

MINNESOTA HISTORICAL SOCIETY
FINANCIAL STATEMENTS
JUNE 30, 2024
(WITH INDEPENDENT AUDITORS' REPORT THEREON)



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**MINNESOTA HISTORICAL SOCIETY
TABLE OF CONTENTS**

	Page
INDEPENDENT AUDITORS' REPORT	1
FINANCIAL STATEMENTS	
Balance Sheet	3
Statement of Activities	4
Statement of Functional Expenses	6
Statement of Cash Flows	7
Notes to Financial Statements	8



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, 2024, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Minnesota Historical Society as of June 30, 2024, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (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 audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of 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.

Report on Summarized Comparative Information

We have previously audited the Society's 2023 financial statements, and we expressed an unmodified opinion on those audited financial statements in our report dated October 10, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2023, is consistent, in all material respects, with the audited financial statements from which it has been derived.



CliftonLarsonAllen LLP

Minneapolis, Minnesota
October 8, 2024

MINNESOTA HISTORICAL SOCIETY
BALANCE SHEET
JUNE 30, 2024
(WITH SUMMARIZED INFORMATION AS OF JUNE 30, 2023)

Assets	Without Donor Restrictions			With Donor Restrictions			2024 Total	2023 Total
	Operating	Plant fund	Board- designated endowment	State appropriations	Other	Perpetually restricted		
Cash and cash equivalents	\$ 5,711,926	\$ -	\$ -	\$ (1,602,805)	\$ 2,671,450	\$ 4,171,698	\$ 10,952,269	\$ 10,547,848
Investments	7,933,823	-	14,216,384	-	31,275,920	121,690,193	175,116,320	153,918,911
Receivables:								
Nonstate support and contributions, net	56,000	-	-	-	574,543	73,547	704,090	1,296,153
Contribution receivable in remainder trusts	-	-	-	-	-	331,121	331,121	320,412
Federal reimbursement for Covid-19	-	-	-	-	-	-	-	1,802,301
State appropriation	14,395,448	-	-	-	-	-	14,395,448	800,000
State legacy appropriation	-	-	-	13,555,089	-	-	13,555,089	17,759,462
State capital appropriation	-	-	-	6,746,922	-	-	6,746,922	8,208,628
Contracts	1,216,415	-	-	-	-	-	1,216,415	362,331
Publication sales	281,993	-	-	-	-	-	281,993	287,827
Other	1,084,972	-	-	-	95,200	-	1,180,172	998,978
Total receivables	17,034,828	-	-	20,302,011	669,743	404,668	38,411,250	31,836,092
Museum shop inventories	1,342,362	-	-	-	-	-	1,342,362	1,103,103
Property and equipment, net	-	112,665,619	-	-	-	-	112,665,619	115,229,102
Total assets	<u>\$ 32,022,939</u>	<u>\$ 112,665,619</u>	<u>\$ 14,216,384</u>	<u>\$ 18,699,206</u>	<u>\$ 34,617,113</u>	<u>\$ 126,266,559</u>	<u>\$ 338,487,820</u>	<u>\$ 312,635,056</u>
Liabilities and Net Assets								
Liabilities:								
Accounts payable and accrued expenses	\$ 8,703,178	\$ -	\$ -	\$ 2,379,374	\$ 368,768	\$ -	\$ 11,451,320	\$ 7,502,307
Accrued vacation and sick liability	2,302,873	-	-	-	-	-	2,302,873	1,891,324
Split-interest agreements liability	-	-	-	-	-	190,563	190,563	197,408
Total liabilities	11,006,051	-	-	2,379,374	368,768	190,563	13,944,756	9,591,039
Net assets:								
Without Donor Restrictions:								
Operating	21,016,888	112,665,619	-	-	-	-	133,682,507	130,109,850
Board-designated endowment	-	-	14,216,384	-	-	-	14,216,384	10,870,261
Total without donor restrictions	21,016,888	112,665,619	14,216,384	-	-	-	147,898,891	140,980,111
With Donor Restrictions	-	-	-	16,319,832	34,248,345	126,075,996	176,644,173	162,063,906
Total net assets	21,016,888	112,665,619	14,216,384	16,319,832	34,248,345	126,075,996	324,543,064	303,044,017
Total liabilities and net assets	<u>\$ 32,022,939</u>	<u>\$ 112,665,619</u>	<u>\$ 14,216,384</u>	<u>\$ 18,699,206</u>	<u>\$ 34,617,113</u>	<u>\$ 126,266,559</u>	<u>\$ 338,487,820</u>	<u>\$ 312,635,056</u>

See accompanying Notes to Financial Statements.

