

**MINNESOTA MUSEUM OF AMERICAN ART  
CONSOLIDATED FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION  
YEARS ENDED JUNE 30, 2023 AND 2022**



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## 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, 2023 and 2022, 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, 2023 and 2022, 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.

#### ***Emphasis of Matter – Change in Accounting Principle***

As discussed in Note 1 to the consolidated financial statements, in 2023 the M adopted new accounting guidance for leases. The guidance requires lessees to recognize a right-of-use asset and corresponding liability for all operating and finance leases with lease terms greater than one year. Our opinion is not modified with respect to this matter.

#### ***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  
October 23, 2023

**MINNESOTA MUSEUM OF AMERICAN ART**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
**JUNE 30, 2023 AND 2022**

	2023	2022
<b>ASSETS</b>		
Cash	\$ 584,714	\$ 1,081,361
Cash - Restricted	1,813,526	738,576
Grants and Pledges Receivable, Net	969,975	350,763
Inventory	5,034	5,034
Prepaid Expenses	40,349	37,649
Investments (Art Acquisitions Funds)	1,074,223	1,155,962
New Markets Tax Credit Note Receivable	4,825,000	4,825,000
Property and Equipment, Net	14,167,526	13,144,089
Right-of-Use Asset, Net	2,902,625	-
Other Assets, Net	138,352	154,733
Art Collections	-	-
	\$ 26,521,324	\$ 21,493,167
<b>Total Assets</b>	<b>\$ 26,521,324</b>	<b>\$ 21,493,167</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES</b>		
Accounts Payable	\$ 70,641	\$ 42,672
Accrued Expenses	74,499	58,070
Deferred Lease Payable	-	285,652
Long-Term Debt, Net	8,665,157	9,633,862
Lease Liability	3,234,943	-
Total Liabilities	12,045,240	10,020,256
<b>NET ASSETS</b>		
Without Donor Restrictions:		
Undesignated	8,787,208	7,324,654
Board-Designated	14,444	7,364
Noncontrolling Interest	1,148,594	1,128,155
Total Without Donor Restrictions	9,950,246	8,460,173
With Donor Restrictions	4,525,838	3,012,738
Total Net Assets	14,476,084	11,472,911
Total Liabilities and Net Assets	<b>\$ 26,521,324</b>	<b>\$ 21,493,167</b>

See accompanying Notes to Consolidated Financial Statements.

**MINNESOTA MUSEUM OF AMERICAN ART  
CONSOLIDATED STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2023**

	Without Donor Restrictions	With Donor Restrictions	Total 2023
<b>OPERATING SUPPORT AND REVENUE</b>			
Grants and Contributions	\$ 939,234	\$ 345,060	\$ 1,284,294
Government Grants	2,984,657	71,858	3,056,515
Gain on Forgiveness of Debt	150,000	-	150,000
Admissions and Exhibition Fees	1,532	-	1,532
Other	31,604	-	31,604
Net Assets Released from Restrictions	14,123	(14,123)	-
Total Operating Support and Revenue	<u>4,121,150</u>	<u>402,795</u>	<u>4,523,945</u>
<b>EXPENSES</b>			
Program Services:			
Collections	352,757	-	352,757
Exhibits and Programming	1,167,989	-	1,167,989
Total Program Expenses	<u>1,520,746</u>	<u>-</u>	<u>1,520,746</u>
General and Administrative	192,466	-	192,466
Fundraising	398,828	-	398,828
Total Expenses	<u>2,112,040</u>	<u>-</u>	<u>2,112,040</u>
<b>CHANGE IN NET ASSETS FROM OPERATIONS</b>	2,009,110	402,795	2,411,905
<b>OTHER INCOME (EXPENSE)</b>			
Capital Campaign Contributions	-	1,262,631	1,262,631
TIF Revenue	95,153	-	95,153
Investment Income, Net	196,946	-	196,946
Interest Expense	(301,375)	-	(301,375)
Depreciation and Amortization	(503,646)	-	(503,646)
Net Assets Released from Restrictions	85,619	(85,619)	-
Total Other Income (Expense)	<u>(427,303)</u>	<u>1,177,012</u>	<u>749,709</u>
<b>CHANGE IN NET ASSETS BEFORE CHANGES RELATED TO COLLECTION ITEMS NOT CAPITALIZED</b>	1,581,807	1,579,807	3,161,614
<b>ADDITIONS TO ART COLLECTIONS</b>	-	(66,707)	(66,707)
<b>EQUITY DISTRIBUTIONS AND OTHER ADJUSTMENTS</b>	<u>(91,734)</u>	<u>-</u>	<u>(91,734)</u>
<b>CHANGE IN NET ASSETS</b>	1,490,073	1,513,100	3,003,173
Net Assets - Beginning of Year	<u>8,460,173</u>	<u>3,012,738</u>	<u>11,472,911</u>
<b>NET ASSETS - END OF YEAR</b>	<u>\$ 9,950,246</u>	<u>\$ 4,525,838</u>	<u>\$ 14,476,084</u>

