

**MINNESOTA HISTORICAL SOCIETY**  
Financial Statements and Supplementary Information  
June 30, 2022  
(With Independent Auditors' Report Thereon)



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**MINNESOTA HISTORICAL SOCIETY  
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## INDEPENDENT AUDITORS' REPORT

Audit Committee  
Minnesota Historical Society  
St. Paul, Minnesota

### **Report on the Audit of the Financial Statements**

#### ***Opinion***

We have audited the accompanying financial statements of Minnesota Historical Society (the Society), which comprise the balance sheet as of June 30, 2022, 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 Historical Society as of June 30, 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinion***

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

#### ***Responsibilities of Management for the 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 Minnesota Historical Society's ability to continue as a going concern for one year after the date the financial statements are available to be issued.

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the 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 Minnesota Historical Society'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 Minnesota Historical Society'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.

Audit Committee  
Minnesota Historical Society

**Report on Summarized Comparative Information**

We have previously audited the Society's 2021 financial statements, and we expressed an unmodified opinion on those audited financial statements in our report dated October 19, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.



**CliftonLarsonAllen LLP**

St. Cloud, Minnesota  
October 11, 2022

**MINNESOTA HISTORICAL SOCIETY**  
**BALANCE SHEET**  
**JUNE 30, 2022**  
**(WITH SUMMARIZED INFORMATION AS OF JUNE 30, 2021)**

Assets	Without Donor Restrictions			With Donor Restrictions			2022 Total	2021 Total
	Operating	Plant fund	Board- designated endowment	State appropriations	Other	Perpetually restricted		
Cash and cash equivalents	\$ 8,960,910	\$ -	\$ 3,272,512	\$ (1,576,843)	\$ 2,324,628	\$ (1,785,594)	\$ 11,195,613	\$ 7,181,232
Investments	4,098,171	-	6,912,995	-	27,278,308	82,003,528	120,293,002	139,873,872
Receivables:								
Nonstate support and contributions, net	283,368	-	-	-	633,639	496,915	1,413,922	1,664,271
Contribution receivable in remainder trusts	-	-	-	-	-	320,312	320,312	348,239
Federal reimbursement for Covid-19	3,548,247	-	-	-	-	-	3,548,247	2,615,557
State legacy appropriation	-	-	-	15,483,392	-	-	15,483,392	18,190,942
State capital appropriation	-	-	-	3,529,875	-	-	3,529,875	12,913,063
Contracts	498,311	-	-	-	-	-	498,311	216,824
Publication sales	198,672	-	-	-	-	-	198,672	223,909
Other	1,368,304	-	-	-	-	-	1,368,304	1,159,562
Total receivables	5,896,902	-	-	19,013,267	633,639	817,227	26,361,035	37,332,367
Museum shop inventories	893,200	-	-	-	-	-	893,200	885,052
Property and equipment, net	-	116,674,781	-	-	-	-	116,674,781	114,376,802
Total assets	<u>\$ 19,849,183</u>	<u>\$ 116,674,781</u>	<u>\$ 10,185,507</u>	<u>\$ 17,436,424</u>	<u>\$ 30,236,575</u>	<u>\$ 81,035,161</u>	<u>\$ 275,417,631</u>	<u>\$ 299,649,325</u>
<b>Liabilities and Net Assets</b>								
Liabilities:								
Accounts payable and accrued expenses	\$ 2,664,134	\$ -	\$ -	\$ 1,573,798	\$ 475,666	\$ -	\$ 4,713,598	\$ 7,784,222
Accrued vacation and sick liability	1,935,239	-	-	-	-	-	1,935,239	1,977,676
Split-interest agreements liability	-	-	-	-	-	226,175	226,175	260,698
Total liabilities	<u>4,599,373</u>	<u>-</u>	<u>-</u>	<u>1,573,798</u>	<u>475,666</u>	<u>226,175</u>	<u>6,875,012</u>	<u>10,022,596</u>
Net assets:								
Without Donor Restrictions:								
Operating	15,249,810	116,674,781	-	-	-	-	131,924,591	108,344,577
Board-designated endowment	-	-	10,185,507	-	-	-	10,185,507	9,078,678
Total without donor restrictions	15,249,810	116,674,781	10,185,507	-	-	-	142,110,098	117,423,255
With Donor Restrictions	-	-	-	15,862,626	29,760,909	80,808,986	126,432,521	172,203,474
Total net assets	<u>15,249,810</u>	<u>116,674,781</u>	<u>10,185,507</u>	<u>15,862,626</u>	<u>29,760,909</u>	<u>80,808,986</u>	<u>268,542,619</u>	<u>289,626,729</u>
Total liabilities and net assets	<u>\$ 19,849,183</u>	<u>\$ 116,674,781</u>	<u>\$ 10,185,507</u>	<u>\$ 17,436,424</u>	<u>\$ 30,236,575</u>	<u>\$ 81,035,161</u>	<u>\$ 275,417,631</u>	<u>\$ 299,649,325</u>

