MINNESOTA HISTORICAL SOCIETY

Financial Statements and Supplementary Information

June 30, 2019

(With Independent Auditors' Report Thereon)

MINNESOTA HISTORICAL SOCIETY
TABLE OF CONTENTS

CliftonLarsonAllen LLP
CLAconnect.com

INDEPENDENT AUDITORS' REPORT

Audit Committee
Minnesota Historical Society
St. Paul, Minnesota

We have audited the accompanying financial statements of Minnesota Historical Society (the Society), which comprise the balance sheet as of June 30, 2019, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility 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; this includes 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the organization's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the organization's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Audit Committee
Minnesota Historical Society

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Minnesota Historical Society as of June 30, 2019, 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.

Report on Summarized Comparative Information

We have previously audited the Society's 2018 financial statements, and we expressed an unmodified opinion on those audited financial statements in our report dated October 15, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

St. Cloud, Minnesota
October 16, 2019

MINNESOTA HISTORICAL SOCIETY
BALANCE SHEET
JUNE 30, 2019
(WITH SUMMARIZED INFORMATION AS OF JUNE 30, 2018)

	Without Donor Restrictions			With Donor Restrictions				
Assets	**Operating**	**Plant fund**	**Board-designated endowment**	**State appropriations**	**Other**	**Perpetually restricted**	**2019 Total**	**2018 Total**
Cash and cash equivalents	$ 4,055,589	$ -	$ 75,000	$ (3,555,297)	$ 5,584,086	$ 3,600,695	$ 9,760,073	$ 9,092,953
Investments	7,762,810	-	7,108,117	-	26,331,724	72,044,576	113,247,227	110,054,054
Receivables:								
Nonstate support and contributions, net	229,041	-	-	-	1,501,072	559,643	2,289,756	6,185,418
Contribution receivable in remainder trusts	-	-	-	-	-	236,976	236,976	229,267
State legacy appropriation	-	-	-	10,716,438	-	-	10,716,438	6,292,938
State capital appropriation	-	-	-	26,131,855	-	-	26,131,855	28,223,466
Contracts	203,770	-	-	-	-	-	203,770	248,169
Publication sales	132,372	-	-	-	-	-	132,372	123,525
Other	1,114,280	-	-	-	-	-	1,114,280	703,118
Total receivables	1,679,463	-	-	36,848,293	1,501,072	796,619	40,825,447	42,005,901
Museum shop inventories	1,130,571	-	-	-	-	-	1,130,571	1,014,966
Property and equipment, net	-	90,383,060	-	4,848,148	-	-	95,231,208	92,832,323
Total assets	$ 14,628,433	$ 90,383,060	$ 7,183,117	$ 38,141,144	$ 33,416,882	$ 76,441,890	$ 260,194,526	$ 255,000,197
Liabilities and Net Assets								
Liabilities:								
Accounts payable and accrued expenses	$ 2,655,612	$ -	$ -	$ 1,476,056	$ 365,129	$ -	$ 4,496,797	$ 5,585,751
Accrued vacation and sick liability	2,066,706	-	-	-	-	-	2,066,706	2,097,688
Split-interest agreements liability	-	-	-	-	-	296,113	296,113	281,008
Total liabilities	4,722,318	-	-	1,476,056	365,129	296,113	6,859,616	7,964,447
Net assets:								
Without Donor Restrictions:								
Operating	9,906,115	90,383,060	-	-	-	-	100,289,175	101,896,821
Board-designated endowment	-	-	7,183,117	-	-	-	7,183,117	7,115,959
Total without donor restrictions	9,906,115	90,383,060	7,183,117	-	-	-	107,472,292	109,012,780
With Donor Restrictions	-	-	-	36,665,088	33,051,753	76,145,777	145,862,618	138,022,970
Total net assets	9,906,115	90,383,060	7,183,117	36,665,088	33,051,753	76,145,777	253,334,910	247,035,750
Total liabilities and net assets	$ 14,628,433	$ 90,383,060	$ 7,183,117	$ 38,141,144	$ 33,416,882	$ 76,441,890	$ 260,194,526	$ 255,000,197

See accompanying Notes to Financial Statements.