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
<b>OPERATING SUPPORT AND REVENUE</b>			
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>
<b>EXPENSES</b>			
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>
<b>CHANGE IN NET ASSETS FROM OPERATIONS</b>	(657,070)	149,627	(507,443)
<b>OTHER INCOME (EXPENSE)</b>			
TIF Revenue	93,491	-	93,491
Investment Income (Loss), Net	(30,620)	-	(30,620)
Interest Expense	(210,667)	-	(210,667)
Depreciation and Amortization	(505,560)	-	(505,560)
Other Income and Transfers	-	-	-
Net Assets Released from Restrictions	195,387	(195,387)	-
Total Other Expense	<u>(457,969)</u>	<u>(195,387)</u>	<u>(653,356)</u>
<b>CHANGE IN NET ASSETS BEFORE CHANGES RELATED TO COLLECTION ITEMS NOT CAPITALIZED</b>	(1,115,039)	(45,760)	(1,160,799)
<b>ADDITIONS TO ART COLLECTIONS</b>	-	(7,425)	(7,425)
<b>EQUITY DISTRIBUTIONS AND OTHER ADJUSTMENTS</b>	<u>(34,152)</u>	<u>-</u>	<u>(34,152)</u>
<b>CHANGE IN NET ASSETS</b>	(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>
<b>NET ASSETS - END OF YEAR</b>	<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 FUNCTIONAL EXPENSES  
YEAR ENDED JUNE 30, 2023**

	Program Expenses			General and Administrative	Fundraising	Total Expenses
	Collections	Exhibits and Programming	Total			
Salaries	\$ 136,943	\$ 507,246	\$ 644,189	\$ 103,328	\$ 197,262	\$ 944,779
Payroll Taxes	12,085	46,614	58,699	9,496	18,128	86,323
Employee Benefits	15,133	58,372	73,505	11,891	22,700	108,096
Subtotal Salaries and Related	<u>164,161</u>	<u>612,232</u>	<u>776,393</u>	<u>124,715</u>	<u>238,090</u>	<u>1,139,198</u>
Professional Fees	24,729	189,456	214,185	29,500	89,156	332,841
Occupancy	104,096	174,628	278,724	5,252	10,026	294,002
Exhibit and Events Supplies and Signage	2,096	91,136	93,232	211	19,599	113,042
Telecommunications	2,097	-	2,097	2,270	5,715	10,082
Information Technology	3,767	15,455	19,222	2,960	5,650	27,832
Equipment Costs	2,072	8,431	10,503	1,538	3,051	15,092
Dues and Subscriptions	736	2,726	3,462	2,774	3,444	9,680
Promotions	-	135	135	-	38	173
Insurance	26,300	5,201	31,501	1,059	2,023	34,583
Utilities	14,953	35,200	50,153	4,106	7,839	62,098
Travel and Meetings	2,400	2,713	5,113	2,061	1,558	8,732
Postage and Shipping	3,843	7,245	11,088	61	1,555	12,704
Publications, Printing, and Photography	700	22,005	22,705	4,206	5,471	32,382
Miscellaneous	807	1,426	2,233	11,753	5,613	19,599
Subtotal Other Expenses	<u>188,596</u>	<u>555,757</u>	<u>744,353</u>	<u>67,751</u>	<u>160,738</u>	<u>972,842</u>
Total Operating Expenses	<u>352,757</u>	<u>1,167,989</u>	<u>1,520,746</u>	<u>192,466</u>	<u>398,828</u>	<u>2,112,040</u>
Interest	270,694	-	270,694	30,635	46	301,375
Depreciation and Amortization	50,082	359,186	409,268	62,919	31,459	503,646
Total Expenses by Function	<u>\$ 673,533</u>	<u>\$ 1,527,175</u>	<u>\$ 2,200,708</u>	<u>\$ 286,020</u>	<u>\$ 430,333</u>	<u>\$ 2,917,061</u>
Expenses by Function as a Percentage of Total	25%	51%	76%	10%	14%	100%

