ANNUAL FINANCIAL REPORT

MINNESOTA HUMANITIES CENTER
ST. PAUL, MINNESOTA

FOR THE YEARS ENDED
OCTOBER 31, 2024 AND 2023



Minnesota Humanities Center

Minnesota Humanities Center
Table of Contents
October 31, 2024 and 2023

	Page No.
Independent Auditor's Report	3
Financial Statements	
Statements of Financial Position	6
Statements of Activities	7
Statements of Functional Expenses	9
Statements of Cash Flows	11
Notes to the Financial Statements	12

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Minnesota Humanities Center
St. Paul, Minnesota

Opinion

We have audited the accompanying financial statements of Minnesota Humanities Center (the Organization), which comprise the statement of financial position as of October 31, 2024, 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 the Organization as of October 31, 2024, 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 the Organization 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 opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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 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 the Organization ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the 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 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 the Organization'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 financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization'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 Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by *Title 2 U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated July 17, 2025, on our consideration of the Organization'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 the Organization'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 the Organization's internal control over financial reporting and compliance.

Prior Period Financial Statements

The financial statements of Minnesota Humanities Center as of October 31, 2023 were audited by other auditors whose report, dated March 17, 2025, expressed an unmodified opinion on the previously issued financial statements.

Abdo

Abdo
Minneapolis, Minnesota
July 17, 2025

FINANCIAL STATEMENTS

Minnesota Humanities Center
Statements of Financial Position
As of October 31, 2024 and 2023

	2024	2023
Assets		
Current Assets		
Cash and cash equivalents	$ 274,653	$ 116,386
Accounts receivable	119,568	114,875
Contributions receivable	130,001	225,001
Government grants receivable	19,605,091	24,550,079
Prepaid expenses	-	21,453
Total Current Assets	20,129,313	25,027,794
Property and Equipment		
Contributed land	341,600	341,600
Building	5,753,910	5,746,720
Office equipment and furniture	194,372	175,983
Total Property and Equipment, Cost	6,289,882	6,264,303
Less accumulated depreciation and amortization	(2,073,555)	(1,892,198)
Total Property and Equipment, Net	4,216,327	4,372,105
Other Assets		
Investments	3,156,773	1,430,534
Investments - endowment	83,578	66,840
Other assets	8,395	-
Total Other Assets	3,248,746	1,497,374
Total Assets	$ 27,594,386	$ 30,897,273
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	$ 359,374	$ 334,001
Grants payable	-	68,474
Loan payable, current portion	14,783	14,722
Accrued expenses	428,536	291,642
Total Current Liabilities	802,693	708,839
Long-term Liabilities		
Loan payable, noncurrent portion	90,719	105,514
Total Liabilities	893,412	814,353
Net Assets		
Without donor restrictions		
Undesignated	8,704,416	4,545,795
Board designated	-	4,501,869
Total without donor restrictions	8,704,416	9,047,664
With donor restrictions	17,996,558	21,035,256
Total Net Assets	26,700,974	30,082,920
Total Liabilities and Net Assets	$ 27,594,386	$ 30,897,273

See Independent Auditor's Report and Notes to the Financial Statements.

Minnesota Humanities Center
Statements of Activities
For the Years Ended October 31, 2024 and 2023

	2024		
	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and Support			
Support			
Contributions	$ 97,393	$ -	$ 97,393
Government grants	1,689,890	3,577,773	5,267,663
Foundation grants	70,000	-	70,000
Total Support	1,857,283	3,577,773	5,435,056
Revenue			
Rental income	419,076	-	419,076
Program income	632,834	-	632,834
Other income	1,028	-	1,028
Investment income	198,227	-	198,227
Total Revenue	1,251,165	-	1,251,165
Net assets released from restrictions	6,616,471	(6,616,471)	-
Total Revenue and Support	9,724,919	(3,038,698)	6,686,221
Expenses			
Program Services			
MHC educational programs	7,798,720	-	7,798,720
Event center	398,096	-	398,096
Total Program Services	8,196,816	-	8,196,816
Support Services			
Management and general	1,694,612	-	1,694,612
Fundraising	176,739	-	176,739
Total Support Services	1,871,351	-	1,871,351
Total Expenses	10,068,167	-	10,068,167
Change in Net Assets	(343,248)	(3,038,698)	(3,381,946)
Beginning Net Assets	9,047,664	21,035,256	30,082,920
Ending Net Assets	$ 8,704,416	$ 17,996,558	$ 26,700,974