MINNESOTA HISTORICAL SOCIETY
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2019
(WITH SUMMARIZED INFORMATION FOR THE YEAR ENDED JUNE 30, 2018)

	Without Donor Restrictions			With Donor Restrictions				
	Operating	**Plant fund**	**Board-designated endowment**	**State appropriations**	**Other**	**Perpetually restricted**	**2019 Total**	**2018 Total**
Support and revenue:								
Support:								
Private contributions	$ 3,015,990	$ -	$ -	$ -	$ 1,997,721	$ 3,133,368	$ 8,147,079	$ 9,710,304
Federal grants	-	-	-	-	-	-	-	858,352
County and other grants	-	-	-	-	91,670	-	91,670	71,890
State operating appropriation	23,247,000	-	-	-	-	-	23,247,000	22,963,667
State legacy appropriation	-	-	-	16,105,034	-	-	16,105,034	12,147,722
State capital appropriation	-	-	-	-	-	-	-	23,000,000
Total support	26,262,990	-	-	16,105,034	2,089,391	3,133,368	47,590,783	68,751,935
Revenue:								
Admission fees	2,736,657	-	-	-	-	-	2,736,657	2,801,816
Museum store sales	2,331,571	-	-	-	-	-	2,331,571	2,250,490
Publication sales	1,472,522	-	-	-	-	-	1,472,522	1,431,453
Program fees	1,597,870	-	-	-	-	-	1,597,870	1,712,893
Contract service fees	1,989,703	-	-	-	-	-	1,989,703	1,944,333
Library sales and fees	256,458	-	-	-	-	-	256,458	288,841
Investment return	1,388,468	-	310,895	-	903,061	2,885,294	5,487,718	8,022,194
Endowment payout	1,011,120	-	(243,737)	-	1,742,225	(2,509,608)	-	-
Change in value of split-interest agreements	-	-	-	-	-	(18,887)	(18,887)	(23,782)
Rental, parking, food services	1,294,843	-	-	-	-	-	1,294,843	1,366,498
Other sales, fees, and memberships	688,442	-	-	-	500	-	688,942	715,394
Total revenue	14,767,654	-	67,158	-	2,645,786	356,799	17,837,397	20,510,130
Total support and revenue	41,030,644	-	67,158	16,105,034	4,735,177	3,490,167	65,428,180	89,262,065
Fund transfers	(400,000)	-	-	-	(32,758)	432,758	-	-
Net assets released from program restrictions	17,510,965	1,478,868	-	(14,175,332)	(4,814,501)	-	-	-
Total support, revenue, and net assets released from program restrictions	$ 58,141,609	$ 1,478,868	$ 67,158	$ 1,929,702	$ (112,082)	$ 3,922,925	$ 65,428,180	$ 89,262,065

See accompanying Notes to Financial Statements.

MINNESOTA HISTORICAL SOCIETY
STATEMENT OF ACTIVITIES (CONTINUED)
YEAR ENDED JUNE 30, 2019
(WITH SUMMARIZED INFORMATION FOR THE YEAR ENDED JUNE 30, 2018)

	Without Donor Restrictions			With Donor Restrictions				
	Operating	Plant fund	Board-designated endowment	State appropriations	Other	Perpetually restricted	2019 Total	2018 Total
Expenses:								
Program services:								
Library and Collections	$ 9,468,983	$ 263,509	$ -	$ -	$ -	$ -	$ 9,732,492	$ 9,362,798
Historic Sites and Museums	14,969,997	1,006,109	-	-	-	-	15,976,106	15,420,256
Education, Outreach, and Content Development	12,288,084	451,703	-	-	-	-	12,739,787	12,684,054
Historic Preservation	7,135,174	5,474	-	-	-	-	7,140,648	9,021,333
Total program services	43,862,238	1,726,795	-	-	-	-	45,589,033	46,488,441
Supporting services:								
Management and General	11,270,543	101,003	-	-	-	-	11,371,546	11,345,634
Development and Membership	2,167,211	1,230	-	-	-	-	2,168,441	2,232,652
Total supporting services	13,437,754	102,233	-	-	-	-	13,539,987	13,578,286
Total expenses	57,299,992	1,829,028	-	-	-	-	59,129,020	60,066,727
Increase (decrease) in net assets	841,617	(350,160)	67,158	1,929,702	(112,082)	3,922,925	6,299,160	29,195,338
Changes in net assets:								
Without donor restricted	841,617	(350,160)	67,158	-	-	-	558,615	2,446,411
With donor restricted	-	-	-	1,929,702	(112,082)	3,922,925	5,740,545	26,748,927
Net changes in net assets	841,617	(350,160)	67,158	1,929,702	(112,082)	3,922,925	6,299,160	29,195,338
Net assets at beginning of year	9,064,498	90,733,220	7,115,959	34,735,386	33,163,835	72,222,852	247,035,750	217,840,412
Net assets at end of year	$ 9,906,115	$ 90,383,060	$ 7,183,117	$ 36,665,088	$ 33,051,753	$ 76,145,777	$ 253,334,910	$ 247,035,750

See accompanying Notes to Financial Statements.

