



MINNESOTA HUMANITIES CENTER

FINANCIAL STATEMENTS

**FOR THE YEAR ENDED
OCTOBER 31, 2023**



MINNESOTA HUMANITIES CENTER

FINANCIAL STATEMENTS

For the Year Ended October 31, 2023
(With Comparative Totals for 2022)

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Minnesota Humanities Center
Saint Paul, Minnesota

Opinion

We have audited the accompanying financial statements of Minnesota Humanities Center (a nonprofit organization), which comprise the statement of financial position as of October 31, 2023, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Minnesota Humanities Center as of October 31, 2023, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Minnesota Humanities Center and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. 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 Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America, 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 financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Minnesota Humanities Center's ability to continue as a going concern within one year after the date that the statements are available to be issued.

(Continued)

Auditor's Responsibilities for the Audit of the 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 auditor's 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 generally accepted auditing standards and *Government Auditing Standards* 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 substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the 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 Humanities Center'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 Humanities Center'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.

In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated.

(Continued)

Report on Summarized Comparative Information

We have previously audited Minnesota Humanities Center's 2022 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 3, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended October 31, 2022, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 17, 2025, on our consideration of Minnesota Humanities Center's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Minnesota Humanities Center's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Minnesota Humanities Center's internal control over financial reporting and compliance.

Mahoney Ulbrich
Christiansen & Russ, PA

March 17, 2025

MINNESOTA HUMANITIES CENTER

STATEMENT OF FINANCIAL POSITION

October 31, 2023
(With Comparative Totals for 2022)

	2023	2022
ASSETS		
Cash and cash equivalents	\$ 116,386	\$ 228,277
Accounts receivable	114,875	133,802
Contributions receivable - current	225,001	196,150
Government grants receivable - current	24,520,079	8,666,335
Prepaid expenses	21,453	200
Total current assets	24,997,794	9,224,764
Land lease	341,600	341,600
Building	5,746,720	5,864,124
Office equipment and furniture	175,983	851,262
Total land, building and equipment	6,264,303	7,056,986
Less accumulated depreciation and amortization	(1,892,198)	(2,585,174)
Net land, building and equipment	4,372,105	4,471,812
Other assets:		
Contributions receivable - capital campaign	30,000	100,000
Investments	1,430,534	2,629,110
Investments - endowment	66,840	64,613
Total other assets	1,527,374	2,793,723
Total assets	\$ 30,897,273	\$ 16,490,299
LIABILITIES AND NET ASSETS		
Accounts payable	\$ 334,001	\$ 57,400
Grants payable	68,474	231,843
Current maturities of long-term debt	14,722	14,575
Deferred revenue	-	1,703
Accrued expenses	291,642	206,382
Total current liabilities	708,839	511,903
Long-term debt	105,514	95,246
Total liabilities	814,353	607,149
Net assets:		
Without donor restrictions		
Undesignated	4,545,795	216,401
Designated	4,501,869	4,026,084
Total net assets without donor restrictions	9,047,664	4,242,485
With donor restrictions	21,035,256	11,640,665
Total net assets	30,082,920	15,883,150
Total liabilities and net assets	\$ 30,897,273	\$ 16,490,299

See accompanying notes to financial statements.

MINNESOTA HUMANITIES CENTER

STATEMENT OF ACTIVITIES

For the Year Ended October 31, 2023
(With Comparative Totals for 2022)