See Independent Auditor's Report and Notes to the Financial Statements.

Minnesota Humanities Center
Statements of Activities (Continued)
For the Years Ended October 31, 2024 and 2023

	2023		
	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenue			
Support			
Contributions	$ 212,943	$ 349,731	$ 562,674
Federal grants	1,293,448	-	1,293,448
State grants	1,934,830	19,304,782	21,239,612
Total Support	3,441,221	19,654,513	23,095,734
Revenue			
Event center rental income	245,322	-	245,322
Event center rental income - non-program related	99,579	-	99,579
Event center rental costs - non-program related	(154,053)	-	(154,053)
Program revenue	319,894	-	319,894
Investment income (loss)	105,174	-	105,174
Total Revenue	615,916	-	615,916
Net assets released from restrictions	10,159,922	(10,159,922)	-
Total Revenue and Support	14,217,059	9,494,591	23,711,650
Expenses			
Program Services			
MHC educational programs	7,630,131	-	7,630,131
Event center	282,155	-	282,155
Total program costs	7,912,286	-	7,912,286
Supporting Services			
Management and general	1,371,355	-	1,371,355
Fundraising	128,239	-	128,239
Total supporting services	1,499,594	-	1,499,594
Total Expenses	9,411,880	-	9,411,880
Change in net assets before nonoperating	4,805,179	9,494,591	14,299,770
Return of advanced grant funds	-	(100,000)	(100,000)
Change in net assets	4,805,179	9,394,591	14,199,770
Beginning Net Assets	4,242,485	11,640,665	15,883,150
Ending Net Assets	$ 9,047,664	$ 21,035,256	$ 30,082,920

See Independent Auditor's Report and Notes to the Financial Statements.

Minnesota Humanities Center
Statements of Functional Expenses
For the Years Ended October 31, 2024 and 2023

	2024						
	Program Services			Supporting Services			
	MHC Educational Programs	Event Center	Total Program Services	Management and General	Fundraising	Total Supporting Services	Total Expenses
Salaries and Related Expenses							
Salaries	$ 1,001,996	$ 237,116	$ 1,239,112	$ 527,121	$ 102,046	$ 629,167	$ 1,868,279
Payroll taxes	98,224	23,350	121,574	47,188	9,994	57,182	178,756
Employee benefits	257,256	61,107	318,363	179,665	26,346	206,011	524,374
Total Salaries and Related Expenses	1,357,476	321,573	1,679,049	753,974	138,386	892,360	2,571,409
Expenses							
Advertising and marketing	118,558	6,045	124,603	103,856	5,157	109,013	233,616
Bank charges	-	4,143	4,143	6,782	-	6,782	10,925
Depreciation	97,059	23,074	120,133	51,294	9,930	61,224	181,357
Dues and subscriptions	1,118	3,678	4,796	33,051	-	33,051	37,847
Event expenses	-	3,206	3,206	-	-	-	3,206
Information and technology	33,818	956	34,774	148,057	4,797	152,854	187,628
Insurance	32,222	7,660	39,882	17,029	3,297	20,326	60,208
Meeting	20,595	139	20,734	19,600	2,806	22,406	43,140
Miscellaneous expense	130	-	130	5,034	-	5,034	5,164
Postage	7,337	2,158	9,495	12,246	8,747	20,993	30,488
Production cost	209,067	-	209,067	13,175	339	13,514	222,581
Professional fees and contract services	1,590,194	9,901	1,600,095	408,057	-	408,057	2,008,152
Regrant expense	4,201,323	-	4,201,323	25,938	-	25,938	4,227,261
Rental - equipment	4,501	598	5,099	3,298	-	3,298	8,397
Repairs and maintenance	925	4,350	5,275	33,854	-	33,854	39,129
Supplies	37,933	4,711	42,644	17,687	441	18,128	60,772
Training	3,175	189	3,364	14,547	-	14,547	17,911
Travel	59,896	154	60,050	14,770	446	15,216	75,266
Utilities	23,393	5,561	28,954	12,363	2,393	14,756	43,710
Total Expenses	$ 7,798,720	$ 398,096	$ 8,196,816	$ 1,694,612	$ 176,739	$ 1,871,351	$ 10,068,167