MINNESOTA HISTORICAL SOCIETY
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2024
(WITH SUMMARIZED INFORMATION FOR THE YEAR ENDED JUNE 30, 2023)

	Without Donor Restrictions			With Donor Restrictions			2024 Total	2023 Total
	Operating	Plant fund	Board-designated endowment	State appropriations	Other	Perpetually restricted		
Operating Support and revenue:								
Support:								
Private contributions	\$ 2,660,097	\$ -	\$ -	\$ -	\$ 1,201,104	\$ 6,357,120	\$ 10,218,321	\$ 26,831,902
Federal grants	-	-	-	-	19,433	-	19,433	300,004
County and other grants	-	-	-	-	234,550	-	234,550	62,000
State operating appropriation	34,930,448	-	-	-	-	-	34,930,448	23,597,000
State legacy appropriation	-	-	-	16,739,440	-	-	16,739,440	20,532,460
State capital appropriation	-	-	-	-	-	-	-	6,000,000
Total support	<u>37,590,545</u>	<u>-</u>	<u>-</u>	<u>16,739,440</u>	<u>1,455,087</u>	<u>6,357,120</u>	<u>62,142,192</u>	<u>77,323,366</u>
Revenue:								
Admission fees	3,178,889	-	-	-	-	-	3,178,889	2,653,320
Museum store sales	2,692,201	-	-	-	-	-	2,692,201	2,403,354
Publication sales	2,241,080	-	-	-	-	-	2,241,080	1,763,655
Program fees	1,160,093	-	-	-	-	-	1,160,093	940,313
Contract service fees	2,063,645	-	-	-	246,362	-	2,310,007	1,530,448
Library sales and fees	171,501	-	-	-	-	-	171,501	162,094
Investment return	855,510	-	1,756,637	-	3,244,829	14,262,721	20,119,697	14,046,785
Endowment payout	1,235,541	-	(410,514)	-	2,540,375	(3,365,402)	-	-
Change in value of split-interest agreements	-	-	-	-	-	(19,040)	(19,040)	(9,279)
Rental, parking, food services	1,060,098	-	-	-	-	-	1,060,098	966,286
Other sales, fees, and memberships	797,724	-	-	-	-	-	797,724	663,888
Total revenue	<u>15,456,282</u>	<u>-</u>	<u>1,346,123</u>	<u>-</u>	<u>6,031,566</u>	<u>10,878,279</u>	<u>33,712,250</u>	<u>25,120,864</u>
Total support and revenue	53,046,827	-	1,346,123	16,739,440	7,486,653	17,235,399	95,854,442	102,444,230
Funds transfer	(2,000,000)	-	2,000,000	-	-	-	-	-
Net assets released from program restrictions	26,663,210	218,015	-	(21,782,094)	(5,099,131)	-	-	-
Total operating support, revenue, and net assets released from program restrictions	<u>\$ 77,710,037</u>	<u>\$ 218,015</u>	<u>\$ 3,346,123</u>	<u>\$ (5,042,654)</u>	<u>\$ 2,387,522</u>	<u>\$ 17,235,399</u>	<u>\$ 95,854,442</u>	<u>\$ 102,444,230</u>

See accompanying Notes to Financial Statements.

MINNESOTA HISTORICAL SOCIETY
STATEMENT OF ACTIVITIES (CONTINUED)
YEAR ENDED JUNE 30, 2024
(WITH SUMMARIZED INFORMATION FOR THE YEAR ENDED JUNE 30, 2023)