See accompanying Notes to Financial Statements.

**MINNESOTA HISTORICAL SOCIETY**  
**STATEMENT OF ACTIVITIES**  
**YEAR ENDED JUNE 30, 2022**  
**(WITH SUMMARIZED INFORMATION FOR THE YEAR ENDED JUNE 30, 2021)**

	Without Donor Restrictions			With Donor Restrictions			2022 Total	2021 Total
	Operating	Plant fund	Board- designated endowment	State appropriations	Other	Perpetually restricted		
Operating Support and revenue:								
Support:								
Private contributions	\$ 2,805,027	\$ -	\$ -	\$ -	\$ 4,493,412	\$ 2,228,089	\$ 9,526,528	\$ 5,817,555
Federal grants	-	-	-	-	152,517	-	152,517	-
Federal reimbursement for Covid-19	1,745,946	-	-	-	-	-	1,745,946	1,584,678
County and other grants	181,891	-	-	-	124,000	-	305,891	62,000
State operating appropriation	23,397,000	-	-	-	-	-	23,397,000	23,197,000
State legacy appropriation	-	-	-	15,488,000	-	-	15,488,000	17,383,000
State capital appropriation	-	-	-	-	-	-	-	3,100,000
Total support	<u>28,129,864</u>	<u>-</u>	<u>-</u>	<u>15,488,000</u>	<u>4,769,929</u>	<u>2,228,089</u>	<u>50,615,882</u>	<u>51,144,233</u>
Revenue:								
Admission fees	2,207,309	-	-	-	-	-	2,207,309	1,160,438
Museum store sales	2,095,676	-	-	-	-	-	2,095,676	1,244,560
Publication sales	1,803,193	-	-	-	-	-	1,803,193	1,746,126
Program fees	476,929	-	-	-	-	-	476,929	96,304
Contract service fees	1,173,216	-	-	-	-	-	1,173,216	1,343,856
Library sales and fees	257,679	-	-	-	-	-	257,679	212,132
Investment return	(1,856,299)	-	(2,165,683)	-	(4,200,970)	(13,115,582)	(21,338,534)	26,979,835
Endowment payout	1,152,163	-	(327,488)	-	1,856,653	(2,681,328)	-	-
Change in value of split-interest agreements	-	-	-	-	-	(51,800)	(51,800)	21,883
Rental, parking, food services	580,287	-	-	-	-	-	580,287	77,765
Other sales, fees, and memberships	564,033	-	-	-	100	-	564,133	468,547
Total revenue	<u>8,454,186</u>	<u>-</u>	<u>(2,493,171)</u>	<u>-</u>	<u>(2,344,217)</u>	<u>(15,848,710)</u>	<u>(12,231,912)</u>	<u>33,351,446</u>
Total support and revenue	36,584,050	-	(2,493,171)	15,488,000	2,425,712	(13,620,621)	38,383,970	84,495,679
Funds transfer	(3,600,000)	-	3,600,000	-	-	-	-	-
Net assets released from program restrictions	21,107,165	28,956,879	-	(37,745,820)	(12,318,224)	-	-	-
Total operating support, revenue, and net assets released from program restrictions	<u>\$ 54,091,215</u>	<u>\$ 28,956,879</u>	<u>\$ 1,106,829</u>	<u>\$ (22,257,820)</u>	<u>\$ (9,892,512)</u>	<u>\$ (13,620,621)</u>	<u>\$ 38,383,970</u>	<u>\$ 84,495,679</u>