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
Exhibit and Events 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	182,560	-	182,560	28,107	-	210,667
Depreciation and Amortization	67,967	396,713	464,680	14,052	26,828	505,560
Total Expenses by Function	<u>\$ 561,463</u>	<u>\$ 1,369,994</u>	<u>\$ 1,931,457</u>	<u>\$ 288,075</u>	<u>\$ 358,373</u>	<u>\$ 2,577,905</u>
Expenses by Function as a Percentage of Total	14%	59%	73%	12%	15%	100%

See accompanying Notes to Consolidated Financial Statements.

**MINNESOTA MUSEUM OF AMERICAN ART  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
YEARS ENDED JUNE 30, 2023 AND 2022**

	<u>2023</u>	<u>2022</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in Net Assets	\$ 3,003,173	\$ (1,202,376)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Depreciation and Amortization	487,265	489,179
Amortization of Finance Fees	16,381	16,381
Gain on Extinguishment of Note Payable - PPP	-	(363,200)
Gain on Forgiveness of Debt	(150,000)	-
Loss (Gain) on Investments	(130,057)	110,351
Change in Pledges Receivable Discount to Present Value	-	4,211
Capital Campaign Contributions	(3,393,802)	(219,708)
Purchase of Collection Items	66,707	7,425
(Increase) Decrease in Assets:		
Grants and Pledges Receivable, Net	(619,212)	198,001
Prepaid Expenses	(2,700)	(2,223)
Increase (Decrease) in Liabilities:		
Accounts Payable	27,969	(1,920)
Accrued Expenses	16,429	13,710
Deferred Lease Liability	-	51,725
Lease Liabilities	46,666	-
Net Cash Used by Operating Activities	<u>(631,181)</u>	<u>(898,444)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of Property and Equipment	(1,477,001)	(335,777)
Purchase of Additions to Collection	(66,707)	(7,425)
Purchase of Investments	(121,007)	(682,881)
Sales of Investments	332,803	1,239,638
Net Cash Provided (Used) by Investing Activities	<u>(1,331,912)</u>	<u>213,555</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from Debt and Notes Payable	850,000	-
Payments on Debt	(1,702,406)	(65,352)
Capital Campaign Contributions	3,393,802	219,708
Net Cash Provided by Financing Activities	<u>2,541,396</u>	<u>154,356</u>
<b>CHANGE IN CASH, CASH EQUIVALENTS, AND RESTRICTED CASH</b>	578,303	(530,533)
Cash, Cash Equivalents, and Restricted Cash - Beginning of Year	<u>1,819,937</u>	<u>2,350,470</u>
<b>CASH, CASH EQUIVALENTS, AND RESTRICTED CASH - END OF YEAR</b>	<u><u>\$ 2,398,240</u></u>	<u><u>\$ 1,819,937</u></u>

See accompanying Notes to Consolidated Financial Statements.