MINNESOTA HISTORICAL SOCIETY
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2019
(WITH SUMMARIZED INFORMATION FOR THE YEAR ENDED JUNE 30, 2018)

	Library and Collections	Historic Sites and Museums	Education, Outreach, and Content Development	Historic Preservation	Total Program Services	Management and General	Development and Membership	2019 Total Expenses	2018 Total Expenses
Salaries	$ 4,127,140	$ 7,162,410	$ 3,675,405	$ 425,627	$ 15,390,582	$ 5,384,383	$ 1,173,047	$ 21,948,012	$ 21,592,077
Benefits	1,552,754	2,687,177	1,370,047	159,615	5,769,593	1,997,541	447,856	8,214,990	7,918,537
	5,679,894	9,849,587	5,045,452	585,242	21,160,175	7,381,924	1,620,903	30,163,002	29,510,614
Rental fees	19,139	27,037	44,279	1,200	91,655	7,068	57,289	156,012	78,938
Advertising	843	20,903	59,201	-	80,947	659,078	5,575	745,600	802,579
Repairs	99,751	397,326	1,328	30,423	528,828	358,001	3,495	890,324	768,356
Insurance	-	50	-	-	50	186,950	1,565	188,565	147,211
Printing	36,731	40,697	560,388	302	638,118	159,120	73,587	870,825	848,599
Professional and technical services	892,957	585,627	739,089	539,374	2,757,047	979,295	82,547	3,818,889	4,852,607
Purchased services	36,729	1,586,208	1,207,252	18,043	2,848,232	259,857	172,280	3,280,369	3,029,490
Speakers’ fees	6,150	73,719	268,125	50	348,044	5,125	15,167	368,336	417,601
Communications/postage	36,953	185,229	94,513	4,365	321,060	196,142	60,031	577,233	545,435
Employee travel	93,286	83,559	150,537	20,212	347,594	84,206	16,071	447,871	443,977
Utility service	37,888	445,826	-	-	483,714	49,846	-	533,560	523,922
Fees and other expenses	50,406	33,625	239,819	10,611	334,461	220,493	9,981	564,935	990,782
Supplies	137,810	402,869	361,016	1,441	903,136	331,239	37,860	1,272,235	1,172,756
Equipment	339,529	85,502	49,017	1,089	475,137	270,635	-	745,772	678,999
Collections acquisition	247,607	-	-	-	247,607	-	-	247,607	353,837
Buildings and improvements	-	11,099	-	-	11,099	10,251	-	21,350	144,275
Grants	-	-	-	5,874,496	5,874,496	-	-	5,874,496	6,463,203
Cost of goods sold	-	1,103,125	-	-	1,103,125	-	-	1,103,125	1,091,701
Depreciation	263,509	1,006,109	451,703	5,474	1,726,795	101,003	1,230	1,829,028	1,771,959
History Center building services	1,753,310	38,009	3,468,068	48,326	5,307,713	111,313	10,860	5,429,886	5,429,886
	$ 9,732,492	$ 15,976,106	$ 12,739,787	$ 7,140,648	$ 45,589,033	$ 11,371,546	$ 2,168,441	$ 59,129,020	$ 60,066,727

See accompanying Notes to Financial Statements.

MINNESOTA HISTORICAL SOCIETY
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2019
(WITH COMPARATIVE INFORMATION FOR THE YEAR ENDED JUNE 30, 2018)