	Without Donor Restrictions			With Donor Restrictions			2024 Total	2023 Total
	Operating	Plant fund	Board-designated endowment	State appropriations	Other	Perpetually restricted		
Expenses:								
Program services:								
Library and Collections	\$ 12,705,602	\$ 299,852	\$ -	\$ -	\$ -	\$ -	\$ 13,005,454	\$ 9,994,044
Historic Sites and Museums	19,762,133	1,886,733	-	-	-	-	21,648,866	20,115,443
Education, Outreach, and Content Development	14,760,219	482,791	-	-	-	-	15,243,010	13,458,596
Heritage Preservation	8,267,656	5,384	-	-	-	-	8,273,040	9,242,604
Total program services	<u>55,495,610</u>	<u>2,674,760</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>58,170,370</u>	<u>52,810,687</u>
Supporting services:								
Management and General	11,737,103	105,528	-	-	-	-	11,842,631	12,425,452
Development and Membership	2,311,388	1,210	-	-	-	-	2,312,598	1,660,111
Total supporting services	<u>14,048,491</u>	<u>106,738</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>14,155,229</u>	<u>14,085,563</u>
Total expenses	<u>69,544,101</u>	<u>2,781,498</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>72,325,599</u>	<u>66,896,250</u>
Increase (decrease) in operating net assets	8,165,936	(2,563,483)	3,346,123	(5,042,654)	2,387,522	17,235,399	23,528,843	35,547,980
Nonoperating Activities								
Return of Unused Legacy Appropriation	(2,029,796)	-	-	-	-	-	(2,029,796)	(1,046,582)
Net changes in nonoperating net assets	<u>(2,029,796)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,029,796)</u>	<u>(1,046,582)</u>
Changes in net assets:								
Without donor restriction	6,136,140	(2,563,483)	3,346,123	-	-	-	6,918,780	(1,129,987)
With donor restrictions	-	-	-	(5,042,654)	2,387,522	17,235,399	14,580,267	35,631,385
Net changes in net assets	<u>6,136,140</u>	<u>(2,563,483)</u>	<u>3,346,123</u>	<u>(5,042,654)</u>	<u>2,387,522</u>	<u>17,235,399</u>	<u>21,499,047</u>	<u>34,501,398</u>
Net assets at beginning of year	<u>14,880,748</u>	<u>115,229,102</u>	<u>10,870,261</u>	<u>21,362,486</u>	<u>31,860,823</u>	<u>108,840,597</u>	<u>303,044,017</u>	<u>268,542,619</u>
Net assets at end of year	<u>\$ 21,016,888</u>	<u>\$ 112,665,619</u>	<u>\$ 14,216,384</u>	<u>\$ 16,319,832</u>	<u>\$ 34,248,345</u>	<u>\$ 126,075,996</u>	<u>\$ 324,543,064</u>	<u>\$ 303,044,017</u>

See accompanying Notes to Financial Statements.

**MINNESOTA HISTORICAL SOCIETY
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2024**

(WITH SUMMARIZED INFORMATION FOR THE YEAR ENDED JUNE 30, 2023)