	2023			2022
	Without donor restrictions	With donor restrictions	Total	
Support and revenue:				
Support:				
Contributions	\$ 212,943	\$ 349,731	\$ 562,674	\$ 346,074
Government grants:				
Federal grants	1,293,448	-	1,293,448	1,917,350
State grants	1,934,830	19,304,782	21,239,612	-
Revenue:				
Event center rental income - program related	245,322	-	245,322	175,832
Event center rental income - non-program related	99,579	-	99,579	68,382
Event center rental costs - non-program related	(154,053)	-	(154,053)	(122,081)
Program revenue	319,894	-	319,894	222,064
Investment income (loss)	105,174	-	105,174	(6,394)
Net assets released from restrictions	10,159,922	(10,159,922)	-	-
 Total support and revenue	 14,217,059	 9,494,591	 23,711,650	 2,601,227
Expenses:				
Program services:				
MHC Educational programs	7,630,131	-	7,630,131	7,936,516
Event center rental costs - program related	282,155	-	282,155	259,885
Total program costs	7,912,286	-	7,912,286	8,196,401
Supporting services:				
Management and general	1,371,355	-	1,371,355	922,421
Fundraising	128,239	-	128,239	216,789
Total supporting services	1,499,594	-	1,499,594	1,139,210
Total expenses	9,411,880	-	9,411,880	9,335,611
 Change in net assets before nonoperating	 4,805,179	 9,494,591	 14,299,770	 (6,734,384)
Return of advanced grant funds	-	(100,000)	(100,000)	(134,931)
City of St. Paul - land use	-	-	-	341,600
Write off land lease	-	-	-	(153,553)
Capital campaign contributions	-	-	-	1,720,778
 Change in net assets	 4,805,179	 9,394,591	 14,199,770	 (4,960,490)
Net assets, beginning of year	4,242,485	11,640,665	15,883,150	20,843,640
Net assets, end of year	\$ 9,047,664	\$ 21,035,256	\$ 30,082,920	\$ 15,883,150

See accompanying notes to financial statements.

MINNESOTA HUMANITIES CENTER

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended October 31, 2023
(With Comparative Totals for the 2019)

	2023									
	Program Services			Supporting Services				Conference Center Rental Costs - Non - Program	Totals	
	MHC Educational Programs	Conference Center Rental Costs - Program Related	Total Program Services	Management and General	Fundraising	Total Supporting Services	2023		2022	
Salaries and temporary help	\$ 847,572	\$ 208,759	\$ 1,056,331	\$ 486,060	\$ 91,682	\$ 577,742	\$ 84,738	\$ 1,718,811	\$ 1,696,538	
Payroll taxes	63,995	14,104	78,099	34,532	5,662	40,194	5,725	124,018	121,424	
Employee benefits	251,181	29,935	281,116	186,411	9,416	195,827	12,151	489,094	500,979	
Total employee compensation	1,162,748	252,798	1,415,546	707,003	106,760	813,763	102,614	2,331,923	2,318,941	
Regrant expense	4,910,538	-	4,910,538	19,835	-	19,835	-	4,930,373	2,961,251	
Professional fees and contract services	1,072,844	51,022	1,123,866	250,140	-	250,140	20,710	1,394,716	3,136,878	
Site fees, participant stipends	85,339	-	85,339	3,850	10,000	13,850	-	99,189	258,612	
Staff development	2,955	923	3,878	3,518	863	4,381	374	8,633	8,376	
Insurance and bonding	9,368	-	9,368	2,295	-	2,295	-	11,663	28,786	
Equipment rental and maintenance/building maintenance	-	3,003	3,003	10,634	-	10,634	1,219	14,856	161,830	
Memberships and subscriptions	2,382	1,867	4,249	32,561	8,265	40,826	758	45,833	32,047	
Postage	2,374	403	2,777	1,960	-	1,960	163	4,900	12,464	
Printing and mailing services	8,984	3,046	12,030	19,960	9	19,969	1,237	33,236	14,470	
Supplies - office and programs/off-site program meals	18,221	6,197	24,418	12,982	-	12,982	2,515	39,915	53,495	
Information technology	3,345	3,310	6,655	161,456	1,667	163,123	1,343	171,121	14,859	
Travel	66,242	625	66,867	54,934	196	55,130	254	122,251	111,016	
Advertising and marketing	8,448	1,627	10,075	14,532	151	14,683	660	25,418	67,995	
Interest and fees	413	2,238	2,651	8,509	155	8,664	909	12,224	25,855	
Food services, event center housekeeping	-	46,961	46,961	-	-	-	19,062	66,023	51,187	
Internal use of event center	97,369	(97,369)	-	-	-	-	-	-	-	
Utilities	41,735	5,504	47,239	12,123	-	12,123	2,235	61,597	53,526	
Cost of goods sold	323	-	323	-	-	-	-	323	4,461	
Miscellaneous	2	-	2	10,335	173	10,508	-	10,510	2,688	
Total expenses before depreciation and amortization	7,493,630	282,155	7,775,785	1,326,627	128,239	1,454,866	154,053	9,384,704	9,318,737	
Depreciation and amortization	136,501	-	136,501	44,728	-	44,728	-	181,229	138,955	
Total expenses before removal of nonprogram conference center rental costs	7,630,131	282,155	7,912,286	1,371,355	128,239	1,499,594	154,053	9,565,933	9,457,692	
Conference center rental costs - nonprogram	-	-	-	-	-	-	(154,053)	(154,053)	(122,081)	
Total expenses	\$ 7,630,131	\$ 282,155	\$ 7,912,286	\$ 1,371,355	\$ 128,239	\$ 1,499,594	\$ -	\$ 9,411,880	\$ 9,335,611	

