

MINNESOTA MUSEUM OF AMERICAN ART
CONSOLIDATED FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
YEARS ENDED JUNE 30, 2022 AND 2021



CPAs | CONSULTANTS | WEALTH ADVISORS

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

**MINNESOTA MUSEUM OF AMERICAN ART
TABLE OF CONTENTS
YEARS ENDED JUNE 30, 2022 AND 2021**

INDEPENDENT AUDITORS' REPORT	1
CONSOLIDATED FINANCIAL STATEMENTS	
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION	4
CONSOLIDATED STATEMENTS OF ACTIVITIES	5
CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES	7
CONSOLIDATED STATEMENTS OF CASH FLOWS	9
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS	10
SUPPLEMENTARY INFORMATION	
CONSOLIDATING STATEMENT OF FINANCIAL POSITION	24
CONSOLIDATING STATEMENT OF ACTIVITIES	25



INDEPENDENT AUDITORS' REPORT

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

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of Minnesota Museum of American Art (the M), which comprise consolidated statements of financial position as of June 30, 2022 and 2021, 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.

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, 2022 and 2021, and the changes of its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of Minnesota Museum of American Art and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Consolidated Financial Statements

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

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Minnesota Museum of American Art's ability to continue as a going concern for one year after the date the consolidated financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Minnesota Museum of American Art's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Minnesota Museum of American Art's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

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

CliftonLarsonAllen LLP

Minneapolis, Minnesota
January 12, 2023

MINNESOTA MUSEUM OF AMERICAN ART
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2022 AND 2021

	2022	2021
ASSETS		
Cash	\$ 1,081,361	\$ 1,828,706
Cash - Restricted	738,576	521,764
Grants and Pledges Receivable, Net	350,763	552,975
Inventory	5,034	5,034
Prepaid Expenses	37,649	35,426
Investments (Art Acquisitions Funds)	1,155,962	1,823,070
New Markets Tax Credit Note Receivable	4,825,000	4,825,000
Property and Equipment, Net	13,144,089	13,263,790
Other Assets, Net	154,733	171,114
Art Collections	-	-
	\$ 21,493,167	\$ 23,026,879
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts Payable	\$ 42,672	\$ 44,592
Accrued Expenses	58,070	44,360
Deferred Lease Payable	285,652	233,927
Notes Payable - Paycheck Protection Program	-	363,200
Long-Term Debt, Net	9,633,862	9,665,513
Total Liabilities	10,020,256	10,351,592
NET ASSETS		
Without Donor Restrictions:		
Undesignated	7,332,018	8,333,633
Noncontrolling Interest	1,128,155	1,275,731
Total Without Donor Restrictions	8,460,173	9,609,364
With Donor Restrictions	3,012,738	3,065,923
Total Net Assets	11,472,911	12,675,287
Total Liabilities and Net Assets	\$ 21,493,167	\$ 23,026,879

See accompanying Notes to Consolidated Financial Statements.