**MINNESOTA MUSEUM OF AMERICAN ART  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
YEARS ENDED JUNE 30, 2023 AND 2022**

	2023	2022
<b>RECONCILIATION TO THE CONSOLIDATED STATEMENTS OF  FINANCIAL POSITION</b>		
Cash	\$ 584,714	\$ 1,081,361
Cash - Restricted	1,813,526	738,576
Total	\$ 2,398,240	\$ 1,819,937
 <b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>		
Cash Paid for Interest	\$ 301,375	\$ 210,667

*See accompanying Notes to Consolidated Financial Statements.*

**MINNESOTA MUSEUM OF AMERICAN ART  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2023 AND 2022**

**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. The governing board has designated, from net assets without donor restrictions, net assets to support direct care of its art collection.

*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, 2023 AND 2022**

**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 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 (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 consolidated 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, 2023 and 2022.

**MINNESOTA MUSEUM OF AMERICAN ART  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2023 AND 2022**

**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 2023 or 2022.

**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, 2023 AND 2022**

**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 consolidated 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 consolidated 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 consolidated 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 had no conditional contributions as of June 30, 2023.

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.

**In-Kind Contributions**

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.

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. There were no in-kind contributions reported in the years ending June 30, 2023 and 2022.



**MINNESOTA MUSEUM OF AMERICAN ART**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2023 AND 2022**

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

**Government Grants**

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

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.

The M received a commitment of \$10.5 million in bonding revenue from the Minnesota legislature. This government grant revenue is conditioned on eligible expenses being incurred and approved. The M began to draw on this revenue and met conditions for approximately \$2.75 million during the year ending June 30, 2023. Conditions have not yet been met to recognize the remaining \$7.75 million of this conditional award.

**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 2023 or 2022. 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.

**MINNESOTA MUSEUM OF AMERICAN ART**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2023 AND 2022**

**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, 2023 and 2022 consisted of amounts due from four donors which accounted for 49% of the total balance and three donors which accounted for 70% of the total balance, respectively.

**Leases**

The M determines if an arrangement is a lease at inception. Leases are reported on the statements of financial position as a right-of-use (ROU) asset and lease liability.

ROU assets represent the M's right to use an underlying asset for the lease term and lease liabilities represent the obligation to make lease payments arising from the lease. ROU assets and liabilities are recognized at commencement of date based on the present value of lease payments over the lease term. Lease terms may include options to extend or terminate the lease when it is reasonably certain that the M will exercise that option. Lease expense for operating lease payments is recognized on a straight-line basis over the lease term. The M has elected to recognize payments for short-term leases with a lease term of 12 months or less as expense as incurred and these leases are not included as lease liabilities or right of use assets on the statements of financial position.

The individual lease contracts do not provide information about the discount rate implicit in the lease. Therefore, the M has elected to use a risk-free discount rate determined by using a period comparable with that of the lease term for computing the present value of lease liabilities.

**Adoption of New Accounting Standards**

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-02, *Leases (ASC 842)*. The new standard increases transparency and comparability among organizations by requiring the recognition of Right-of-Use (ROU) Assets and lease liabilities on the balance sheet. Most prominent of the changes in the standard is the recognition of ROU assets and lease liabilities by lessees for those leases classified as operating leases. Under the standard, disclosures are required to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases.

The M adopted the requirements of the guidance effective July 1, 2022, and has elected to apply the provisions of this standard to the beginning of the period of adoption. The M has elected to adopt the package of practical expedients available in the year of adoption. The M has elected to adopt the available practical expedient to use hindsight in determining the lease term not assessing the lease classification on existing leases and in assessing impairment of the M's ROU assets.