	Library and Collections	Historic Sites and Museums	Education, Outreach, and Content Development	Heritage Preservation	Total Program Services	Management and General	Development and Membership	2024 Total Expenses	2023 Total Expenses
Salaries	\$ 5,756,798	\$ 8,703,335	\$ 4,695,903	\$ 741,381	\$ 19,897,417	\$ 5,372,279	\$ 1,337,407	\$ 26,607,103	\$ 22,146,271
Benefits	2,036,402	3,119,886	1,665,084	260,116	7,081,488	1,873,244	481,230	9,435,962	8,322,892
	<u>7,793,200</u>	<u>11,823,221</u>	<u>6,360,987</u>	<u>1,001,497</u>	<u>26,978,905</u>	<u>7,245,523</u>	<u>1,818,637</u>	<u>36,043,065</u>	<u>30,469,163</u>
Rental fees	14,016	33,947	82,342	-	130,305	6,359	1,354	138,018	702,224
Advertising	2,500	12,783	48,572	-	63,855	706,038	-	769,893	607,793
Repairs	147,111	709,919	5,245	29,330	891,605	881,580	7,560	1,780,745	1,433,129
Insurance	-	-	-	-	-	283,955	-	283,955	252,711
Printing	5,268	74,760	899,216	1,432	980,676	62,903	152,770	1,196,349	1,065,109
Professional and technical services	1,047,314	848,992	973,599	529,310	3,399,215	1,294,819	53,693	4,747,727	4,226,350
Purchased services	55,387	1,556,815	1,489,962	6,365	3,108,529	211,977	163,486	3,483,992	4,445,286
Speakers' fees	-	83,674	262,093	-	345,767	250	16,250	362,267	351,929
Communications/postage	37,408	130,094	113,010	4,930	285,442	217,597	47,215	550,254	486,411
Employee travel	146,960	110,391	112,087	15,464	384,902	75,952	10,091	470,945	378,778
Utility service	40,463	474,664	-	-	515,127	74,788	-	589,915	705,623
Fees and other expenses	107,345	54,484	315,104	12,274	489,207	78,963	5,241	573,411	597,435
Supplies	319,867	568,399	395,848	2,722	1,286,836	84,373	23,578	1,394,787	1,487,700
Equipment	71,906	457,603	2,397	-	531,906	394,015	-	925,921	1,846,402
Collections acquisition	1,058,043	-	15,000	-	1,073,043	-	-	1,073,043	64,044
Buildings and improvements	-	1,523,816	-	-	1,523,816	-	-	1,523,816	876,482
Grants	-	-	8,000	6,613,098	6,621,098	-	-	6,621,098	7,571,044
Cost of goods sold	-	1,258,275	-	-	1,258,275	-	-	1,258,275	1,145,831
Depreciation	299,852	1,886,733	482,791	5,384	2,674,760	105,528	1,210	2,781,498	2,754,685
History Center building services	1,858,814	40,296	3,676,757	51,234	5,627,101	118,011	11,513	5,756,625	5,428,121
	<u>\$ 13,005,454</u>	<u>\$ 21,648,866</u>	<u>\$ 15,243,010</u>	<u>\$ 8,273,040</u>	<u>\$ 58,170,370</u>	<u>\$ 11,842,631</u>	<u>\$ 2,312,598</u>	<u>\$ 72,325,599</u>	<u>\$ 66,896,250</u>

See accompanying Notes to Financial Statements.

MINNESOTA HISTORICAL SOCIETY
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2024
(WITH COMPARATIVE INFORMATION FOR THE YEAR ENDED JUNE 30, 2023)

	2024	2023
Cash flows from operating activities:		
Net changes in net assets	\$ 21,499,047	\$ 34,501,398
Adjustments to reconcile net changes in net assets to net cash provided (used) by operating activities:		
Depreciation	2,781,498	2,754,685
Net realized and unrealized gain on investments	(16,623,785)	(11,348,786)
Adjustment of actuarial liability for split-interest agreements liability	34,126	56,230
Perpetually restricted contributions	(6,357,120)	(20,528,891)
Changes in assets and liabilities:		
Receivables	(6,575,158)	(5,475,057)
Museum shop inventories	(239,259)	(209,903)
Accounts payable and accrued expenses	3,949,013	2,189,282
Accrued vacation and sick liability	411,549	(43,915)
Net cash provided (used) by operating activities	(1,120,089)	1,895,043
Cash flows from investing activities:		
Purchase of property and equipment	(218,015)	(753,333)
Purchase of investments	(102,111,675)	(46,182,491)
Proceeds from sale of investments	97,538,051	23,905,368
Net cash used by investing activities	(4,791,639)	(23,030,456)
Cash flows from financing activities:		
Payments on split-interest agreements liability	(40,971)	(41,243)
Proceeds from contributions restricted for:		
Investment in perpetually restricted	6,357,120	20,528,891
Net cash provided by financing activities	6,316,149	20,487,648
Net change in cash and cash equivalents	404,421	(647,765)
Cash and cash equivalents at beginning of year	10,547,848	11,195,613
Cash and cash equivalents at end of year	\$ 10,952,269	\$ 10,547,848
Noncash purchase of property and equipment	\$ -	\$ 555,673

See accompanying Notes to Financial Statements.

MINNESOTA HISTORICAL SOCIETY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024

(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.

(j) 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, 2024

(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, 2024

(2) Summary of Accounting Policies (Continued)

(d) Receivables

The Society provides an allowance for uncollectible credit losses 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. Management estimates the allowance based on its assessment of the current status of individual accounts, historical collection ability, type, current conditions, and future considerations. An allowance of \$40,000 was recorded for the year ended June 30, 2024 related to the author advances. A discount of \$8,361 was recorded in the year ended June 30, 2024 for the receivables that are expected to be collected over one year from June 30, 2024. At June 30, 2024, one receivable made up 44% of other receivables on the balance sheet.