**MINNESOTA MUSEUM OF AMERICAN ART
CONSOLIDATED STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2022**

	Without Donor Restrictions	With Donor Restrictions	Total 2022
OPERATING SUPPORT AND REVENUE			
Grants and Contributions	\$ 596,530	\$ 217,208	\$ 813,738
Government Grants	173,897	-	173,897
Gain on Extinguishment of Notes Payable - PPP	363,200	-	363,200
Admissions and Exhibition Fees	3,400	-	3,400
Net Assets Released from Restrictions	67,581	(67,581)	-
Total Operating Support and Revenue	<u>1,204,608</u>	<u>149,627</u>	<u>1,354,235</u>
EXPENSES			
Program Services:			
Collections	310,936	-	310,936
Exhibits and Programming	973,281	-	973,281
Total Program Expenses	<u>1,284,217</u>	<u>-</u>	<u>1,284,217</u>
General and Administrative	245,916	-	245,916
Fundraising	331,545	-	331,545
Total Expenses	<u>1,861,678</u>	<u>-</u>	<u>1,861,678</u>
CHANGE IN NET ASSETS FROM OPERATIONS	(657,070)	149,627	(507,443)
OTHER INCOME (EXPENSE)			
TIF Revenue	93,491	-	93,491
Investment Income (Loss), Net	(30,620)	-	(30,620)
Interest Expense	(260,749)	-	(260,749)
Depreciation and Amortization	(455,478)	-	(455,478)
Net Assets Released from Restrictions	195,387	(195,387)	-
Total Other Expense	<u>(457,969)</u>	<u>(195,387)</u>	<u>(653,356)</u>
CHANGE IN NET ASSETS BEFORE CHANGES RELATED TO COLLECTION ITEMS NOT CAPITALIZED	(1,115,039)	(45,760)	(1,160,799)
ADDITIONS TO ART COLLECTIONS	-	(7,425)	(7,425)
EQUITY DISTRIBUTIONS AND OTHER ADJUSTMENTS	<u>(34,152)</u>	<u>-</u>	<u>(34,152)</u>
CHANGE IN NET ASSETS	(1,149,191)	(53,185)	(1,202,376)
Net Assets - Beginning of Year	<u>9,609,364</u>	<u>3,065,923</u>	<u>12,675,287</u>
NET ASSETS - END OF YEAR	<u>\$ 8,460,173</u>	<u>\$ 3,012,738</u>	<u>11,472,911</u>

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
OPERATING SUPPORT AND REVENUE			
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>
EXPENSES			
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>
CHANGE IN NET ASSETS FROM OPERATIONS	470,927	(197,217)	273,710
OTHER INCOME (EXPENSE)			
TIF Revenue	96,203	-	96,203
Investment Income (Loss), 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>
CHANGE IN NET ASSETS BEFORE CHANGES RELATED TO COLLECTION ITEMS NOT CAPITALIZED	727,042	(623,458)	103,584
ADDITIONS TO ART COLLECTIONS	<u>-</u>	<u>(34,820)</u>	<u>(34,820)</u>
CHANGE IN NET ASSETS	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>
NET ASSETS - END OF YEAR	<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 FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2022**

	Program Expenses			General and Administrative	Fundraising	Total Expenses
	Collections	Exhibits and Programming	Total			
Salaries	\$ 89,101	\$ 349,611	\$ 438,712	\$ 85,338	\$ 133,652	\$ 657,702
Payroll Taxes	8,085	31,186	39,271	7,758	12,128	59,157
Employee Benefits	9,088	35,262	44,350	6,142	13,743	64,235
Subtotal Salaries and Related	<u>106,274</u>	<u>416,059</u>	<u>522,333</u>	<u>99,238</u>	<u>159,523</u>	<u>781,094</u>
Professional Fees	47,021	262,425	309,446	54,332	118,611	482,389
Occupancy	97,939	135,019	232,958	36,071	8,805	277,834
Program and Exhibit Supplies and Signage	-	33,889	33,889	101	4,250	38,240
Telecommunications	1,710	-	1,710	6,016	-	7,726
Information Technology	3,960	15,431	19,391	3,112	9,907	32,410
Equipment Costs	1,414	7,151	8,565	448	855	9,868
Dues and Subscriptions	607	2,637	3,244	9,071	10,620	22,935
Promotions	-	4,418	4,418	100	-	4,518
Insurance	26,315	5,257	31,572	1,071	2,044	34,687
Utilities	14,648	35,715	50,363	3,347	6,389	60,099
Travel and Meetings	-	724	724	27,349	750	28,823
Postage and Shipping	944	4,438	5,382	145	1,095	6,622
Publications, Printing, and Photography	-	49,927	49,927	439	7,353	57,719
Miscellaneous	10,104	191	10,295	5,076	1,343	16,714
Subtotal Other Expenses	<u>204,662</u>	<u>557,222</u>	<u>761,884</u>	<u>146,678</u>	<u>172,022</u>	<u>1,080,584</u>
Total Operating Expenses	<u>310,936</u>	<u>973,281</u>	<u>1,284,217</u>	<u>245,916</u>	<u>331,545</u>	<u>1,861,678</u>
Interest	-	-	-	28,107	-	28,107
Depreciation and Amortization	17,885	396,713	414,598	14,052	26,828	455,478
 Total Expenses by Function	 <u>\$ 328,821</u>	 <u>\$ 1,369,994</u>	 <u>\$ 1,698,815</u>	 <u>\$ 288,075</u>	 <u>\$ 358,373</u>	 <u>\$ 2,345,263</u>
Expenses by Function as a Percentage of Total	14%	58%	73%	12%	15%	100%