**MINNESOTA MUSEUM OF AMERICAN ART  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2023 AND 2022**

**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 October 23, 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, 2023 and 2022, comprise the following:

	<u>2023</u>	<u>2022</u>
Cash	\$ 584,714	\$ 1,081,361
Grants and Pledges Receivable	925,047	345,747
Less: Unavailable for General Expenditures Within One Year:		
Grants and Pledges Receivable	-	(229,297)
Total	<u>\$ 1,509,761</u>	<u>\$ 1,197,811</u>

**NOTE 3 GRANTS AND PLEDGES RECEIVABLE**

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

	<u>2023</u>	<u>2022</u>
Grants and Pledges Due:		
Within One Year	\$ 925,047	\$ 345,747
In One to Five Years	50,000	10,088
Total	975,047	355,835
Less: Discount to Net Present Value	(5,072)	(5,072)
Grants and Pledges Receivable, Net	<u>\$ 969,975</u>	<u>\$ 350,763</u>

The present value of grants and pledges receivable has been calculated using an interest rate ranging from 0.13% to 1.79% at June 30, 2023 and 2022, respectively. Grants and pledges receivable due in less than one year are not discounted.

**MINNESOTA MUSEUM OF AMERICAN ART  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2023 AND 2022**

**NOTE 4 INVESTMENTS (ART ACQUISITIONS FUNDS)**

A summary of investments as of June 30 follows:

	2023	2022
SIT Dividend Growth Fund I	\$ 1,053,550	\$ 1,135,347
SIT Quality Income Fund	20,673	20,615
Total	<u>\$ 1,074,223</u>	<u>\$ 1,155,962</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:

	2023			
	Level 1	Level 2	Level 3	Fair Value
Dividend Growth Fund I	\$ 1,053,550	\$ -	\$ -	\$ 1,053,550
Quality Income Fund	20,673	-	-	20,673
Total Investments at Fair Value	<u>\$ 1,074,223</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,074,223</u>
	2022			
	Level 1	Level 2	Level 3	Fair Value
Dividend Growth Fund I	\$ 1,135,347	\$ -	\$ -	\$ 1,135,347
U.S. Government Securities Fund	20,615	-	-	20,615
Total Investments at Fair Value	<u>\$ 1,155,962</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,155,962</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, 2023 AND 2022**

**NOTE 7 PROPERTY AND EQUIPMENT**

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

	<u>2023</u>	<u>2022</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>(2,306,135)</u>	<u>(1,852,571)</u>	
Subtotal	10,235,434	10,688,998	
Construction in Progress	<u>3,932,092</u>	<u>2,455,091</u>	
Total Property and Equipment	<u><u>\$ 14,167,526</u></u>	<u><u>\$ 13,144,089</u></u>	

**NOTE 8 OTHER ASSETS**

	<u>2023</u>	<u>2022</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>(77,433)</u>	<u>(61,052)</u>	
Total	<u><u>\$ 138,352</u></u>	<u><u>\$ 154,733</u></u>	

**NOTE 9 LONG-TERM DEBT**

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

	<u>2023</u>	<u>2022</u>
Dougherty Funding LLC	\$ 420,535	\$ 490,785
Sunrise Banks	1,904,105	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	-	822,000
Total	<u>9,184,640</u>	<u>10,187,046</u>
Less: Unamortized Finance Fees	<u>(519,483)</u>	<u>(533,184)</u>
Long-Term Debt, Net	<u><u>\$ 8,665,157</u></u>	<u><u>\$ 9,653,862</u></u>

**MINNESOTA MUSEUM OF AMERICAN ART  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2023 AND 2022**

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

**Dougherty Funding LLC Developer Loan**

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

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

**Sunrise Banks**

Note payable to Sunrise Banks, National Association in the original amount of \$3,000,000 maturing December 15, 2024. Interest accrues at 4.25% and is payable monthly. In the original agreement, principal and unpaid accrued interest are payable at maturity. In 2022, 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. 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 matured December 31, 2022. Interest accrued 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 was paid in full by the M during the year ended June 30, 2023.

