508
Exhibits and Programming	1,118,539	-	178,641	-	545,783	(1,095,136)	747,827
Total Program Expenses	<u>1,308,047</u>	<u>-</u>	<u>178,641</u>	<u>-</u>	<u>545,783</u>	<u>(1,095,136)</u>	<u>937,335</u>
General and Administrative	643,893	881	1,064	-	(3,825)	-	642,013
Fundraising	102,019	-	-	-	-	-	102,019
Total Expenses	<u>2,053,959</u>	<u>881</u>	<u>179,705</u>	<u>-</u>	<u>541,958</u>	<u>(1,095,136)</u>	<u>1,681,367</u>
<b>CHANGE IN NET ASSETS FROM OPERATIONS</b>	(98,882)	(881)	363,691	-	7,395	2,387	273,710
<b>OTHER INCOME (EXPENSE)</b>							
TIF Revenue	96,203	-	-	-	-	-	96,203
Investment Income, Net	375,387	48,266	-	-	22,526	(22,521)	423,658
Interest Expense	(45,613)	(93,830)	(132,633)	-	(32)	-	(272,108)
Interest - Inter-entity	-	-	(6,427)	-	-	6,427	-
Depreciation and Amortization	(130,820)	-	(229,557)	-	(98,171)	-	(458,548)
Other Income and Transfers	-	-	(3,796)	-	(40,047)	84,512	40,669
Income (Losses) from Subsidiaries	(99,695)	94,934	(374,764)	(379,476)	35,278	723,723	-
Total Other Income (Expense)	<u>195,462</u>	<u>49,370</u>	<u>(747,177)</u>	<u>(379,476)</u>	<u>(80,446)</u>	<u>792,141</u>	<u>(170,126)</u>
<b>CHANGE IN NET ASSETS BEFORE CHANGES RELATED TO COLLECTION ITEMS NOT CAPITALIZED</b>	96,580	48,489	(383,486)	(379,476)	(73,051)	794,528	103,584
<b>ADDITIONS TO ART COLLECTIONS</b>	<u>(34,820)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(34,820)</u>
<b>CHANGE IN NET ASSETS</b>	61,760	48,489	(383,486)	(379,476)	(73,051)	794,528	68,764
Net Assets - Beginning of Year	8,313,219	2,944,853	1,824,194	1,694,049	1,362,442	(3,532,234)	12,606,523
<b>NET ASSETS - END OF YEAR</b>	<u>\$ 8,374,979</u>	<u>\$ 2,993,342</u>	<u>\$ 1,440,708</u>	<u>\$ 1,314,573</u>	<u>\$ 1,289,391</u>	<u>\$ (2,737,706)</u>	<u>\$ 12,675,287</u>

Investment advisory services are offered through CliftonLarsonAllen Wealth Advisors, LLC, an SEC-registered investment advisor. CLA is an independent member of Nexia International, a leading, global network of independent accounting and consulting firms. See [nexia.com/member-firm-disclaimer](https://www.nexia.com/member-firm-disclaimer) for details. **CliftonLarsonAllen LLP**