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	<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>
Interest	-	84,569	84,569	187,540	-	272,109
Depreciation and Amortization	70,708	166,636	237,344	184,887	36,317	458,548
Total Expenses by Function	<u>\$ 260,216</u>	<u>\$ 999,032</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 STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2022 AND 2021**

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ (1,202,376)	\$ 68,764
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Depreciation and Amortization	455,478	458,548
Interest Expense - Amortization of Finance Fees	33,701	33,701
Gain on Extinguishment of Note Payable - PPP	(363,200)	-
Loss (Gain) on Investments	110,351	(353,031)
Change in Pledges Receivable Discount to Present Value	4,211	(4,211)
Capital Campaign Contributions	(219,708)	(336,000)
Purchase of Collection Items	7,425	34,820
(Increase) Decrease in Assets:		
Grants and Pledges Receivable, Net	198,001	469,522
Prepaid Expenses	(2,223)	(4,598)
Other Assets	16,381	16,382
Increase (Decrease) in Liabilities:		
Accounts Payable	(1,920)	23,463
Accrued Expenses	13,710	(15,963)
Deferred Lease Liability	51,725	53,792
Net Cash Provided (Used) by Operating Activities	(898,444)	445,189
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Property and Equipment	(335,777)	(215,431)
Purchase of Additions to Collection	(7,425)	(34,820)
Purchase of Investments	(682,881)	(83,225)
Sales of Investments	1,239,638	97,640
Net Cash Provided (Used) by Investing Activities	213,555	(235,836)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from Debt and Notes Payable	-	183,300
Payments on Debt	(65,352)	(71,626)
Capital Campaign Contributions	219,708	336,000
Net Cash Provided by Financing Activities	154,356	447,674
CHANGE IN CASH, CASH EQUIVALENTS, AND RESTRICTED CASH	(530,533)	657,027
Cash, Cash Equivalents, and Restricted Cash - Beginning of Year	2,350,470	1,693,443
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH - END OF YEAR	\$ 1,819,937	\$ 2,350,470
RECONCILIATION TO THE CONSOLIDATED STATEMENTS OF FINANCIAL POSITION		
Cash	\$ 1,081,361	\$ 1,828,706
Cash - Restricted	738,576	521,764
Total	\$ 1,819,937	\$ 2,350,470
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash Paid for Interest	\$ 28,107	\$ 272,109

See accompanying Notes to Consolidated Financial Statements.

MINNESOTA MUSEUM OF AMERICAN ART
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

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.

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 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.

MINNESOTA MUSEUM OF AMERICAN ART
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 1 PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Principles of Consolidation (Continued)

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 (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 consolidated financial statements in conformity with 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 consolidated 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, 2022 and 2021.

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.

MINNESOTA MUSEUM OF AMERICAN ART
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 1 PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 2022 or 2021.

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.

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.

**MINNESOTA MUSEUM OF AMERICAN ART
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021**

NOTE 1 PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Art Collection (Continued)

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 \$200,000 that have not been recognized as of June 30, 2022, 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. In-kind contributions at June 30, 2022 and 2021 consisted of donated professional services in the amount of \$-0- and \$5,718, 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.

MINNESOTA MUSEUM OF AMERICAN ART
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 1 PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Government Grants (Continued)

In the year ended June 30, 2022, the M complied with the conditions of the Employee Retention Credit (ERC) funding from the U.S. Treasury in the amount of \$102,523. The M recognized these amounts which are included in government grants on the consolidated statements of activities. Performance requirements were met when costs were incurred in compliance with the program during the year.