	2019	2018
Cash flows from operating activities:		
Net changes in net assets	$ 6,299,160	$ 29,195,338
Adjustments to reconcile net changes in net assets to net cash provided by operating activities:		
Depreciation	1,829,028	1,771,959
Net realized and unrealized gain on investments	(3,633,136)	(6,450,570)
Adjustment of actuarial liability for split-interest agreements liability	18,887	23,782
Perpetually restricted contributions	(3,133,368)	(1,521,262)
Changes in assets and liabilities:		
Receivables	1,180,454	(18,442,657)
Museum shop inventories	(115,605)	71,104
Accounts payable and accrued expenses	(1,292,395)	(1,307,472)
Accrued vacation and sick liability	(30,982)	(108,564)
Net cash provided by operating activities	1,122,043	3,231,658
Cash flows from investing activities:		
Purchase of property and equipment	(3,990,231)	(2,563,071)
Purchase of investments	(4,754,753)	(41,986,015)
Proceeds from sale of investments	5,194,717	40,753,469
Net cash used in investing activities	(3,550,267)	(3,795,617)
Cash flows from financing activities:		
Payments on split-interest agreements liability	(38,024)	(37,296)
Proceeds from contributions restricted for:		
Investment in perpetually restricted	3,133,368	1,521,262
Net cash provided by financing activities	3,095,344	1,483,966
Net change in cash and cash equivalents	667,120	920,007
Cash and cash equivalents at beginning of year	9,092,953	8,172,946
Cash and cash equivalents at end of year	$ 9,760,073	$ 9,092,953
Noncash purchase of property and equipment	$ 237,683	$ 697,511

See accompanying Notes to Financial Statements.

(1) Description of the Society

The Minnesota Historical Society (the Society) is an independent, nonprofit corporation created by the Legislative Assembly of the Territory of Minnesota, Laws 1849, Chapter 44. The Society receives significant funding from the state of Minnesota in the form of legislative appropriations, grants from the federal government, and membership revenue as well as donations from the private sector. The Society's earned revenue is derived from investment return, store sales and admissions, publications sales, rental, parking, and food service, and other sales and fees.

The mission of the Society is using the power of history to transform lives by preserving, sharing, and connecting. The Society preserves the evidence of the past and tells the stories of Minnesota's people. To achieve this objective, the Society provides opportunities for people of all ages to learn about the history of Minnesota, collects and cares for materials that document human life in Minnesota, makes them known and accessible to people in Minnesota and beyond, and encourages and executes research in Minnesota history.

The Society is governed by its officers and an Executive Council, elected by the membership. The Executive Council appoints the director/chief executive officer, who has the responsibility of directing the Society in accordance with its policies.

(2) Summary of Accounting Policies

(a) Basis of Presentation

Net assets, support and revenue, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Net assets of the Society and changes therein are classified into the following categories:

- Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor restrictions. Certain of these amounts have been designated by the board to act as endowment.
- Net Assets With Donor Restrictions – Net assets subject to donor-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. State appropriations are considered by the Society to be temporary in nature because the appropriations are made to support programs as approved through the legislative process. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue when the assets are placed in service. 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.

(b) Support and Revenue

Support and revenue are reported as increases in without donor restricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in without donor restricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in without donor restricted net assets unless their use is restricted by explicit donor stipulation or pursuant to the provisions of the Uniform Prudent Management of Institutional Funds Act (UPMIFA). Expirations of restrictions on net assets (e.g., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets.

(2) Summary of Accounting Policies (Continued)

(b) Support and Revenue (Continued)

Contributions, including unconditional promises to give, are recognized as revenue in the period that the contribution is received or that the promise is made. Conditional promises to give are not recognized until the conditions on which they depend are substantially met. Contributions of noncollection assets other than cash are recorded at their estimated fair value. Contributions to be received after one year are discounted using discount rates consistent with the general principles of present value measurement. Amortization of discount is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions. An allowance for uncollectible pledges receivable is provided based upon management's judgment, including such factors as prior collection history, type of contribution, and nature of fund-raising activity and is recorded as necessary.

Contributions with donor-imposed restrictions that are met in the same year as the gifts are received are reported as revenue in the with donor restricted net asset class. Contributions of land, building, and equipment without donor-imposed restrictions concerning the use of such long-lived assets are reported as revenue in the without donor restricted net asset class. Contributions of cash or other assets to be used to acquire land, building, and equipment with such donor restrictions are reported as revenue of the with donor restricted net assets class; the restrictions are considered to be released at the time of acquisition of such long-lived assets.

The Society receives appropriations from the State Legislature in accordance with Minnesota Statute 138.01. The State Legislature may place specific restrictions on such funds. These appropriations are of three types:

- Biennial funding, accounting for the majority of the Society's appropriations.
- Biennial funding from the Legacy funding from the Arts and Cultural Heritage fund.
- Appropriations for capital bond projects. These funds are available until the project is completed or abandoned, within specified sunset dates.