(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 8.5% commensurate with the risks involved and the 2024 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, 2024

(2) Summary of Accounting Policies (Continued)

(f) Program and Supporting Services (Continued)

- **Heritage 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, 2024

(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) Leases

The Society determines if an arrangement is a lease at inception. Leases are reported on the balance sheet as a right-of-use (ROU) asset and lease liability. ROU assets represent the Society's right to use an underlying asset for the lease term and lease liabilities represent the obligation to make lease payments arising from the lease. ROU assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. Lease terms may include options to extend or terminate the lease when it is reasonably certain that the Society will exercise that option. Lease expense for operating lease payments is recognized on a straight-line basis over the lease term. The Society has elected to recognize payments for short-term leases with a lease term of 12 months or less as expense as incurred and these leases are not included as lease liabilities or ROU assets on the balance sheet. As of June 30, 2024, the Society has various copier leases with various terms. The Society has determined the leases are immaterial and has chosen not to record as a ROU asset and liability.

(l) 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.

(m) 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, 2024, the Society estimated a loss for its unrelated business income taxes and, accordingly, has made no provision for the taxes.

(n) 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.

MINNESOTA HISTORICAL SOCIETY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024

(2) Summary of Accounting Policies (Continued)

(o) Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect 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.

(p) 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.

(q) Labor Contract

The Society entered into a labor contract with the American Federation of State, County, and Municipal Employees, Council No. 5 – Local Union 3173. The agreement is effective from May 1, 2023 through June 30, 2026.

(r) 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 2023 financial statements from which the summarized information was derived.

(s) Adoption of New Accounting Standard

On July 1, 2023, the Society adopted Financial Accounting Standards Board Accounting Standards Update No. 2016-13, *Financial Instruments- Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, as amended, which modifies the measurement of the expected credit losses. The Society adopted this new guidance utilizing the modified retrospective transition method. The adoption of this standard did not have a material impact on the Society's financial statements.

(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.

MINNESOTA HISTORICAL SOCIETY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024

(3) Liquidity and Availability (Continued)

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, 2024, 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	\$ 5,711,926
Nonstate Support and Contributions, Net	56,000
Contract Receivables	1,216,415
Publication Sale Receivables	281,993
Operating Investments	22,150,207
Total	<u>\$ 29,416,541</u>

(4) Cash and Investments

Investment return for the year ended June 30, 2024 consisted of the following:

Dividends and Interest	\$ 3,736,742
Net Realized Gain on Investments	18,764,108
Net Unrealized Loss on Investments	(2,140,323)
Investment Expense	(240,830)
Investment Return	<u>\$ 20,119,697</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 \$373,917 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.

MINNESOTA HISTORICAL SOCIETY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024

(5) Fair Value Measurements (Continued)

The following table summarizes the Society's investments that were accounted for at fair value, as of June 30, 2024:

<u>Description</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Mutual Funds:				
Equity	\$ 106,635,509	\$ -	\$ -	\$ 106,635,509
Fixed Income	45,071,987	-	-	45,071,987
Total Mutual Funds	151,707,496	-	-	151,707,496
Domestic Common Stock	296,000	-	-	296,000
Investments Valued at Net Asset Value	-	-	-	23,112,824
	<u>\$ 152,003,496</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 175,116,320</u>

The following table summarizes the Society's contribution receivable in remainder trusts that were accounted for at fair value, as of June 30, 2024:

<u>Description</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Contribution receivable in remainder trusts	\$ -	\$ 331,121	\$ -	\$ 331,121

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, 2024:

<u>Investment Category</u>	<u>NAV</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency</u>	<u>Redemption Notice Period</u>
Common Collective Trusts				
Grosvenor	\$ 9,704,177	\$ -	Quarterly	70 Days
Lighthouse Partners	13,408,647	-	Monthly	90 Days
Total	<u>\$ 23,112,824</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, 2024.

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, 2024.