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 2022 or 2021. Management believes there are no material uncertain tax positions that require recognition or disclosure in the consolidated 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.

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, 2022 and 2021 consisted of amounts due from three donors which accounted for 70% of the total balance and three donors which accounted for 64% of the total balance, respectively.

**MINNESOTA MUSEUM OF AMERICAN ART
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021**

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 12, 2023, 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, 2022 and 2021, comprise the following:

	<u>2022</u>	<u>2021</u>
Cash	\$ 1,081,361	\$ 1,828,706
Grants and Pledges Receivable	345,747	395,441
Less: Unavailable for General Expenditures Within One Year:		
Grants and Pledges Receivable	<u>(229,297)</u>	<u>(410,000)</u>
Total	<u>\$ 1,197,811</u>	<u>\$ 1,814,147</u>

NOTE 3 GRANTS AND PLEDGES RECEIVABLE

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

	<u>2022</u>	<u>2021</u>
Grants and Pledges Due:		
Within One Year	\$ 345,747	\$ 395,441
In One to Five Years	<u>10,088</u>	<u>158,395</u>
Total	355,835	553,836
Less: Discount to Net Present Value	<u>(5,072)</u>	<u>(861)</u>
Grants and Pledges Receivable, Net	<u>\$ 350,763</u>	<u>\$ 552,975</u>

**MINNESOTA MUSEUM OF AMERICAN ART
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021**

NOTE 3 GRANTS AND PLEDGES RECEIVABLE (CONTINUED)

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, 2022 and 2021, respectively. 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>2022</u>	<u>2021</u>
SIT Dividend Growth Fund I	\$ 1,135,347	\$ 1,348,176
SIT U.S. Government Securities Fund	-	474,894
SIT Quality Income Fund	<u>20,615</u>	<u>-</u>
Total	<u>\$ 1,155,962</u>	<u>\$ 1,823,070</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>2022</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Fair Value</u>
Dividend Growth Fund I	\$ 1,135,347	\$ -	\$ -	\$ 1,135,347
Quality Income Fund	<u>20,615</u>	<u>-</u>	<u>-</u>	<u>20,615</u>
Total Investments at Fair Value	<u>\$ 1,155,962</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,155,962</u>
	<u>2021</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Fair Value</u>
Dividend Growth Fund I	\$ 1,348,176	\$ -	\$ -	\$ 1,348,176
U.S. Government Securities Fund	<u>474,894</u>	<u>-</u>	<u>-</u>	<u>474,894</u>
Total Investments at Fair Value	<u>\$ 1,823,070</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,823,070</u>

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).

MINNESOTA MUSEUM OF AMERICAN ART
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 7 PROPERTY AND EQUIPMENT

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

	<u>2022</u>	<u>2021</u>	<u>Estimated Useful Lives in Years</u>
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	<u>(1,852,571)</u>	<u>(1,397,092)</u>	
Subtotal	10,688,998	11,144,477	
Construction in Progress	<u>2,455,091</u>	<u>2,119,313</u>	
Total Property and Equipment	<u>\$ 13,144,089</u>	<u>\$ 13,263,790</u>	

NOTE 8 OTHER ASSETS

	<u>2022</u>	<u>2021</u>	<u>Amortization Period in Years</u>
Tax Credit Fees	\$ 42,175	\$ 42,175	5
Lease Acquisition Costs	173,610	173,610	19 to 40
Less: Accumulated Amortization	<u>(61,052)</u>	<u>(44,671)</u>	
Total	<u>\$ 154,733</u>	<u>\$ 171,114</u>	

NOTE 9 LONG-TERM DEBT

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

	<u>2022</u>	<u>2021</u>
Dougherty Funding LLC	\$ 490,785	\$ 556,137
Sunrise Banks	2,014,261	2,014,261
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	<u>822,000</u>	<u>822,000</u>
Total	10,187,046	10,252,398
Less: Unamortized Finance Fees	<u>(553,184)</u>	<u>(586,885)</u>
Long-Term Debt, Net	<u>\$ 9,633,862</u>	<u>\$ 9,665,513</u>

MINNESOTA MUSEUM OF AMERICAN ART
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

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. In the original agreement, principal and unpaid accrued interest are payable at maturity. Subsequent to year end, the agreement was modified to include additional quarterly required principal payments in varying amounts, commencing January 5, 2023 through the December 15, 2024 maturity date.