*See accompanying Notes to Financial Statements.*

**MINNESOTA HISTORICAL SOCIETY**  
**STATEMENT OF ACTIVITIES (CONTINUED)**  
**YEAR ENDED JUNE 30, 2022**  
**(WITH SUMMARIZED INFORMATION FOR THE YEAR ENDED JUNE 30, 2021)**

	Without Donor Restrictions			With Donor Restrictions			2022 Total	2021 Total
	Operating	Plant fund	Board- designated endowment	State appropriations	Other	Perpetually restricted		
Expenses:								
Program services:								
Library and Collections	\$ 9,771,191	\$ 296,855	\$ -	\$ -	\$ -	\$ -	\$ 10,068,046	\$ 9,553,773
Historic Sites and Museums	14,301,731	1,790,834	-	-	-	-	16,092,565	13,056,843
Education, Outreach, and Content Development	9,841,893	474,084	-	-	-	-	10,315,977	9,939,036
Historic Preservation	7,613,118	5,301	-	-	-	-	7,618,419	7,384,997
Total program services	<u>41,527,933</u>	<u>2,567,074</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>44,095,007</u>	<u>39,934,649</u>
Supporting services:								
Management and General	10,321,210	105,338	-	-	-	-	10,426,548	8,117,583
Development and Membership	1,850,724	1,191	-	-	-	-	1,851,915	1,390,118
Total supporting services	<u>12,171,934</u>	<u>106,529</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>12,278,463</u>	<u>9,507,701</u>
Total expenses	<u>53,699,867</u>	<u>2,673,603</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>56,373,470</u>	<u>49,442,350</u>
Increase (decrease) in operating net assets	391,348	26,283,276	1,106,829	(22,257,820)	(9,892,512)	(13,620,621)	(17,989,500)	35,053,329
Nonoperating Activities								
Return of Unused Legacy Appropriation	(3,094,610)	-	-	-	-	-	(3,094,610)	-
Net changes in nonoperating net assets	<u>(3,094,610)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(3,094,610)</u>	<u>-</u>
Changes in net assets:								
Without donor restriction	(2,703,262)	26,283,276	1,106,829	-	-	-	24,686,843	7,531,516
With donor restrictions	-	-	-	(22,257,820)	(9,892,512)	(13,620,621)	(45,770,953)	27,521,813
Net changes in net assets	<u>(2,703,262)</u>	<u>26,283,276</u>	<u>1,106,829</u>	<u>(22,257,820)</u>	<u>(9,892,512)</u>	<u>(13,620,621)</u>	<u>(21,084,110)</u>	<u>35,053,329</u>
Net assets at beginning of year	<u>17,953,072</u>	<u>90,391,505</u>	<u>9,078,678</u>	<u>38,120,446</u>	<u>39,653,421</u>	<u>94,429,607</u>	<u>289,626,729</u>	<u>254,573,400</u>
Net assets at end of year	<u>\$ 15,249,810</u>	<u>\$ 116,674,781</u>	<u>\$ 10,185,507</u>	<u>\$ 15,862,626</u>	<u>\$ 29,760,909</u>	<u>\$ 80,808,986</u>	<u>\$ 268,542,619</u>	<u>\$ 289,626,729</u>

See accompanying Notes to Financial Statements.



**MINNESOTA HISTORICAL SOCIETY**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**YEAR ENDED JUNE 30, 2022**  
**(WITH SUMMARIZED INFORMATION FOR THE YEAR ENDED JUNE 30, 2021)**