See accompanying notes to financial statements.

MINNESOTA HUMANITIES CENTER

STATEMENT OF CASH FLOWS

For the Year Ended October 31, 2023
(With Comparative Totals for 2022)

	2023	2022
Cash flows from operating activities:		
Change in net assets	\$ 14,199,770	\$ (4,960,490)
Adjustments to reconcile the change in net assets to net cash from operating activities:		
Depreciation and amortization	181,229	138,955
Loss (gain) on investments	(4,270)	23,639
Capital campaign contributions	-	(1,720,778)
Reinvestment of interest and dividends	(97,044)	(16,424)
Changes in operating assets and liabilities:		
Accounts receivable	18,927	(76,123)
Contributions receivable	(28,851)	(117,423)
Government grants receivable	(15,853,744)	4,677,486
Prepaid expenses	(21,253)	10,300
Accounts and grants payable	113,232	15,322
Deferred revenue	(1,703)	1,127
Accrued expenses	85,260	(98,879)
Net cash from operating activities	(1,408,447)	(2,123,288)
Cash flows from investing activities:		
Purchase of land, building and equipment	(81,522)	(2,008,554)
Purchase of investments	(553,196)	(1,696,304)
Sale and maturity of investments	1,850,859	4,050,902
Net cash from investing activities	1,216,141	346,044
Cash flows from financing activities:		
Capital campaign contributions	70,000	1,680,778
Proceeds from issuance of debt	15,000	-
Payments on debt	(4,585)	(14,442)
Net cash from financing activities	80,415	1,666,336
Net decrease in cash	(111,891)	(110,908)
Cash, beginning of year	228,277	339,185
Cash, end of year	\$ 116,386	\$ 228,277

See accompanying notes to financial statements.

MINNESOTA HUMANITIES CENTER

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended October 31, 2023
(With Comparative Totals for 2022)

1. ORGANIZATION

The Minnesota Humanities Center (MHC) is an independent, not-for-profit organization that conducts and supports cultural and educational programs throughout Minnesota. MHC supports and encourages exemplary teaching and partners with other organizations to provide meaningful and engaging public humanities programming in communities state-wide. Financial support for the programs and services of MHC comes primarily from the National Endowment for the Humanities (NEH), the Minnesota State Legislature, foundation grants, corporation gifts, donations from individuals, and conference center rental.

MHC Educational Programs: The Minnesota Humanities Center educational programs prepare schools, cultural organizations, state agencies, and other professional and community-based organizations to meet the complicated needs of the 21st century. Through its Absent Narratives approach and strategy, MHC puts the under-represented and untold stories and experiences of marginalized communities at the heart of school, community, and organizational planning for the future of Minnesota. Whether these marginalized communities are ethnic minorities, veterans, or immigrants and refugees MHC's programs work to guarantee that the wisdom and knowledge in these communities is seen and represented as essential to creating a successful future together; a future founded on expanding economic and social opportunity.