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, 2022. 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, 2022.

**MINNESOTA MUSEUM OF AMERICAN ART
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021**

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>
2023	\$ 1,024,655
2024	345,000
2025	1,596,301
2026	259,832
2027	263,481
Thereafter	6,697,777
Total	<u>\$ 10,187,046</u>

No interest incurred during construction has been capitalized in the leasehold improvements for the years ended June 30, 2022 and 2021.

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). On January 28, 2021, the M received a second draw of the PPP loan in the amount of \$183,300, again to fund payroll, rent, utilities, and interest on mortgages and existing debt. These PPP loans bear 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.

On July 1, 2021, the SBA processed The M's first PPP loan forgiveness application and notified the bank the PPP loan qualified for full forgiveness of the first draw of \$179,900. On December 13, 2021, the SBA processed The M's second PPP loan forgiveness application and notified the bank the PPP loan qualified for full forgiveness of the second draw of \$183,300. Loan proceeds were received by the bank from the SBA on these dates and are included in the gain on extinguishment of notes payable – PPP line of the statements of activities. Therefore, The M was legally released from the debt and the loan forgiveness.

The SBA may review funding eligibility and use of funds for compliance with program requirements based on dollar thresholds and other factors. The amount of a 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, 2022 AND 2021

NOTE 11 NET ASSETS

Net assets with donor restrictions are as follows:

	<u>2022</u>	<u>2021</u>
Subject to Expenditure for Specified Purpose:		
Capital Campaign	\$ 1,724,930	\$ 1,703,110
Arts Access	1,514	20,443
Arts Learning	-	18,651
Art Acquisitions, Ordway Fund	493,860	493,860
Art Acquisitions, Brodie Fund	65,684	65,684
Art Acquisitions, Acquisition Fund	726,750	734,175
Total	<u>3,012,738</u>	<u>3,035,923</u>
Subject to the Passage of Time:		
General Operations	-	30,000
Total Net Assets with Donor Restrictions	<u>\$ 3,012,738</u>	<u>\$ 3,065,923</u>

Net assets with donor restrictions were released as follows:

	<u>2022</u>	<u>2021</u>
Expiration of Time Restrictions	\$ 30,000	\$ 128,000
Satisfaction of Purpose Restrictions:		
Capital Campaign	195,387	426,241
Art Acquisitions	7,425	34,820
Other Programmatic Purposes	37,581	69,217
Total Net Assets Released from Donor Restrictions	<u>\$ 270,393</u>	<u>\$ 658,278</u>

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

	<u>2022</u>	<u>2021</u>
Controlling Interest (The M):		
Balance - Beginning of Year	\$ 8,333,633	\$ 7,533,870
Change in Net Assets	(1,001,615)	799,763
Balance - End of Year	<u>7,332,018</u>	<u>8,333,633</u>
Noncontrolling Interest (Investor):		
Balance - Beginning of Year	1,275,731	1,348,452
Change in Net Assets	(147,576)	(72,721)
Balance - End of Year	<u>1,128,155</u>	<u>1,275,731</u>
Total	<u>\$ 8,460,173</u>	<u>\$ 9,609,364</u>

MINNESOTA MUSEUM OF AMERICAN ART
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

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 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, and New Markets 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 ended 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 \$200,000 of conditional gifts that have not been recorded as of June 30, 2022, but these gifts will support this project as conditions are overcome.

As of June 30, 2022, The M has raised approximately \$29,600,000 and has expended approximately \$18,300,000 for costs incurred in association with the capital campaign. The amounts raised include private donations, bonding from the state of Minnesota, New Markets Tax Credits, and TIF financing from the City of St. Paul.