See Independent Auditor's Report and Notes to the Financial Statements.

Minnesota Humanities Center
Statements of Functional Expenses (Continued)
For the Years Ended October 31, 2024 and 2023

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

See Independent Auditor's Report and Notes to the Financial Statements.

Minnesota Humanities Center
Statements of Cash Flows
For the Years Ended October 31, 2024 and 2023

	2024	2023
Cash Flows from Operating Activities		
Change in net assets	$ (3,381,946)	$ 14,199,770
Adjustment to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	181,357	181,229
Loss (gain) on investments	(15,790)	(4,270)
(Increase) decrease in assets:		
Accounts receivable	(4,693)	18,927
Contributions receivable	95,000	(28,851)
Government grants receivable	4,944,988	(15,853,744)
Other assets	(8,395)	-
Prepaid expenses	21,453	(21,253)
Increase (decrease) in liabilities:		
Accounts payable	25,373	113,232
Grants payable	(68,474)	(1,703)
Accrued expenses	136,894	85,260
Net Cash Provided (Used) by Operating Activities	1,925,767	(1,311,403)
Cash Flows from Investing Activities		
Purchase of equipment	(25,579)	(81,522)
Purchase of investments	(5,700,000)	(553,196)
Reinvestment of interest and dividends	(182,437)	(97,044)
Sale and maturity of investments	4,155,250	1,850,859
Net Cash Provided (Used) by Investing Activities	(1,752,766)	1,119,097
Cash Flows From Financing Activities		
Capital campaign contributions	-	70,000
Proceeds from issuance of debt	-	15,000
Payments on debt	(14,734)	(4,585)
Net Cash Provided (Used) by Financing Activities	(14,734)	80,415
Change in Cash and Cash Equivalents	158,267	(111,891)
Beginning Cash and Cash Equivalents	116,386	228,277
Ending Cash and Cash Equivalents	$ 274,653	$ 116,386

See Independent Auditor's Report and Notes to the Financial Statements.

Note 1: Summary of Significant Accounting Policies

A. Nature of Activities

Minnesota Humanities Center (the Organization) is an independent, not-for-profit organization that conducts and supports cultural and educational programs throughout Minnesota. The Organization supports and encourages exemplary teaching and partners with other organizations to provide meaningful and engaging public humanities programming in communities statewide. Financial support for the programs and services of the Organization 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 Organization's 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, the Organization 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, the Organization'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.

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.

B. Basis of Accounting

The accompanying financial statements have been prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

C. Financial Statement Presentation

Net assets and revenue, expenses, gains, and losses are classified based on the existence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Net Assets Without Donor Restriction (Unrestricted) - Net assets that are not subject to donor-imposed stipulations or where donor-imposed stipulations are met in the year of the contribution.

Donor Restricted Net Assets (Restricted) - Net assets subject to donor-imposed stipulations that may or may not be met, either by actions of the Organization and/or the passage of time. When a restriction expires, donor restricted net assets are transferred to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Note 1: Summary of Significant Accounting Policies (Continued)

D. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

E. Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization considers short-term, highly liquid investments and investments purchased with a maturity of three months or less to be cash equivalents. The Organization's cash balances held in bank depositories may exceed federally insured limits at times.