**MINNESOTA MUSEUM OF AMERICAN ART  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2023 AND 2022**

**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>
2024	\$ 345,000
2025	1,688,801
2026	259,832
2027	263,481
2028	267,182
Thereafter	6,360,344
Total	<u>\$ 9,184,640</u>

**NOTE 10 NET ASSETS**

Net assets with donor restrictions are as follows:

	<u>2023</u>	<u>2022</u>
Subject to Expenditure for Specified Purpose:		
Capital Campaign	\$ 2,901,943	\$ 1,724,930
Permanent Collection Show	324,425	-
Arts Access	-	1,514
Other	80,951	-
Art Acquisitions, Ordway Fund	493,860	493,860
Art Acquisitions, Brodie Fund	65,684	65,684
Art Acquisitions, Acquisition Fund	658,975	726,750
Total Net Assets with Donor Restrictions	<u>\$ 4,525,838</u>	<u>\$ 3,012,738</u>

Net assets with donor restrictions were released as follows:

	<u>2023</u>	<u>2022</u>
Expiration of Time Restrictions	\$ -	\$ 30,000
Satisfaction of Purpose Restrictions:		
Capital Campaign	85,619	195,387
Art Acquisitions	66,707	7,425
Other Programmatic Purposes	14,123	37,581
Total Net Assets Released from Donor Restrictions	<u>\$ 166,449</u>	<u>\$ 270,393</u>

**MINNESOTA MUSEUM OF AMERICAN ART  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2023 AND 2022**

**NOTE 10 NET ASSETS (CONTINUED)**

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

	<u>2023</u>	<u>2022</u>
Controlling Interest (The M):		
Balance - Beginning of Year	\$ 7,332,018	\$ 8,333,633
Change in Net Assets	<u>1,388,190</u>	<u>(1,001,615)</u>
Balance - End of Year	8,720,208	7,332,018
Noncontrolling Interest (Investor):		
Balance - Beginning of Year	1,128,155	1,275,731
Change in Net Assets	<u>20,439</u>	<u>(147,576)</u>
Balance - End of Year	<u>1,148,594</u>	<u>1,128,155</u>
Total	<u>\$ 9,868,802</u>	<u>\$ 8,460,173</u>

Net assets without donor restrictions include board designated net assets of \$14,444 and \$7,364 as of June 30, 2023 and 2022, respectively. The governing board has designated, these funds to support direct care of its art collection.

**NOTE 11 CAPITAL CAMPAIGN**

The M is conducting a capital campaign to create a permanent home for the museum in the Historic Pioneer Endicott building. The goal of the campaign is to raise \$33,500,000 through contributions, grants, and funding through 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 was 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 received a commitment of \$10,500,000 in state bonding dollars towards this effort and began to draw on these funds during the year ended June 30, 2023. The M 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 of June 30, 2023, 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.



**MINNESOTA MUSEUM OF AMERICAN ART**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2023 AND 2022**

**NOTE 12 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.

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 13 TAX INCREMENT REVENUE NOTE RECEIVABLE**

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

**MINNESOTA MUSEUM OF AMERICAN ART  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2023 AND 2022**

**NOTE 13 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 9.

**NOTE 14 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 \$9,885 in 2023 and \$11,374 in 2022.

**NOTE 15 RIGHT OF USE ASSETS AND LEASE LIABILITIES**

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 following table provides the M's right of use assets and lease liability for the year ended June 30, 2023.

Right of Use Assets:	
Operating Leases, Net	\$ 2,902,625
Total	<u>\$ 2,902,625</u>
Lease Liabilities:	
Current:	
Operating Leases	\$ 18,572
Noncurrent:	
Operating Leases	3,216,371
Total	<u>\$ 3,234,943</u>

**MINNESOTA MUSEUM OF AMERICAN ART  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2023 AND 2022**

**NOTE 15 RIGHT OF USE ASSETS AND LEASE LIABILITIES (CONTINUED)**

The following table provides quantitative information concerning the M's leases for the year ended June 30, 2023.