The Absent Narratives approach has brought work which was traditionally considered separate programs under one program entity; it permeates all activities – whether programs for teachers, development of resources for educators and communities or community programming.

MHC was also responsible for administering Legacy Funding for the Children's Museums throughout Minnesota, four Hmong Cultural Heritage grants, six Somali Cultural Heritage grants, eleven Cultural Identity grants, three Minnesota Civic Education Coalition grants, two Community Partner grants, and 82 NEH CARES grants. In addition, MHC administers the Healthy Eating Program.

(Continued)

MINNESOTA HUMANITIES CENTER

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended October 31, 2023
(With Comparative Totals for 2022)

1. ORGANIZATION (Continued)

Event Center: In addition to its Educational programming, MHC operates a full-service event center, as created by the State Legislature in 1996. In addition to housing programs of MHC, this restored architectural landmark serves educators, social service providers, other nonprofits, state colleges and universities, and state agencies and community groups seeking to improve both their individual work and the quality of life for all Minnesotans, by providing high-quality, cost effective meeting and event space for educational and public programs, and staff education and development.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Statement Presentation - MHC reports information regarding its financial position and activities in the following net asset categories:

- *Net Assets Without Donor Restrictions* - Net assets available to use in general operations at the discretion of management and the board of directors and not subject to donor (or certain grantor) restrictions. The governing board has designated, from net assets without donor restrictions, net assets for restrictive purposes.
- *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 events 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.

Use of Estimates - Management uses estimates and assumptions in preparing financial statements in accordance with U.S. generally accepted accounting principles. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates that were used.

Cash and Cash Equivalents - MHC considers highly liquid securities purchased with an original maturity of three months or less to be cash equivalents. Cash held for long-term purposes and cash and liquid securities held in its investment brokerage accounts are not considered cash equivalents.

(Continued)

MINNESOTA HUMANITIES CENTER

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended October 31, 2023
(With Comparative Totals for 2022)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accounts Receivable - Accounts receivable are stated at net realizable value. Accordingly, bad debts are provided for on the reserve method based on management's evaluation of outstanding receivables based on historical experience, relevant economic conditions, and future forecasts. When all collection efforts have been exhausted, the accounts are written off against the related allowance. Management believes no allowance is necessary at October 31, 2023 and 2022.

Contributions and Government Grants Receivable - Pledges and grants that are expected to be collected within one year are recorded at their net realizable value. Pledges and grants that are expected to be collected in future years are recorded at the present value of the amounts expected to be collected. The discounts on those amounts are computed using an imputed interest rate applicable to the year in which the pledge or grant is received. Amortization of the discount is included in contribution or grant revenue. Conditional pledges are not included in support until such time as the conditions are substantially met.

Investments - MHC carries its investments at fair value. Realized and unrealized gains and losses are included in investment income in the statement of activities.

Land, Building, and Equipment - All major expenditures for building improvements, furniture and equipment are capitalized at cost. All donated property and equipment is recorded at its fair market value. The capitalization threshold is \$5,000. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. The estimated life of the building is 40 years, 80 years for the land lease, and three to ten years for the office equipment and furniture. Absent explicit donor restrictions regarding how long contributed assets must be used, MHC reports expiration of donor restrictions when the donated or acquired assets are placed in service.

Grants from Governmental Agencies - Federal government grants funds are accounted for as contributions and are considered conditional based upon certain performance requirements and/or the incurrence of allowable qualifying expenses. For reimbursement grants, revenue is earned when eligible expenditures, as defined in each grant or contract, are incurred. Funds received but not yet earned are shown as refundable advances. Expenditures under government contracts are subject to review by the granting authority.

(Continued)

MINNESOTA HUMANITIES CENTER

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended October 31, 2023
(With Comparative Totals for 2022)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

State government grants are awarded at the beginning of the State of Minnesota's budget cycle, which operates on a two-year cycle. Under generally accepted accounting principles, contributions are recognized as revenue when a donor makes an unconditional commitment. As a result, revenue from state funding fluctuates from year-to-year depending on the year in which the state budget is adopted. Two years of funding are recognized in the year the state budget is adopted.