F. Accounts Receivable and Allowance for Credit Losses

Accounts receivables are stated at net realizable value. Accordingly, an allowance for credit losses is provided, 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 as of October 31, 2024 and 2023.

G. Contributions Receivable

Pledges that are expected to be collected within one year are recorded at net realizable value. Pledges that are expected to be collected in future years are recorded at 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 is received. Amortization of the discount is included in contribution revenue. Conditional pledges are not included in support until such time as the conditions are substantially met.

H. Grants Recievable

The organization records grants receivable as revenue when an unconditional commitment to contribute has been made by a grantor. All grants are expected to be collected within one year of the statement of financial position date.

I. Revenue Recognition

Program fees are recognized at the time the educational class is held, which is at a point in time. Program fees are billed at the time the event is held. The performance obligation related to program fees is the completion of the event.

Contract Balances

The timing of revenue recognition results in accounts receivable (contract assets) on the Statement of Financial Position. Accounts receivable are made up of credit extended on program service fees.

The following table displays the contract balances at the associated dates:

	October 31, 2024	October 31, 2023	November 1, 2023
Rental income	$ 79,757	$ 83,875	$ 74,574
Program income	39,811	90,146	59,228
Total Contract Assets	$ 119,568	$ 174,021	$ 133,802

Note 1: Summary of Significant Accounting Policies (Continued)

J. Contributions

Revenue is recognized when the contribution is received, and contributions received are recorded as donor restricted support or unrestricted support depending on the existence and/or nature of any donor restrictions. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. However, if a restriction is fulfilled in the same period in which the contribution is received, the Organization reports the support as unrestricted support.

K. Investments

The Organization carries its investments at fair value. Realized and unrealized gains and losses are included in investment income in the statement of activity.

L. Property and Equipment

Property and equipment are capitalized at cost. All donated property and equipment are 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 lives of property and equipment are as a shown below:

Assets	Useful Lives in Years
Contributed land	80 years
Building	40 years
Office equipment and furniture	3 - 10 years

M. Functional Expenses

Employees complete timesheets bi-weekly tracking hours by program and supporting service. Associated salaries and related benefit expenses are charged directly to program 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.

N. Advertising Expenses

Advertising cost are expensed as incurred. Advertising expenses were $233,616 and $25,418 for the years ended October 31, 2024 and 2023.

O. Unemployment Compensation

The Organization has elected to self-insure unemployment tax claims. Any amounts incurred are recorded as an expense when liable and estimable. There was no unemployment claims expense for the years ended October 31, 2024 and 2023.

Note 1: Summary of Significant Accounting Policies (Continued)

P. Income Taxes

The Organization is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and is also exempt from Minnesota franchise and income taxes for related business activities.

A portion of the rental activities from the conference center is subject to unrelated business income tax; however losses have been incurred so no tax has been due. The Organization 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. The Organization 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.

Q. Reclassifications

Certain accounts in the prior years 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.

R. Subsequent Events

In preparing the financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through July 17, 2025, the date the financial statements were available to be issued.

S. New Accounting Pronouncements

In June 2016, FASB issued ASU 2016-13, Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments. The standard's main goal is to improve financial reporting by requiring earlier recognition of credit losses on financing receivables and other financial assets in scope. ASU 2016-13 is effective for annual reporting periods beginning after December 15, 2022. The new guidance is effective for the Organization's year ended October 31, 2024. The Organization has adopted the standard effective November 01, 2023. The adoption was not considered material to the financial statements and primarily resulted in new and enhanced disclosures only.