NOTE 13 NEW MARKETS 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, 2022 AND 2021**

NOTE 13 NEW MARKETS 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 had also agreed to make capital contributions to M Master Tenant LLC of \$1,463,414. 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.

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 \$11,374 in 2022 and \$9,165 in 2021.

**MINNESOTA MUSEUM OF AMERICAN ART
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021**

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 \$34,000 before October 2021, and \$38,000 starting October 2021.

Rent expense under operating leases for the years ended June 30, 2022 and 2021, was approximately \$85,000 and \$116,000, 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>
2023	\$ 112,682
2024	114,912
2025	117,209
2026	119,575
2027	93,250
Thereafter	4,099,691
Total	<u><u>\$ 4,657,319</u></u>

MINNESOTA MUSEUM OF AMERICAN ART
CONSOLIDATING STATEMENT OF FINANCIAL POSITION
JUNE 30, 2022
(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	\$ 658,743	\$ 83,004	\$ 299,554	\$ -	\$ 40,060	\$ -	\$ 1,081,361
Cash - Restricted	658,576	80,000	-	-	-	-	738,576
Grants and Pledges Receivable	350,763	-	-	-	-	-	350,763
Intercompany Receivable	3,413	135,462	113,687	-	11,080	(263,642)	-
Inventory	5,034	-	-	-	-	-	5,034
Prepaid Expenses	34,469	-	1,900	-	202,818	(201,538)	37,649
Investments (Art Acquisitions Funds)	1,155,962	-	-	-	-	-	1,155,962
Investments in Subsidiaries	1,224,255	-	-	1,230,392	78,178	(2,532,825)	-
Note Receivable	-	4,825,000	-	-	756,262	(756,262)	4,825,000
Property and Equipment, Net	4,940,821	-	8,072,373	-	130,895	-	13,144,089
Other Assets, Net	-	-	154,733	-	-	-	154,733
	<u>\$ 9,032,036</u>	<u>\$ 5,123,466</u>	<u>\$ 8,642,247</u>	<u>\$ 1,230,392</u>	<u>\$ 1,219,293</u>	<u>\$ (3,754,267)</u>	<u>\$ 21,493,167</u>
LIABILITIES AND NET ASSETS							
LIABILITIES							
Accounts Payable	\$ 42,672	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 42,672
Intercompany Payables	135,462	114,537	7,812	1,000	4,831	(263,642)	-
Accrued Expenses	58,070	-	-	-	-	-	58,070
Deferred Lease Payable	206,718	-	33,707	-	45,227	-	285,652
Other Liabilities	-	-	201,538	-	-	(201,538)	-
Notes Payable - Paycheck Protection Program	-	-	-	-	-	-	-
Long-Term Debt, Net	1,312,785	1,981,776	7,095,563	-	-	(756,262)	9,633,862
Total Liabilities	<u>1,755,707</u>	<u>2,096,313</u>	<u>7,338,620</u>	<u>1,000</u>	<u>50,058</u>	<u>(1,221,442)</u>	<u>10,020,256</u>
NET ASSETS							
Without Donor Restrictions:							
Undesignated	4,263,591	3,027,153	1,303,627	1,229,392	41,080	(2,532,825)	7,332,018
Noncontrolling Interest	-	-	-	-	1,128,155	-	1,128,155
Total Without Donor Restrictions	<u>4,263,591</u>	<u>3,027,153</u>	<u>1,303,627</u>	<u>1,229,392</u>	<u>1,169,235</u>	<u>(2,532,825)</u>	<u>8,460,173</u>
With Donor Restrictions	3,012,738	-	-	-	-	-	3,012,738
Total Net Assets	<u>7,276,329</u>	<u>3,027,153</u>	<u>1,303,627</u>	<u>1,229,392</u>	<u>1,169,235</u>	<u>(2,532,825)</u>	<u>11,472,911</u>
Total Liabilities and Net Assets	<u>\$ 9,032,036</u>	<u>\$ 5,123,466</u>	<u>\$ 8,642,247</u>	<u>\$ 1,230,392</u>	<u>\$ 1,219,293</u>	<u>\$ (3,754,267)</u>	<u>\$ 21,493,167</u>