Operating Lease Costs	\$ 120,699
Total Lease Costs	<u>\$ 120,699</u>
Other Information:	
Operating Cash Flows from Operating Leases	73,057
Right-of-Use Assets Obtained in Exchange for New Operating Lease Liability	\$ 2,998,098
Weighted-Average Remaining Lease Term - Operating Leases	35.1 Years
Weighted-Average Discount Rate - Operating Leases	1.76%

A maturity analysis of annual undiscounted cash flows for lease liability as of June 30, 2023, is as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2024	\$ 75,249
2025	77,506
2026	79,831
2027	82,226
2028	84,693
Thereafter	<u>4,167,349</u>
Total Lease Payments	4,566,854
Less: Interest	<u>(1,331,911)</u>
Present Value of Lease Liabilities	<u>\$ 3,234,943</u>

**MINNESOTA MUSEUM OF AMERICAN ART**  
**CONSOLIDATING STATEMENT OF FINANCIAL POSITION**  
**JUNE 30, 2023**  
(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	\$ 203,322	\$ 37,027	\$ 304,486	\$ -	\$ 39,879	\$ -	\$ 584,714
Cash - Restricted	1,813,526	-	-	-	-	-	1,813,526
Grants and Pledges Receivable	969,975	-	-	-	-	-	969,975
Intercompany Receivable	38,147	181,806	113,687	-	(22,471)	(311,169)	-
Inventory	5,034	-	-	-	-	-	5,034
Prepaid Expenses	38,969	-	690	-	202,228	(201,538)	40,349
Investments (Art Acquisitions Funds)	1,074,223	-	-	-	-	-	1,074,223
Investments in Subsidiaries	992,100	-	-	1,000,824	52,294	(2,045,218)	-
Note Receivable	-	4,825,000	-	-	756,262	(756,262)	4,825,000
Property and Equipment, Net	6,291,985	-	7,842,817	-	32,724	-	14,167,526
Right-of-Use Asset, Net	564,938	-	2,902,624	-	545,115	(1,110,052)	2,902,625
Other Assets, Net	-	-	138,352	-	-	-	138,352
	<u>\$ 11,992,219</u>	<u>\$ 5,043,833</u>	<u>\$ 11,302,656</u>	<u>\$ 1,000,824</u>	<u>\$ 1,606,031</u>	<u>\$ (4,424,239)</u>	<u>\$ 26,521,324</u>
<b>LIABILITIES AND NET ASSETS</b>							
<b>LIABILITIES</b>							
Accounts Payable	\$ 70,641	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 70,641
Intercompany Payables	188,848	113,687	7,634	1,000	-	(311,169)	-
Accrued Expenses	74,499	-	-	-	-	-	74,499
Deferred Lease Payable	-	-	(302,294)	-	(237,634)	539,928	-
Other Liabilities	-	-	201,538	-	-	(201,538)	-
Long-Term Debt, Net	420,536	1,884,834	7,116,049	-	-	(756,262)	8,665,157
Lease Liability	695,452	-	3,234,943	-	666,201	(1,361,653)	3,234,943
	<u>1,449,976</u>	<u>1,998,521</u>	<u>10,257,870</u>	<u>1,000</u>	<u>428,567</u>	<u>(2,090,694)</u>	<u>12,045,240</u>
<b>NET ASSETS</b>							
Without Donor Restrictions:							
Undesignated	5,934,961	3,045,312	1,044,786	999,824	28,870	(2,333,545)	8,720,208
Board Designated	81,444	-	-	-	-	-	81,444
Noncontrolling Interest	-	-	-	-	1,148,594	-	1,148,594
Total Without Donor Restrictions	<u>6,016,405</u>	<u>3,045,312</u>	<u>1,044,786</u>	<u>999,824</u>	<u>1,177,464</u>	<u>(2,333,545)</u>	<u>9,950,246</u>
With Donor Restrictions	4,525,838	-	-	-	-	-	4,525,838
Total Net Assets	<u>10,542,243</u>	<u>3,045,312</u>	<u>1,044,786</u>	<u>999,824</u>	<u>1,177,464</u>	<u>(2,333,545)</u>	<u>14,476,084</u>
Total Liabilities and Net Assets	<u>\$ 11,992,219</u>	<u>\$ 5,043,833</u>	<u>\$ 11,302,656</u>	<u>\$ 1,000,824</u>	<u>\$ 1,606,031</u>	<u>\$ (4,424,239)</u>	<u>\$ 26,521,324</u>