MINNESOTA HISTORICAL SOCIETY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024

(6) Property and Equipment

Property and equipment consist of the following at June 30, 2024:

Land	\$ 5,491,606
Property and improvement	147,901,540
Equipment	7,200,656
	<u>160,593,802</u>
Accumulated depreciation	(47,928,183)
	<u><u>\$ 112,665,619</u></u>

(7) Nonstate Support and Contributions Receivable

Nonstate support and contributions receivable are discounted at rates ranging from 0.43% to 4.33% and summarized as follows at June 30, 2024:

Federal Grants Receivable	\$ 81,811
Donor Pledges Receivable	622,279
	<u>\$ 704,090</u>

Unconditional promises expected to be collected in:

Less than one year	\$ 512,176
One year to five years	200,275
Greater than five years	-
Less discount	(8,361)
	<u>\$ 704,090</u>

At June 30, 2024, two pledges totaling \$456,163 made up 73% of donor pledges receivable totaling \$622,279.

(8) Net Assets with Donor Restrictions

State appropriation and other restricted net assets are available for the following purposes as of June 30, 2024:

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

Programs	\$ 7,027,502
Operations	8,079,055
	<u>15,106,557</u>

Gifts and other unexpended support and revenue available for:

Programs	19,141,788
Programs and operations from state appropriation	16,319,832
	<u>\$ 50,568,177</u>

MINNESOTA HISTORICAL SOCIETY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024

(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, 2024:

Endowment funds for:	
Programs	\$ 105,226,290
Operations	<u>20,324,522</u>
	125,550,812
Gifts and other unexpended support and revenue available for:	
Programs	194,063
Programs and operations from state appropriation	<u>331,121</u>
	<u>\$ 126,075,996</u>

(9) Endowment Funds

The Society’s endowment consists of approximately 183 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
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024

(9) Endowment Funds (Continued)

Endowment Net Assets Composition by Type of Fund

Endowment net assets consist of the following at June 30, 2024:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ 140,657,369	\$ 140,657,369
Board-designated endowment funds	14,216,384	-	14,216,384
Total endowed net assets	<u>\$ 14,216,384</u>	<u>\$ 140,657,369</u>	<u>\$ 154,873,753</u>

Changes in Endowment Net Assets

Changes in Endowment Net Assets for the year ended June 30, 2024 are as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment Net Assets, July 1, 2023	\$ 10,870,261	\$ 121,487,086	\$ 132,357,347
Investment Return	1,756,637	16,851,816	18,608,453
Contributions	2,000,000	6,346,512	8,346,512
Appropriation of Endowment Assets for Expenditure	<u>(410,514)</u>	<u>(4,028,045)</u>	<u>(4,438,559)</u>
Endowment Net Assets, June 30, 2024	<u>\$ 14,216,384</u>	<u>\$ 140,657,369</u>	<u>\$ 154,873,753</u>

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, 2024.

MINNESOTA HISTORICAL SOCIETY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024

(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 Investment 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, 2024 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 (50-85%), fixed income (15-50%), and alternative investments (0-15%).

(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 \$1,609,942 for the year ended June 30, 2024.

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, 2023. The plan was 94.5% funded as of June 30, 2023. The Society's portion of the plan was 0.153% as of June 30, 2023.

Contributions for the fiscal year 2023 were \$348,215. The Society's portion of the unfunded liability was \$1.5M as of June 30, 2023. The Society has no collective bargaining agreements. As of July 1, 2023, the employer contribution rate was 5.5% of pay.

MINNESOTA HISTORICAL SOCIETY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024

(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 recent years, the Minnesota Historical Society and partner organizations have not been able to fully spend appropriated Legacy funds, due to a number of factors, many of which relate to pandemic closures and other delays. While the Minnesota Legislature has provided extensions of availability of some Legacy funds, the Society has not consistently been able to expend all appropriated funds in certain areas. In the year ended June 30, 2024, the Society was not able to fully expend funds for Archaeological Surveys. This initiative is overseen by a consortium of agencies who work in the archaeology field. Due to challenges in awarding and completing survey projects, \$797,685 will be returned to the State of Minnesota. Similarly, funds for partnerships, which are for history-related projects conducted in partnership by multiple organizations, were not fully expended in the year ended June 30, 2024, and \$1,232,111 from this activity will be returned to the State of Minnesota.

It is important to note that funds for grants and history programs directly operated by the Society have not been returned to the State of Minnesota. These two funding categories comprise the largest dollar amounts of Legacy appropriations and have been either extended or expended.

(12) Subsequent Events

In connection with the preparation of the financial statements the Society evaluated subsequent events after the balance sheet date of June 30, 2024 through October 8, 2024, which was the date the financial statements were available to be issued.



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