Note 2: Investments

The Organization has adopted ASC Topic 820, Fair Value Measurements and Disclosures. ASC Topic 820 applies to reported balances that are required or permitted to be measured at fair value under an existing accounting pronouncement. It emphasizes that fair value is a market-based measurement, not an entity-specific measurement. Therefore, a fair value measurement should be determined based on the assumptions that the market participants would use in pricing the asset or liability and establishes a fair value hierarchy. The fair value hierarchy consists of three levels of inputs that may be used to measure fair value, as follows:

Level 1 **-** Inputs that utilize quoted prices (unadjusted) in active markets for identical assets or liabilities that the Organization has the ability to access.

Level 2 **-** Inputs that included quoted prices for similar assets and liabilities in active markets and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument. Fair values for these instruments are estimated using pricing models, quoted prices of securities with similar characteristics, or discounted cash flows.

Level 3 **-** Inputs that are unobservable inputs for the assets or liability, which are typically based on an entity's own assumptions, as there is little, if any, related market activity.

In instances where the determination of fair value measurement is based on inputs from different levels of the fair value hierarchy, the level in the fair value hierarchy within which the entire fair value measurement falls into is based on the lowest level input that is significant to the fair value measurement in its entity.

Note 2: Investments (Continued)

The Organization has also adopted guidance related to financial instruments, which provides entities with the irrevocable option to elect fair value for the initial and subsequent measurement of certain financial assets and liabilities not otherwise required to be stated at fair value, on a contract-by-contract basis. The Organization has not elected to change the measurement of any existing financial instruments at fair value. However, it may elect to measure newly acquired financial instruments at fair value in the future.

The following is a description of the valuation methodologies used for assets measured at fair value as of October 31:

Money Market Funds: Valued at cash value.

Exchange Traded Funds: Valued at the closing price reported in the active market in which the individual securities are traded.

Financial assets and liabilities recorded at fair value on a recurring basis are as follows as of:

	Level 1	Level 2	Level 3	Total
October 31, 2024				
Investments				
Money market funds	$ 3,162,385	$ -	$ -	$ 3,162,385
Exchange traded funds	77,966	-	-	77,966
Total	$ 3,240,351	$ -	$ -	$ 3,240,351
October 31, 2023				
Investments				
Money Market Funds	$ 1,434,166	$ -	$ -	$ 1,434,166
Exchange traded funds	63,174	-	-	63,174
Total	$ 1,497,340	$ -	$ -	$ 1,497,340

Investment Income (Loss)	2024	2023
Investment Income (Loss)	$ 182,437	$ 100,904
Unrealized losses	15,790	4,270
Total Investment Income	$ 198,227	$ 105,174

Note 3: Land Use

The Organization leases both land and a building from the City of St. 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 the Organization, the fair market value of the portion of the bargain lease relating to the building was valued at $0. The organization renovated the building as a part of a previous capital campaign with the stipulation that the building be used for 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, the Organization began steps to address foundational issues with the building which required significant repairs. As part of the process, substantial rehabilitation costs paid by the Organization were incurred and the lease with the City was amended. The amended lease is for 20 years with three, ten year renewal options available. There is no rent required. The land at the time of the amended lease had an assessed market value of $341,600 and is recorded as a contribution at the time the lease agreement was signed. The use of the land will be amortized over the expected 50-year term of the lease. The unamortized amount of the original lease was written off when the lease was amended.

The amended lease still requires the building to be used by the Organization for day to day administration and programs. MHC is responsible for all assessments, utilities, and insuring the building. Amortization expense was $6,832 for the years ended October 31, 2024 and 2023. Future amortization expenses will be $6,832 annually throughout the term of the lease.