Federal and county and other grants are recorded upon receipt of the grant award letter in accordance with the terms of the award.

All other earned revenue is recorded when sales are made or sales are earned based on time of delivery of goods or services. Investment returns, net of fees, include dividends, interest, realized and unrealized gain or loss, recorded monthly.

(c) Investments

Investments are recorded at fair value. Mutual funds and common stock are valued based on quoted market prices in active exchanges. Investments in common collective trusts are valued using a unit share price as determined monthly by fund managers based on the fair values of the underlying securities in the trusts. The fair values of the underlying securities held by the common collective trusts are based on quoted market prices in the exchange of the country in which the security is registered.

(2) Summary of Accounting Policies (Continued)

(d) Receivables

The Society provides an allowance for bad debts using the allowance method. An account is individually analyzed for collectibility. When all collection efforts have been exhausted, the balance is written off against the related allowance. In addition, an allowance is provided for accounts when a significant pattern of uncollectibility has occurred. An allowance of $40,000 was recorded for the year ended June 30, 2019 related to the author advances. A discount of $23,266 was recorded in the year ended June 30, 2019 for the receivables that are expected to be collected over one year from June 30, 2019.

(e) Split-Interest Agreements

The split-interest agreements include charitable remainder trusts and charitable gift annuities. The Society recognizes the contribution from charitable trusts when the trust is established and recognizes the contribution from the charitable annuity gifts when the agreement is executed. The contribution amount is the difference between the fair value of assets received and the present value of the future cash flows expected to be paid to the designated beneficiaries. The significant assumptions used to estimate the present value of the future cash flows include discount rates of 0.9% to 6.0% commensurate with the risks involved and the 2019 mortality tables.

(f) Program and Supporting Services

The cost of providing the various program and supporting services has been summarized on a functional basis in the schedule of functional expenses.

The program services of the Society fall into four major groups:

- **Library and Collections** – Maintains and makes available to the public the Society’s collection of books, newspapers, maps, photographs, works of art, oral history recordings, private manuscripts, and periodicals on Minnesota history; and catalogs, restores, and digitizes documents and records to make them available for public use. This program includes the acquisition, preservation, and cataloging of public records, as well as the Society’s responsibilities as State Archivist. Conducts historic and archaeological surveys, as required by law.
- **Historic Sites and Museums** – Administers historic sites and museums throughout the state for public benefit through programming and exhibits, entertaining reenactments of key events and historical characters, and participation in living history programs about the people who lived and worked at these historic places; includes museum programs, activities and services at the History Center and the museum shops, parking, food service, and building rental at all facilities. Provides preservation and construction services; operates the Capitol tour program; administers the State Historic Sites Act.
- **Education, Outreach, and Content Development** – Develops Minnesota history curriculum, provides teacher education and coordinates the Minnesota History Day program. Plans, fabricates, and installs exhibits at Society interpretive facilities and museums throughout the state. Develops educational programming and outreach, including diversity and inclusion and Native American initiatives. Publishes books and other media related to Minnesota history.

(2) Summary of Accounting Policies (Continued)

(f) Program and Supporting Services (Continued)

- **Historic Preservation** – Provides technical assistance and grants for historic preservation; administers grant programs supporting projects in preservation and interpretation of Minnesota history; administers the National Historic Preservation Act in Minnesota.

Supporting services include the following:

- **Management and General** – Provides necessary support services, such as institutional leadership, legislative programs and priorities, budget and accounting control, personnel administration, facility planning, establishment of institutional policies, board liaison, information technology coordination, public information services, and membership support services.
- **Development and Membership** – Manages development and membership functions for the institution and develops programs to ensure ongoing nonstate support for the Society.

(g) Contributed Services

Many members and other volunteers have made significant contributions of their time to develop and promote the programs of the Society. The value of these contributed services is not included in the accompanying financial statements, as such services do not create or enhance nonfinancial assets or require specialized skills.

(h) Museum Shop Inventories

Merchandise-for-resale inventories at museum shops are stated at the lower of cost (first-in, first-out) or net realizable value.

(i) Collections, Historic Sites, and Publications

The Society's collection of artifacts, documents, newspapers, pictures, paintings, tapes, and books is not capitalized because donated values are not readily determinable. Items purchased for the collection are expensed as acquired.

Similarly, historic sites and publication copyrights owned by the Society are not included in the financial statements. Costs of producing publications for resale are expensed as incurred. However, in the opinion of management, the effects of expensing publication costs do not have a material effect on the Society's financial statements taken as a whole.