	<b>Library and Collections</b>	<b>Historic Sites and Museums</b>	<b>Education, Outreach, and Content Development</b>	<b>Historic Preservation</b>	<b>Total Program Services</b>	<b>Management and General</b>	<b>Development and Membership</b>	<b>2022 Total Expenses</b>	<b>2021 Total Expenses</b>
Salaries	\$ 4,459,051	\$ 5,910,401	\$ 2,822,183	\$ 581,924	\$ 13,773,559	\$ 4,613,400	\$ 881,045	\$ 19,268,004	\$ 16,992,595
Benefits	1,607,535	2,253,646	1,013,002	210,504	5,084,687	1,620,202	324,421	7,029,310	7,068,012
	<u>6,066,586</u>	<u>8,164,047</u>	<u>3,835,185</u>	<u>792,428</u>	<u>18,858,246</u>	<u>6,233,602</u>	<u>1,205,466</u>	<u>26,297,314</u>	<u>24,060,607</u>
Rental fees	748	17,931	12,039	-	30,718	1,209	25,381	57,308	32,582
Advertising	5,712	15,934	28,765	27	50,438	367,339	588	418,365	218,890
Repairs	94,923	500,748	4,264	26,664	626,599	468,561	3,795	1,098,955	943,554
Insurance	-	-	-	-	-	235,239	-	235,239	210,222
Printing	1,655	55,959	528,148	114	585,876	24,806	71,895	682,577	574,374
Professional and technical services	1,124,993	593,256	413,621	558,563	2,690,433	1,237,005	246,284	4,173,722	3,080,702
Purchased services	95,754	1,469,979	606,269	-	2,172,002	225,093	219,891	2,616,986	1,488,614
Speakers' fees	2,250	70,464	172,402	-	245,116	1,200	6,750	253,066	208,123
Communications/postage	26,782	116,019	72,256	2,908	217,965	175,588	36,905	430,458	401,982
Employee travel	74,160	42,206	54,006	11,225	181,597	41,748	3,295	226,640	113,926
Utility service	49,304	519,597	-	-	568,901	74,359	-	643,260	461,474
Fees and other expenses	74,001	30,884	179,124	1,511	285,520	109,960	2,047	397,527	256,395
Supplies	179,975	462,280	441,719	1	1,083,975	129,083	17,571	1,230,629	676,485
Equipment	80,385	548,395	27,154	196	656,130	885,142	-	1,541,272	555,182
Collections acquisition	141,234	-	-	-	141,234	-	-	141,234	124,597
Buildings and improvements	-	664,288	-	-	664,288	-	-	664,288	2,072,062
Grants	-	-	-	6,171,170	6,171,170	-	-	6,171,170	5,797,264
Cost of goods sold	-	991,747	-	-	991,747	-	-	991,747	617,973
Depreciation	296,855	1,790,834	474,084	5,301	2,567,074	105,338	1,191	2,673,603	2,117,456
History Center building services	1,752,729	37,997	3,466,941	48,311	5,305,978	111,276	10,856	5,428,110	5,429,886
	<u>\$ 10,068,046</u>	<u>\$ 16,092,565</u>	<u>\$ 10,315,977</u>	<u>\$ 7,618,419</u>	<u>\$ 44,095,007</u>	<u>\$ 10,426,548</u>	<u>\$ 1,851,915</u>	<u>\$ 56,373,470</u>	<u>\$ 49,442,350</u>

*See accompanying Notes to Financial Statements.*

**MINNESOTA HISTORICAL SOCIETY**  
**STATEMENT OF CASH FLOWS**  
**YEAR ENDED JUNE 30, 2022**  
**(WITH COMPARATIVE INFORMATION FOR THE YEAR ENDED JUNE 30, 2021)**

	<u>2022</u>	<u>2021</u>
Cash flows from operating activities:		
Net changes in net assets	\$ (21,084,110)	\$ 35,053,329
Adjustments to reconcile net changes in net assets to net cash provided by operating activities:		
Depreciation	2,673,603	2,117,456
Net realized and unrealized (gain) loss on investments	22,680,325	(25,848,906)
Adjustment of actuarial liability for split-interest agreements liability	(17,690)	(74,965)
Perpetually restricted contributions	(2,228,089)	(1,830,497)
Changes in assets and liabilities:		
Receivables	10,971,332	995,703
Museum shop inventories	(8,148)	189,433
Accounts payable and accrued expenses	(3,089,284)	1,165,847
Accrued vacation and sick liability	(42,437)	(301,322)
Net cash provided by operating activities	<u>9,855,502</u>	<u>11,466,078</u>
Cash flows from investing activities:		
Purchase of property and equipment	(4,927,187)	(18,019,445)
Purchase of investments	(17,038,427)	(17,033,569)
Proceeds from sale of investments	<u>13,938,974</u>	<u>19,710,432</u>
Net cash used in investing activities	<u>(8,026,640)</u>	<u>(15,342,582)</u>
Cash flows from financing activities:		
Payments on split-interest agreements liability	(42,570)	(44,034)
Proceeds from contributions restricted for:		
Investment in perpetually restricted	<u>2,228,089</u>	<u>1,830,497</u>
Net cash provided by financing activities	<u>2,185,519</u>	<u>1,786,463</u>
Net change in cash and cash equivalents	4,014,381	(2,090,041)
Cash and cash equivalents at beginning of year	<u>7,181,232</u>	<u>9,271,273</u>
Cash and cash equivalents at end of year	<u>\$ 11,195,613</u>	<u>\$ 7,181,232</u>
Noncash purchase of property and equipment	<u>\$ 44,396</u>	<u>\$ 2,169,439</u>