In 2023, multi-year grants of \$20,895,000 were awarded by the State of Minnesota, recorded in revenue, and the unspent portion included in net assets with donor restrictions at the end of the year. These funds are for work from July 1, 2023, through June 30, 2026, as the legislation permits an additional twelve months past the end of the state fiscal year for grant close-outs.

Contributions - Contributions are recognized when the donor makes an unconditional commitment to give to MHC. Contributions received are recorded as without donor restrictions or with donor restrictions depending on the existence and/or nature of any donor restrictions. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized. When a restriction expires, net assets with donor restrictions are released to net assets without donor restrictions.

Contributed Materials and Services - Contributed materials are recorded in the financial statements at their estimated fair value at the date of donation. Contributed services are recorded when the service creates or enhances a nonfinancial asset, or the service requires specialized skills, is provided by an individual possessing those skills, and would typically need to be purchased if not provided by donation. No contributed materials or services were recorded for the year ended October 31, 2023 and 2022.

Functional Allocation of Expense - Employees complete timesheets bi-weekly tracking hours by program and supporting services. Associated salaries and related benefit expenses are charged directly to program and supporting services. Specifically identifiable expenses are charged directly to program and supporting services. Interest, utilities, and building maintenance expense are allocated based on square footage. All other indirect expenses for its programs and supporting services are allocated based upon personnel costs. Event center expenses are broken down further by an analysis of program and nonprogram usage.

(Continued)

MINNESOTA HUMANITIES CENTER

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended October 31, 2023
(With Comparative Totals for 2022)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Advertising Costs - Advertising costs are expensed as incurred. Advertising expenses were \$25,418 and \$67,995 for the years ended October 31, 2023 and 2022.

Event Center – MHC allocates internal usage costs of the event center to its programs or supporting services.

Unemployment Compensation - MHC has elected to self-insure unemployment tax claims. Any amounts incurred are recorded as expense when liable and estimable. There was no unemployment claims expense for the years ended October 31, 2023 and 2022.

Tax Exempt Status - MHC is classified as a tax-exempt organization under Minnesota Statute 290.05 and Section 501(c)(3) of the Internal Revenue Code, is exempt from private foundation status under Section 509(a)(1) of the Internal Revenue Code and is subject to income taxes only on net unrelated business income.

A portion of rental activities from the conference center is subject to unrelated business income tax; however, losses have been incurred so no tax has been due. MHC believes that it has appropriate support for any tax positions taken, and accordingly, does not have any uncertain tax positions that are material to the financial statements. MHC has significant net operating loss carryforwards from rental activities that began to expire in 2019. It is expected that most or all of the carryforwards will expire without being fully utilized.

Comparative Total Column - The financial statements include certain prior year summarized comparative information in total but not by net asset class or functional area. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. generally accepted accounting principles. Accordingly, such information should be read in conjunction with MHC's financial statements as of and for the year ended October 31, 2022, from which the summarized information was derived.

Reclassifications - Certain accounts in the prior year's financial statements have been reclassified for comparative purposes to conform to the presentation in the current year financial statements. The reclassifications had no impact on the change in net assets.

(Continued)

MINNESOTA HUMANITIES CENTER

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended October 31, 2023
(With Comparative Totals for 2022)

3. LIQUIDITY AND AVAILABILITY

MHC adopts an annual budget and anticipates collecting sufficient revenue to fund general expenditures. Budget to actual results are monitored monthly. As part of the MHC's liquidity management, its policy is to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. Cash in excess of immediate needs has been invested.