(j) Property and Equipment

Constructed and purchased property and equipment are carried at cost and noncollection contributed assets are carried at fair value at date of donation, less accumulated depreciation.

The Society's capitalization policy includes the following provisions:

- Purchases of buildings and leasehold improvements that have an initial cost of more than $100,000 are capitalized.

(2) Summary of Accounting Policies (Continued)

(j) Property and Equipment (Continued)

- Purchases of program-designated equipment that have an initial cost of more than $100,000 are capitalized.
- Purchases of auxiliary service-designated equipment that have an initial cost of more than $10,000 are capitalized.

Depreciation is provided in amounts sufficient to relate the cost of property and equipment to operations over their estimated useful lives by straight-line methods. A summary of estimated service lives follows:

History Center and improvements	100 years
Other property and improvements	50 years
Equipment	6 – 10 years

(k) Grants Payable

The Society awards grants through a review process which varies based on the size of the grant. After final approval, certain grants are paid out immediately and other grants are paid out based on certain milestones. Grants are recorded as grants payable at the time the amounts are due to the grantee based on these milestones; therefore, although grants may have been approved in the current period, some amounts are not recorded as grants payable until future periods.

(l) Income Taxes

The Society has received a determination letter indicating that it is exempt from federal and state income tax as an organization described in Section 501(c)(3) of the Internal Revenue Code and corresponding State of Minnesota Statutes. Notwithstanding, income that is not related to exempt purposes, less applicable deductions, is subject to federal and state corporate income taxes.

The Society engages in activities that are considered as unrelated to its exempt purpose and these activities are subject to federal and state income taxes. For the fiscal year ended June 30, 2019, the Society estimated $58,000, as its unrelated business income taxes and accordingly, has made provision for the taxes.

(m) Statement of Cash Flows

For purposes of the statement of cash flows, the Society considers all highly liquid securities purchased with a maturity of three months or less to be cash equivalents.

(n) Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from these estimates.

(2) Summary of Accounting Policies (Continued)

(o) Prior Year Summarized Information

The financial statements include certain prior year summarized information in total, but not by net asset class. With respect to the statement of activities, such prior year information is not presented by net asset class. Accordingly, such information should be read in conjunction with the Society's fiscal year 2018 financial statements from which the summarized information was derived.

(p) Change in Accounting Principle

On August 18, 2016, FASB issued Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Society has implemented ASU 2016-14 and has adjusted the presentation in these financial statements accordingly which decreased net assets without donor restriction and increased net assets with donor restrictions by $2,099,103 at June 30, 2018 resulting from the reclassification of restricted contributions for capital expenditures as required under ASU 2016-14. ASU 2016-14 requires contributions for long-lived assets to be released after the asset is placed in service.

(3) Liquidity and Availability

Minnesota Historical Society regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the return on investment of its available funds. The Society has various sources of liquidity at its disposal, including cash, cash equivalents, marketable debt, and equity securities.

For purposes of analyzing resources available to meet general operating expenditures over a 12-month period, the Society considers expenditures related to its mission, as well as the conduct of services undertaken to support those activities to be general operating expenditures. Financial assets without donor restrictions are considered available. Financial assets with donor restrictions are not included in the analysis as these assets are used as specifically directed by donors and are, therefore, not generally available to meet current operating needs.

In addition to financial assets available to meet general operating expenditures over the next 12 months, the Society operates with a balanced budget, plans, and control expenditures with general revenue constraints.

The Society's governing board has designated a portion of its resources without donor restrictions for endowment purposes; those amounts are identified as board-designated in the financial statements. These funds are invested for long-term appreciation and current income but remain available and may be spent at the discretion of the Board. As of June 30, 2019, the following financial assets could readily be made available to meet general operating expenditures within one year of the balance sheet date:

Cash and Cash Equivalents	$ 4,130,589
Nonstate Support and Contributions, Net	229,041
Contract Receivables	203,770
Publication Sale Receivables	132,372
Operating Investments	14,870,927
Total	$ 19,566,699

(4) Cash and Investments

Investment return for the year ended June 30, 2019 consisted of the following:

Dividends and interest	$ 2,009,210
Net realized loss on investments	(1,170,494)
Net unrealized gain on investments	4,803,630
Investment Expense	(154,628)
Investment return	$ 5,487,718

The Society's endowment (with donor restricted and board-designated) funds are managed by independent investment advisors in compliance with established board investment policies. In addition, included in investments is $528,956 of investments under split-interest agreements.