*See accompanying Notes to Financial Statements.*

**MINNESOTA HISTORICAL SOCIETY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

**(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 restricted revenue when received and released from restrictions 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.

**MINNESOTA HISTORICAL SOCIETY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

**(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 and contributions are not recognized until the conditions are met. A contribution is considered conditional when there is both a barrier to payment as well as a right of return. 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 when the asset is placed into service.

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.

Appropriations are recognized as revenue in the year in which the Society is awarded the funding, as they are considered unconditional with no barriers.

Federal and county and other grants are recognized as revenue when conditions are met.

Program revenue is recognized as revenue when the performance obligation is satisfied. Admission fees, museum store sales, library sales and fees, and parking fee revenue are recognized as revenue when sales are made. Program fees, publication sales, and rental income are recognized as revenue when earned when services are performed and events occur. Contract service fees are recognized as revenue when services are performed according to the related contract. Membership fees include a contribution, which is recognized upon when the membership is entered into, and program fees, which is recognized over the life of the membership. 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.

**MINNESOTA HISTORICAL SOCIETY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

**(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, 2022 related to the author advances. A discount of \$3,414 was recorded in the year ended June 30, 2022 for the receivables that are expected to be collected over one year from June 30, 2022. At June 30, 2022, one receivable made up 32% of other receivable on the balance sheet. At June 30, 2022, the Society has a \$3,548,247 federal reimbursement for COVID-19 receivable on the balance sheet. The Society applied for the employee retention credit for \$813,256 in FY 20, \$1,802,301 in FY21 and \$1,745,946 in FY22.

**(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 3.0% to 6.0% commensurate with the risks involved and the 2022 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.

**MINNESOTA HISTORICAL SOCIETY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

**(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.

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.

**MINNESOTA HISTORICAL SOCIETY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

**(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.

**(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, 2022, the Society estimated a loss for its unrelated business income taxes and, accordingly, has made no 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.

**(o) Functional Expenses**

Accounting principles generally accepted in the United States of America require the presentation of information about expenses reported by their functional classification, such as major classes of program services and supporting activities. Expenses are direct coded where applicable and costs that are allocated are based on time and use estimates across the functional categories.

**MINNESOTA HISTORICAL SOCIETY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

**(2) Summary of Accounting Policies (Continued)**

*(p) 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. With respect to the statement of functional expenses, such prior year information is not presented by function. Accordingly, such information should be read in conjunction with the Society's fiscal year 2021 financial statements from which the summarized information was derived.

**(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, 2022, 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	\$ 12,233,422
Nonstate Support and Contributions, Net	283,368
Federal reimbursement for Covid-19	3,548,247
Contract Receivables	498,311
Publication Sale Receivables	198,672
Operating Investments	11,011,166
Total	<u><u>\$ 27,773,186</u></u>

**(4) Cash and Investments**

Investment return for the year ended June 30, 2022 consisted of the following:

Dividends and Interest	\$ 1,495,362
Net Realized Gain on Investments	3,496,480
Net Unrealized Loss on Investments	(26,176,805)
Investment Expense	(153,571)
Investment Return	<u><u>\$ (21,338,534)</u></u>

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 \$399,924 of investments under split-interest agreements.