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, consist of the following:

	<u>2023</u>	<u>2022</u>
Cash and equivalents	\$ 116,386	\$ 228,277
Accounts receivable	114,875	133,802
Contributions receivable - current	225,001	196,150
Government grants receivable – current	24,520,079	8,666,335
Investments	<u>1,430,534</u>	<u>2,629,110</u>
Total financial assets	26,406,875	11,853,674
Less amounts not available to be used within one year:		
Contributions receivable for Legacy grants	<u>(16,455,000)</u>	<u>(8,099,082)</u>
Total financial assets available within one year after donor restrictions and Board designations	<u>\$ 9,951,875</u>	<u>\$ 3,754,592</u>

4. CONTRIBUTIONS AND GOVERNMENT GRANTS RECEIVABLE

Contributions and government grants receivable of \$24,745,080 are expected to be collected in 2024, and \$30,000 in 2025.

(Continued)

MINNESOTA HUMANITIES CENTER

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended October 31, 2023
(With Comparative Totals for 2022)

4. **CONTRIBUTIONS AND GOVERNMENT GRANTS RECEIVABLE (Continued)**

At October 31, 2023, MHC has government grants with remaining commitments of \$1,586,310 that are conditional upon incurring eligible expenditures or performing certain services in accordance with the corresponding grant agreements. Conditional contributions are not recognized in the financial statements until the conditions have been met.

Certain government grants receivable are available to be drawn over a two-year period and do not have a detailed payout schedule. Because of the uncertain timing of future receipts, no discount has been calculated. All receivables are expected to be collected; therefore, no allowance has been recorded.

5. **LAND USE**

MHC leases both land and a building from the City of Saint Paul. The portion of the lease related to the building was for 30 years beginning in August 1995 with the option to renew for five periods of ten years each. Rent was \$100 per year. Due to the poor condition of the building and the extensive amount of rehabilitation costs paid by MHC, the fair market value of the portion of the bargain lease relating to the building was valued at \$0. MHC renovated the building as part of a previous capital campaign with the stipulation that the building be used for their day-to-day administration and programs. The portion of the lease attributed to the land had an appraised market value of \$235,000 and was recorded as a contribution when the lease was signed. The use of the land was amortized over the expected 80-year term of the lease.

In 2018, MHC began steps to address foundational issues with the building which required significant repairs. As part of this process, substantial rehabilitation costs paid by MHC were incurred and the lease with the City was amended. The amended lease is for 20 years with 3 10-year renewal options available. There is no rent required. The land at the time of the amended lease has an assessed market value of \$341,600 and is recorded as a contribution the time the lease amendment was signed. The use of the land will be amortized over the expected 50-year term of the amended lease. The unamortized amount (\$153,553) of the original lease was written off when the lease was amended.

The amended lease still requires the building to be used for their day-to-day administration and programs. MHC is responsible for all assessment, utilities, and insuring the building. Amortization expense was \$6,832 for the year ended October 31, 2023 and 2022. Future amortization expense will be \$6,832 annually through the term of the lease.

(Continued)

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NOTES TO THE FINANCIAL STATEMENTS

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6. INVESTMENTS

Investments are comprised of the following at October 31:

	<u>2023</u>	<u>2022</u>
Brokerage bank account	\$ 3,700	\$ 452,889
Brokerage savings account	1,430,500	1,937,021
Exchange traded funds	63,174	61,527
Negotiable certificates of deposit	-	242,286
	<u>\$ 1,497,374</u>	<u>\$ 2,693,723</u>

Investment income consisted of the following for the years ended October 31:

	<u>2023</u>	<u>2022</u>
Interest and dividends	\$ 100,904	\$ 17,244
Realized and unrealized gains (losses)	<u>4,270</u>	<u>(23,638)</u>
	<u>\$ 105,174</u>	<u>\$ (6,394)</u>

Funds deposited in brokerage sweeps accounts are not federally insured or protected by the Securities Investor Protection Corporation (SIPC).

7. FAIR VALUE MEASUREMENTS

MHC 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.

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7. FAIR VALUE MEASUREMENTS (Continued)

Following is a description of the valuation methodology used for investments measured at fair value. There have been no changes in the methodologies used.

Exchange-traded funds: (Level 1) Carried at fair value based on quoted prices.

Certificates of deposit: (Level 2) All certificate of deposit values are derived using a computerized valuation model and therefore represent an estimated market value. Estimated market values are obtained from statements provided by the broker.