(5) Fair Value Measurements

The Society measures fair value using a three-level fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1 Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, without donor restricted assets, or liabilities.

Level 2 Pricing inputs other than identical quoted prices in active markets that are observable for the financial instrument, such as similar instruments, interest rates, and yield curves that are observable at commonly quoted intervals.

Level 3 Prices or valuations that require inputs that are both significant to the fair value measurement and unobservable. Level 3 includes situations where there is little, if any, market activity for the financial instrument.

Valuation levels are not necessarily an indication of the risk associated with investing in those securities.

The following table summarizes the Society's investments that were accounted for at fair value, as of June 30, 2019:

Description	Level 1	Level 2	Level 3	Total
Mutual Funds:				
Equity	$ 52,987,952	$ -	$ -	$ 52,987,952
Fixed Income	37,879,660	-	-	37,879,660
Total Mutual Funds	90,867,612	-	-	90,867,612
Domestic Common Stock	109,251	-	-	109,251
Investments Valued at Net Asset Value	-	-	-	22,270,364
	$ 90,976,863	$ -	$ -	$ 113,247,227

(5) Fair Value Measurements (Continued)

The following table summarizes the Society's contribution receivable in remainder trusts that were accounted for at fair value, as of June 30, 2019:

Description	Level 1	Level 2	Level 3	Total
Contribution receivable in remainder trusts	$ -	$ 236,976	$ -	$ 236,976

The Society values certain investment holdings at fair value using their net asset value and has the ability to redeem its investment with the investee at net asset value per share (or its equivalent) at the measurement date. Fair value measurements of investments in certain entities that calculate net asset value per share (or its equivalent) as of June 30, 2019:

Investment Category	NAV	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Common Collective Trusts				
Grosvenor	$ 8,263,776	$ -	Quarterly	70 Days
SIT Dividend Growth Fund II	5,626,053	-	Monthly	30 Days
Lighthouse Partners	8,380,535	-	Monthly	90 Days
Total	$ 22,270,364	$ -		

Grosvenor Institutional Partners, Ltd. includes investments in commodities, equities, and multi-strategy funds. The fair value of the investment in this category is based on the fund's audited net asset value per share multiplied by the Society's units owned as of June 30, 2019.

SIT Dividend Group Fund II includes investments in equity securities. The fair value of the investment in this category is based on the fund's audited net asset value per share multiplied by the Society's units owned as of June 30, 2019.

Lighthouse Partners includes investments in investment funds, including investments in U.S. and international equities. The fair value of the investment in this category is based on the fund's audited net asset value per share multiplied by the Society's units owned as of June 30, 2019.

(6) Property and Equipment

Property and equipment consist of the following at June 30, 2019:

Land	$ 5,384,986
Property and improvement	113,945,758
Construction in progress	4,848,148
Equipment	6,635,273
	130,814,165
Accumulated depreciation	(35,582,957)
	$ 95,231,208

(7) Nonstate Support and Contributions Receivable

Nonstate support and contributions receivable are discounted at rates ranging from 1.01% to 2.73% and summarized as follows at June 30, 2019:

Federal Grants Receivable	$ 235,866
Donor Pledges Receivable	2,053,890
	$ 2,289,756

Unconditional promises expected to be collected in:	
Less than one year	$ 1,476,738
One year to five years	836,285
Less discount	(23,267)
	$ 2,289,756

At June 30, 2019, two pledges totaling $700,000 made up 34% of donor pledges receivable totaling $2,053,890.

(8) Net Assets with Donor Restrictions

State appropriation and other restricted net assets are available for the following purposes as of June 30, 2019:

The portion of unexpended investment return generated from donor-restricted endowment funds subject to UPMIFA consist of:	
Programs	$ 5,560,159
Operations	6,427,181
	11,987,340
Gifts and other unexpended support and revenue available for:	
Programs	21,064,413
Programs and operations from state appropriation	36,665,088
	$ 69,716,841

Perpetually restricted net assets and the purposes the income is expendable to support are as follows as of June 30, 2019:

Endowment funds for:	
Programs	$ 60,300,585
Operations	15,375,373
	75,675,958
Split-interest agreements	232,843
Contributions receivable in remainder trust restricted for program	236,976
	$ 76,145,777

(9) Endowment Funds

The Society's endowment consists of approximately 167 individual funds established for a variety of purposes including both donor-restricted endowment funds and funds designated by the board of trustees to function as endowments. 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.