**MINNESOTA HISTORICAL SOCIETY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

**(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, 2022:

<u>Description</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Mutual Funds:				
Equity	\$ 66,738,664	\$ -	\$ -	\$ 66,738,664
Fixed Income	34,566,477	-	-	34,566,477
Total Mutual Funds	101,305,141	-	-	101,305,141
Domestic Common Stock	289,629	-	-	289,629
Investments Valued at Net Asset Value	-	-	-	18,698,232
	<u>\$ 101,594,770</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 120,293,002</u>

The following table summarizes the Society's contribution receivable in remainder trusts that were accounted for at fair value, as of June 30, 2022:

<u>Description</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Contribution receivable in remainder trusts	\$ -	\$ 320,312	\$ -	\$ 320,312

**MINNESOTA HISTORICAL SOCIETY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

**(5) Fair Value Measurements (Continued)**

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, 2022:

<u>Investment Category</u>	<u>NAV</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency</u>	<u>Redemption Notice Period</u>
Common Collective Trusts				
Grosvenor	\$ 8,173,378	\$ -	Quarterly	70 Days
Lighthouse Partners	<u>10,524,854</u>	<u>-</u>	Monthly	90 Days
Total	<u>\$ 18,698,232</u>	<u>\$ -</u>		

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, 2022.

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, 2022.

**(6) Property and Equipment**

Property and equipment consist of the following at June 30, 2022:

Land	\$ 5,384,986
Property and improvement	146,854,607
Equipment	<u>6,827,188</u>
	159,066,781
Accumulated depreciation	<u>(42,392,000)</u>
	<u>\$ 116,674,781</u>

**MINNESOTA HISTORICAL SOCIETY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

**(7) Nonstate Support and Contributions Receivable**

Nonstate support and contributions receivable are discounted at rates ranging from .43% to .87% and summarized as follows at June 30, 2022:

Federal Grants Receivable	\$ 129,581
Donor Pledges Receivable	<u>1,284,341</u>
	<u>\$ 1,413,922</u>

Unconditional promises expected to be collected in:

Less than one year	\$ 963,686
One year to five years	448,650
Greater than five years	5,000
Less discount	<u>(3,414)</u>
	<u>\$ 1,413,922</u>

At June 30, 2022, three pledges totaling \$350,000 made up 27% of donor pledges receivable totaling \$1,284,341.

**(8) Net Assets with Donor Restrictions**

State appropriation and other restricted net assets are available for the following purposes as of June 30, 2022:

The portion of unexpended investment return generated from donor-restricted endowment funds subject to UPMIFA consist of:

Programs	\$ 5,577,190
Operations	<u>6,457,239</u>
	12,034,429

Gifts and other unexpended support and revenue available for:

Programs	17,726,480
Programs and operations from state appropriation	<u>15,862,626</u>
	<u>\$ 45,623,535</u>

**MINNESOTA HISTORICAL SOCIETY**  
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**(8) Net Assets with Donor Restrictions (Continued)**

Perpetually restricted net assets and the purposes the income is expendable to support are as follows as of June 30, 2022:

Endowment funds for:	
Programs	\$ 62,968,344
Operations	<u>17,318,652</u>
	80,286,996
Gifts and other unexpended support and revenue available for:	
Programs	201,678
Programs and operations from state appropriation	<u>320,312</u>
	<u>\$ 80,808,986</u>

**(9) Endowment Funds**

The Society's endowment consists of approximately 175 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.

**MINNESOTA HISTORICAL SOCIETY**  
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**(9) Endowment Funds (Continued)**

***Endowment Net Assets Composition by Type of Fund***

Endowment net assets consist of the following at June 30, 2022:

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
Donor-restricted endowment funds	\$ -	\$ 92,321,425	\$ 92,321,425
Board-designated endowment funds	10,185,507	-	10,185,507
Total endowed net assets	<u>\$ 10,185,507</u>	<u>\$ 92,321,425</u>	<u>\$ 102,506,932</u>

***Changes in Endowment Net Assets***

Changes in Endowment Net Assets for the year ended June 30, 2022 are as follows:

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
Endowment Net Assets, July 1, 2021	\$ 9,078,678	\$ 109,967,306	\$ 119,045,984
Investment Return	(2,165,683)	(16,490,083)	(18,655,766)
Contributions	3,600,000	2,240,465	5,840,465
Appropriation of Endowment Assets for Expenditure	<u>(327,488)</u>	<u>(3,396,263)</u>	<u>(3,723,751)</u>
Endowment Net Assets, June 30, 2022	<u>\$ 10,185,507</u>	<u>\$ 92,321,425</u>	<u>\$ 102,506,932</u>

Investments not included in endowments total \$3,832,705 bringing the total to \$106,339,638.