Significant assets that are measured at fair value on a recurring basis were as follows as of:

	Level 1	Level 2	Total
<u>October 31, 2023:</u>			
Brokerage bank account	\$ -	\$ -	\$ 3,700
Brokerage savings account	-	-	1,430,500
Exchange traded funds	63,174	-	63,174
	\$ 63,174	\$ -	\$ 1,497,374
 <u>October 31, 2022:</u>			
Brokerage bank account	\$ -	\$ -	\$ 452,889
Brokerage savings account	-	-	1,937,021
Exchange traded funds	61,527	-	61,527
Negotiable certificates of deposit	-	242,286	242,286
	\$ 61,527	\$ 242,286	\$ 2,693,723

(Continued)

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7. FAIR VALUE MEASUREMENTS (Continued)

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although MHC believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

8. LONG-TERM DEBT

Long-term debt consists of a STAR note payable to City of St. Paul for building rehabilitation in the original amount of \$150,000 dated February 1, 2021, with 1% interest. Principal and interest payments are due monthly in the amount of \$1,314. The note matures February 28, 2031.

Future maturities for the years ending October 31 are as follows:

2024	\$ 14,722
2025	14,869
2026	15,019
2027	15,170
2028	15,322
Thereafter	<u>45,134</u>
	<u>\$ 120,236</u>

9. NET ASSETS

Without Donor Restrictions - The Board of Directors has made the following designations of net assets without donor restrictions as of October 31:

	<u>2023</u>	<u>2022</u>
Building and equipment	\$ 4,501,869	\$ 4,026,084

(Continued)

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9. **NET ASSETS (Continued)**

With Donor Restrictions - Net assets with donor restrictions consisted of the following as of October 31:

	2023	2022
Absent Narratives program work/professional development programs for teachers and school districts	\$ 578,274	\$ 1,746,245
State of Minnesota arts and cultural heritage funds	18,225,972	8,165,261
Civics Education arts and cultural heritage funds	-	132,100
Healthy Eating arts and cultural heritage funds	1,144,593	524,947
Community identity and heritage	-	393,118
Civics vision in Minnesota and beyond	504,675	195,000
Minnesota Pollution Control WRAPS	33,505	11,138
Why It Matters – Civic and Electoral Participation	-	9,980
Reimagine education	74,058	-
Women Veterans Initiative	11,682	10,743
Land lease	335,907	335,907
Endowment	64,613	64,613
Other	61,977	51,613
	\$ 21,035,256	\$ 11,640,665
Total		

MHC has a perpetually restricted endowment of \$50,000, the earnings on which will be used annually to honor one or more Minnesota historians and/or outstanding work of Minnesota History.

Restricted amounts are classified above according to their primary restriction. Some of the restricted amounts have components of both time and purpose restrictions.

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10. RETIREMENT PLAN

MHC provides an employee retirement plan through a Safe Harbor 401K plan. Employees eligible to participate in the plan receive a 1:1 match on the first 3% of contributions, and a 0.5 to 1 match on the next 2%. The plan also provides for a discretionary employer contribution for eligible employees, to be made after the end of the plan year (but expense is accrued in the fiscal year). For the years ended October 31, 2023 and 2022, the Board approved a 4% discretionary contribution. Total matching contributions were \$26,202; accrued discretionary contributions were \$92,082; for a total expense of \$118,284 for the year ended October 31, 2023. Total matching contributions were \$54,945; accrued discretionary contributions were \$64,081; for a total expense of \$119,026 for the year ended October 31, 2022.

11. CONCENTRATIONS OF CREDIT RISK

MHC places its cash with multiple financial institutions. At times the amount on deposit exceeds the insured limit of an institution and exposes MHC to a credit risk. MHC believes it is not exposed to any significant risk on these funds. At October 31, 2022, deposits of \$65,320 exceeded federally insured limits. No deposits exceeded federally insured limits at October 31, 2023.