**MINNESOTA MUSEUM OF AMERICAN ART  
CONSOLIDATING STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2023  
(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	\$ 1,284,294	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,284,294
Government Grants	3,056,515	-	-	-	-	-	3,056,515
Admissions and Exhibition Fees	1,532	-	-	-	-	-	1,532
Rental Revenue	40,391	-	529,504	-	570,476	(1,140,371)	-
Other	181,604	-	-	-	-	-	181,604
Total Operating Support and Revenue	<u>4,564,336</u>	<u>-</u>	<u>529,504</u>	<u>-</u>	<u>570,476</u>	<u>(1,140,371)</u>	<u>4,523,945</u>
<b>EXPENSES</b>							
Program Services:							
Collections	352,757	-	-	-	-	-	352,757
Exhibits and Programming	1,474,898	-	159,434	-	385,700	(852,043)	1,167,989
Total Program Expenses	<u>1,827,655</u>	<u>-</u>	<u>159,434</u>	<u>-</u>	<u>385,700</u>	<u>(852,043)</u>	<u>1,520,746</u>
General and Administrative	165,293	9,884	9,169	-	8,120	-	192,466
Fundraising	398,828	-	-	-	-	-	398,828
Total Expenses	<u>2,391,776</u>	<u>9,884</u>	<u>168,603</u>	<u>-</u>	<u>393,820</u>	<u>(852,043)</u>	<u>2,112,040</u>
<b>CHANGE IN NET ASSETS FROM OPERATIONS</b>	2,172,560	(9,884)	360,901	-	176,656	(288,328)	2,411,905
<b>OTHER INCOME (EXPENSE)</b>							
Capital Campaign Contributions	1,262,631	-	-	-	-	-	1,262,631
TIF Revenue	95,153	-	-	-	-	-	95,153
Investment Income, Net	148,580	48,298	-	-	24,224	(24,156)	196,946
Interest Expense	(113,240)	(92,369)	(95,766)	-	-	-	(301,375)
Interest - Inter-Entity	-	-	(24,156)	-	-	24,156	-
Depreciation and Amortization	(125,837)	(13,214)	(266,424)	-	(98,171)	-	(503,646)
Income (Losses) from Subsidiaries	(107,226)	85,328	-	(21,644)	(2,545)	46,087	-
Total Other Income (Expense)	<u>1,160,061</u>	<u>28,043</u>	<u>(386,346)</u>	<u>(21,644)</u>	<u>(76,492)</u>	<u>46,087</u>	<u>749,709</u>
<b>CHANGE IN NET ASSETS BEFORE CHANGES RELATED TO COLLECTION ITEMS NOT CAPITALIZED</b>	3,332,621	18,159	(25,445)	(21,644)	100,164	(242,241)	3,161,614
<b>ADDITIONS TO ART COLLECTIONS</b>	(66,707)	-	-	-	-	-	(66,707)
<b>EQUITY DISTRIBUTIONS AND OTHER ADJUSTMENTS</b>	-	-	(233,396)	(207,924)	(91,935)	441,521	(91,734)
<b>CHANGE IN NET ASSETS</b>	3,265,914	18,159	(258,841)	(229,568)	8,229	199,280	3,003,173
Net Assets - Beginning of Year	7,276,329	3,027,153	1,303,627	1,229,392	1,169,235	(2,532,825)	11,472,911
<b>NET ASSETS - END OF YEAR</b>	<u>\$ 10,542,243</u>	<u>\$ 3,045,312</u>	<u>\$ 1,044,786</u>	<u>\$ 999,824</u>	<u>\$ 1,177,464</u>	<u>\$ (2,333,545)</u>	<u>\$ 14,476,084</u>



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