***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 with donor-restricted net assets were \$-0- as of June 30, 2022.

**MINNESOTA HISTORICAL SOCIETY**  
**NOTES TO FINANCIAL STATEMENTS**  
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**(9) Endowment Funds (Continued)**

***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 6.5%, 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, 2022 was 4.5%, 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 (75%), fixed income (18%), and alternative investments (7%).

**(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 \$1,176,535 for the year ended June 30, 2022.

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, 2021. The plan was 111.5% funded as of June 30, 2021. The Society's portion of the plan was 0.130% as of June 30, 2021.

Contributions for the fiscal year 2021 were \$267,352. The Society's portion of the unfunded liability was \$105,986 as of June 30, 2021. The Society has no collective bargaining agreements. As of July 1, 2021, the employer contribution rate was 6.25% of pay.

**MINNESOTA HISTORICAL SOCIETY**  
**NOTES TO FINANCIAL STATEMENTS**  
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**(11) Return of Unused Legacy Appropriation**

In 2008, the voters of Minnesota approved an amendment to the Minnesota Constitution, dedicating a portion of the state's sales tax to outdoors and cultural endeavors. One of the funds created by the "Legacy Amendment" is the Arts and Cultural Heritage Fund (ACHF), which may be used "to preserve Minnesota's history and cultural heritage." The Minnesota Historical Society receives funds from the ACHF, which are appropriated by the Minnesota Legislature, two fiscal years at a time. Typically, these funds are available for two years.

In the 2017 legislative session, the Minnesota Historical Society was appropriated \$11,815,000 for fiscal year 2018 and \$16,305,000 for fiscal year 2019. The fiscal year 2018 appropriation expired on June 30, 2019 while the fiscal year 2019 appropriation was set to expire on June 30, 2020. During the 2020 legislative session, the availability of the fiscal year 2019 appropriation from the Arts and Cultural Heritage Fund was extended to June 30, 2022. During fiscal year 2022, the Minnesota Historical Society recognized that it would not be able to expend all available funds by the June 30, 2022 expiration deadline, due to a number of factors, many of which relate to pandemic closures and other delays.

The Minnesota Historical Society worked with the Minnesota Legislature during the 2022 legislative session to extend the 2019 appropriation for one more year. The language was included in the Legacy bill, which was passed and signed into law by the Governor, but after passage, an issue with the wording of the language was discovered by Minnesota Management and Budget that made the extension invalid. As a result of the invalidity of the new Session Laws, the 2019 appropriation from the Arts and Cultural Heritage Fund expired on June 30, 2022. On June 30, 2022, the Minnesota Historical Society held on its balance sheet, a receivable balance for unrequested Arts and Cultural Heritage Funds in the amount of \$3,094,610. This balance had been recognized as revenue on the Minnesota Historical Society's financial statements in a prior year. While the Minnesota Historical Society intends to pursue revised language to correct the previous inaccurate language or new language re-appropriating the expired funds, at this time the Minnesota Historical Society considers these funds as expired and as such has removed the receivable from the balance sheet as of June 30, 2022.

**(12) COVID-19 Impact and Reopening Process**

FY22 saw further recovery from the impact of the COVID-19 closures at the Society including historic sites and museums and other activities such as the History Center library. The Society continued to expand operations and realized increased admissions-related earned income from increased site staffing and higher site operating expenses. Most sites entered FY22 with 4 day per week schedules but without K-12 field trips as most schools had suspended these activities. As we continued to expand schedules and welcomed additional field trips in the spring, total FY22 attendance expanded to approximately 454,000 – up from approximately 188,000 in FY21 during the pandemic. We anticipate this process to continue during FY23 as our audience continues to grow with expanded programming and more field trips.

**(13) Subsequent Events**

In connection with the preparation of the financial statements the Society evaluated subsequent events after the balance sheet date of June 30, 2022 through October 11, 2022, which was the date the financial statements were available to be issued.



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