12. CONTINGENCIES

MHC receives financial assistance from federal and state governmental agencies in the form of grants. These programs generally require compliance with the terms and conditions specified in the grant agreements, which are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of MHC. However, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements or on the overall financial position of MHC.

13. MAJOR SOURCES OF SUPPORT AND REVENUE

Major sources of support and revenue were as follows for the years ended October 31:

	<u>2023</u>	<u>2022</u>
National Endowment for the Humanities	\$ -	\$ 1,917,350
State of Minnesota	20,895,000	1,696,304

Government grants receivable of \$20,895,000 and \$8,099,082 are from the State of Minnesota as of October 31, 2023 and 2022.

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14. ENDOWMENT

Minnesota Humanities Center's endowment consists of an investment fund established to recognize one or more outstanding Minnesota historians and/or outstanding work of Minnesota History as defined by MHC. The endowment is donor-restricted. As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law - The Board of Directors has interpreted the Minnesota Prudent Management of Institutional Funds Act (MPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, MHC classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by MHC in a manner consistent with the standard of prudence prescribed by MPMIFA. In accordance with MPMIFA, MHC considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

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

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14. ENDOWMENT (Continued)

Changes in endowment net assets for the year ended October 31, 2023, follow:

	Without donor restrictions	With donor restrictions	Total
Endowment net assets, beginning of year	\$ -	\$ 64,613	\$ 64,613
Investment loss, net	-	2,227	2,227
Endowment net assets, end of year	\$ -	\$ 66,840	\$ 66,840

Changes in endowment net assets for the year ended October 31, 2022, follow:

	Without donor restrictions	With donor restrictions	Total
Endowment net assets, beginning of year	\$ -	\$ 79,402	\$ 79,402
Investment income, net	-	(14,789)	(14,789)
Endowment net assets, end of year	\$ -	\$ 64,613	\$ 64,613

Return Objectives and Risk Parameters - MHC has adopted investment and spending policies for endowment assets that attempt to provide a predictable and consistent stream of funding to the program supported by its endowments while seeking to maintain the purchasing power of the endowment assets. Under this policy, as approved by the Board of Directors, the endowment assets will be invested in a manner that is intended to produce results that exceed the price and yield results of the All Urban Consumer Price Index (CPI) while assuming a moderate level of investment risk. MHC expects its endowment investments, over time, to provide an average rate of return of approximately 5 percent annually over the CPI. Actual returns in any given year may vary from this amount.

Strategies Employed for Achieving Objectives - To satisfy its long-term rate-of-return objectives, MHC relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). MHC targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

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14. **ENDOWMENT (Continued)**

Spending Policy and How the Investment Objectives Relate to Spending Policy - MHC has a policy of appropriating for distribution each year up to 5 percent of its endowment fund's average fair value over the preceding 12 calendar quarters through October 31 of the preceding the fiscal year in which the distribution is planned. In establishing this policy, MHC considered the long-term expected return on its endowment. The rate of draw will be periodically reviewed by the Finance Committee and/or Board of Directors. Upon completion of the initial four years from investment (December 2020), distributions from the endowment fund will begin.

15. **CAPITAL CAMPAIGN**

In 2018, MHC initiated a capital campaign entitled “Many Voices, One State.” The campaign celebrated the 50th anniversary of MHC and its decades of accomplishments and services to the state and strengthens the foundation for the next 50 years. The \$3.5 million campaign’s goals are 1) to secure the funding needed for short-term and long-term asset preservation, and 2) build a broad base of sustainable support for MHC.

MHC was awarded \$1.75M of state bonding for asset preservation and has drawn down all the funds as of October 31, 2023.

The City of Saint Paul, under its STAR Loan and Grant program, awarded a grant of \$100,000 and a loan of \$150,000 for the campaign. Under the City award, MHC provided matching funds of \$475,550.

The building’s preservation work was completed during the year ending October 31, 2022.

16. **SUBSEQUENT EVENTS**

Management has evaluated subsequent events through March 17, 2025, the date the financial statements were available to be issued.