Interpretation of Relevant Law

Effective August 1, 2008, the state of Minnesota enacted UPMIFA. The Society has interpreted UPMIFA 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 Society classifies as perpetually restricted net assets (a) the original value of the gifts donated to the with donor restricted endowment, (b) the original value of subsequent gifts to the with donor restricted endowment, and (c) accumulations to the with donor restricted endowment made in accordance with the direction of the applicable donor gift instruments at the time the accumulation is added to the fund.

The remaining portion of the donor-restricted endowment fund that is not classified in net assets with donor restriction is classified as net assets without donor restriction until those amounts are appropriated for expenditure by the Society in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Society 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 purpose of the Society 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 appreciation of investments;
6. Other resources of the Society; and
7. The investment policies of the Society.

Endowment Net Assets Composition by Type of Fund

Endowment net assets consist of the following at June 30, 2019:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds	$ -	$ 87,663,298	$ 87,663,298
Board-designated endowment funds	7,183,117	-	7,183,117
Total endowed net assets	$ 7,183,117	$ 87,663,298	$ 94,846,415

(9) Endowment Funds (Continued)

Changes in Endowment Net Assets

Changes in Endowment Net Assets for the year ended June 30, 2019 are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, July 1, 2018	$ 7,115,959	$ 83,721,145	$ 90,837,104
Investment return	310,895	3,599,105	3,910,000
Contributions	-	3,059,711	3,059,711
Appropriation of endowment assets for expenditure	(243,737)	(3,149,421)	(3,393,158)
Transfers	-	432,758	432,758
Endowment net assets, June 30, 2019	$ 7,183,117	$ 87,663,298	$ 94,846,415

Investments not included in endowments total $4,814,203 bringing the total to $99,660,618.

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Society to retain as a fund of perpetual duration. Deficiencies of this nature that are reported in without donor restricted net assets were $-0- as of June 30, 2019.

Return Objectives and Risk Parameters

The Society has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Society must hold in perpetuity or for a donor-specified period as well as board-designated funds. Under this policy, as approved by the board, the endowment assets are invested in a manner that is intended to produce an annual return that equals or exceeds 7.5%, comprised of the Society's Annual Spending Rate plus inflation. The annual spending rate is the percentage of the endowment paid out each year to support ongoing Society activities. It is set by the Executive Council upon consideration of recommendations by the Executive Committee and the Finance Committee. The annual spending rate will not exceed 5% including fees. The actual amount to be paid out each fiscal year from the endowment is calculated at the end of the previous calendar year by multiplying the spending rate times the average quarterly market value of the endowment over the preceding five-year period. The annual spending rate for the fiscal year ended June 30, 2019 was 5.0%, including investment management fees.

Strategies Employed for Achieving Objectives

To satisfy its rate of return objective, the Society 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). The Society targets a diversified asset allocation that places emphasis on investments in equities (70%), fixed income (20%), and alternative investments (10%).

(10) Retirement Plans

The Society participates in the Minnesota State Retirement System (MSRS), a multi-employer defined benefit plan, and Teachers' Insurance and Annuity Association – College Retirement Equities Fund (TIAA-CREF), a defined contribution plan, on behalf of all nonstudent employees meeting age and length of service requirements. New employees have the option of choosing either plan. MSRS covers certain employees of the state of Minnesota, the University of Minnesota, and certain other entities, including the Society, not covered by other pension funds. The Society's liability for each plan is limited to the contribution rates and amounts as determined by statute. The Society has made all required contributions totaling $1,253,193 for the year ended June 30, 2019.

MNHS participates in the Minnesota State Retirement System (MSRS), a multi-employer defined benefit pension plan. The most recent available data is for fiscal year ended June 30, 2018. The plan was 90.56% funded as of June 30, 2018. The Society's portion of the plan was 0.189% as of June 30, 2018.

Contributions for the fiscal year 2018 were $311,127. The Society's portion of the unfunded liability was $2.7 million as of June 30, 2018. The Society has no collective bargaining agreements. As of July 1, 2018, the employer contribution rate was 5.875% of pay.

(11) Subsequent Events

In connection with the preparation of the financial statements the Society evaluated subsequent events after the balance sheet date of June 30, 2019 through October 16, 2019, which was the date the financial statements were available to be issued.