**MINNESOTA MUSEUM OF AMERICAN ART
CONSOLIDATING STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2022
(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	\$ 813,738	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 813,738
Government Grants	173,897	-	-	-	-	-	173,897
Gain on Extinguishment of Notes Payable - PPP	363,200	-	-	-	-	-	363,200
Admissions and Exhibition Fees	3,400	-	-	-	-	-	3,400
Rental Revenue	-	-	529,504	-	533,073	(1,062,577)	-
Total Operating Support and Revenue	<u>1,354,235</u>	<u>-</u>	<u>529,504</u>	<u>-</u>	<u>533,073</u>	<u>(1,062,577)</u>	<u>1,354,235</u>
EXPENSES							
Program Services:							
Collections	310,936	-	-	-	-	-	310,936
Exhibits and Programming	1,343,606	-	162,748	-	529,504	(1,062,577)	973,281
Total Program Expenses	<u>1,654,542</u>	<u>-</u>	<u>162,748</u>	<u>-</u>	<u>529,504</u>	<u>(1,062,577)</u>	<u>1,284,217</u>
General and Administrative	226,905	1,256	8,344	1,000	8,411	-	245,916
Fundraising	331,545	-	-	-	-	-	331,545
Total Expenses	<u>2,212,992</u>	<u>1,256</u>	<u>171,092</u>	<u>1,000</u>	<u>537,915</u>	<u>(1,062,577)</u>	<u>1,861,678</u>
CHANGE IN NET ASSETS FROM OPERATIONS	(858,757)	(1,256)	358,412	(1,000)	(4,842)	-	(507,443)
OTHER INCOME (EXPENSE)							
TIF Revenue	93,491	-	-	-	-	-	93,491
Investment Income, Net	(78,905)	48,281	-	-	19,328	(19,324)	(30,620)
Interest Expense	(28,139)	(100,008)	(132,634)	-	32	-	(260,749)
Interest - Inter-entity	-	-	(19,324)	-	-	19,324	-
Depreciation and Amortization	(127,751)	-	(229,556)	-	(98,171)	-	(455,478)
Income (Losses) from Subsidiaries	(91,164)	86,794	-	17,301	(2,310)	(10,621)	-
Total Other Income (Expense)	<u>(232,468)</u>	<u>35,067</u>	<u>(381,514)</u>	<u>17,301</u>	<u>(81,121)</u>	<u>(10,621)</u>	<u>(653,356)</u>
CHANGE IN NET ASSETS BEFORE CHANGES RELATED TO COLLECTION ITEMS NOT CAPITALIZED	(1,091,225)	33,811	(23,102)	16,301	(85,963)	(10,621)	(1,160,799)
ADDITIONS TO ART COLLECTIONS	(7,425)	-	-	-	-	-	(7,425)
EQUITY DISTRIBUTIONS AND OTHER ADJUSTMENTS	-	-	(113,979)	(101,482)	(34,193)	215,502	(34,152)
CHANGE IN NET ASSETS	(1,098,650)	33,811	(137,081)	(85,181)	(120,156)	204,881	(1,202,376)
Net Assets - Beginning of Year	8,374,979	2,993,342	1,440,708	1,314,573	1,289,391	(2,737,706)	12,675,287
NET ASSETS - END OF YEAR	<u>\$ 7,276,329</u>	<u>\$ 3,027,153</u>	<u>\$ 1,303,627</u>	<u>\$ 1,229,392</u>	<u>\$ 1,169,235</u>	<u>\$ (2,532,825)</u>	<u>\$ 11,472,911</u>



CLA (CliftonLarsonAllen LLP) is a network member of CLA Global. See CLAGlobal.com/disclaimer. Investment advisory services are offered through CliftonLarsonAllen Wealth Advisors, LLC, an SEC-registered investment advisor.