Note 4: Net Assets With Donor Restrictions

Net assets with donor restrictions consisted of the following as of October 31:

	2024	2023
Absent Narratives program work/professional development programs for teachers and school districts	$ 577,124	$ 578,274
State of Minnesota arts and cultural heritage funds	15,719,777	18,225,972
Healthy Eating arts and cultural heritage funds	741,934	1,144,593
Civics vision in Minnesota and beyond	427,772	504,675
Minnesota Pollution Control WRAPS	32,776	33,505
Reimagine Education	23,574	74,058
Women Veterans Initiative	-	11,682
Land Lease	335,907	335,907
Endowment	83,578	64,613
Other purpose restrictions	54,116	61,977
Total Net Assets With Donor Restrictions	$ 17,996,558	$ 21,035,256

Note 5: Long-term Debt

The Organization had long term debt obligations as of October 31:

	2024	2023
STAR note payable to the City of Saint Paul at 1% due in monthly installments of $1,314 including interest due February 1, 2031. Secured by the real estate held by the Organization.	$ 105,502	$ 120,236
Less: Current Portion	(14,783)	(14,722)
Total Long Term Debt	$ 90,719	$ 105,514

Scheduled maturities of long term debt as of October 31,2024 are as follows:

Year	Amount
2025	$ 14,783
2026	14,932
2027	15,082
2028	15,233
2029	15,386
Thereafter	30,086
Total	$ 105,502

Note 6: Retirement Plan

The Organization 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 year. For the years ended October 31, 2024 and 2023, the Board approved a 4% discretionary contribution. Total matching contributions were $121,699 and $118,284 for the years ended October 31, 2024 and 2023 respectively.

Note 7: Endowment

The Organization'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 the Organization. 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 Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Directors of the Organization 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, the Organization classifies as net assets with donor restrictions (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.

Note 7: Endowment (Continued)

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 the Organization in a manner consistent with the standard of prudence prescribed by MPMIFA. In accordance with MPMIFA, the organization considers the following factors in making a determination to appropriate or accumulate donor restricted endowment funds:

(1) the duration and preservation of the various funds,

(2) the purposes of the donor-restricted endowment funds,

(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 the Organization, and

(7) the Organization's investment policies.

The Organization 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 endowment 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 Inex (CPI) while assuming a moderate level of investment risk. The Organization 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.

To satisfy its long-term rate-of-return objectives, the Organization relies on a total strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividend). The Organization 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

The Organization has a policy of approaching 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 fiscal year in which the distribution is planned. In establishing this policy, the Organization considered the long-term expected return on its endowment. The rate of draw will be periodically reviewed by the Finance Committee and/or the Board of Directors.

Changes in endowment net assets for the year ended October 31, 2024, are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	$ -	$ 64,613	$ 64,613
Investment income, net	-	18,965	18,965
Endowment Net Assets, End of Year	$ -	$ 83,578	$ 83,578

Note 8: Concentrations

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

	2024	2023
National Endowment for the Humanities	$ 1,717,663	$ -
State of Minnesota	$ 3,550,000	$ 20,895,000

Government grant receivables of $19,605,091 and $20,895,000 are from the State of Minnesota as of October 31, 2024 and 2023 respectively.

From time to time, the Organization's cash balances at financial institutions may exceed the Federal Deposit Insurance Corporation (FDIC) limits of $250,000.

Note 9: Liquidity and Availability of Financial Assets

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 dates, comprise the following:

	2024	2023
Financial Assets		
Cash and cash equivalents	$ 274,653	$ 116,386
Accounts receivable	119,568	114,875
Contributions receivable	130,001	225,001
Government grants receivable	19,605,091	24,550,079
Investments	3,156,773	1,430,534
Investments - endowment	83,578	66,840
Total Financial Assets	23,369,664	26,503,715
Less financial assets unavailable for general expenditure within one year, due to:		
Board designated reserves	-	(4,501,869)
Donor-imposed restrictions	(17,996,558)	(21,035,256)
Total assets unavailable for general expenditure within one year	(17,996,558)	(25,537,125)
Financial assets available to meet cash needs for general expenditures within one year	$ 5,373,106	$ 966,590

The Organization adopts an annual budget and anticipates collecting sufficient revenue to fund general expenditures. Budget to actual results are monitored monthly. As part of the Organizations 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