



Consolidated Financial Statements
June 30, 2020 and 2019

Minnesota Children's Museum and Affiliate

Minnesota Children's Museum and Affiliate

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June 30, 2020 and 2019

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Independent Auditor's Report

To the Board of Directors
Minnesota Children's Museum and Affiliate
Saint Paul, Minnesota

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Minnesota Children's Museum and Affiliate (the Museum), which comprise the consolidated statements of financial position as of June 30, 2020 and 2019, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Museum as of June 30, 2020 and 2019, and the changes in net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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Adjustments to Prior Period Financial Statements

As discussed in Note 17 to the consolidated financial statements, a certain error resulting in overstatement of amounts previously reported for net assets with donor restrictions and understatement of net assets without donor restrictions as of June 30, 2019, was discovered by management of the Museum during the current year. Accordingly, amounts reported for net assets with donor restrictions and without donor restrictions have been restated in the 2019 consolidated financial statements now presented, and an adjustment has been made to net assets as of June 30, 2019, to correct the error. Our opinion is not modified with respect to that matter.

A handwritten signature in cursive script that reads "Eide Bailly LLP".

Minneapolis, Minnesota

November 24, 2020

Minnesota Children's Museum and Affiliate
Consolidated Statements of Financial Position
June 30, 2020 and 2019

	2020	2019 (Restated)
Assets		
Cash and cash equivalents	\$ 3,040,918	\$ 1,902,690
Cash restricted for capital campaign and loan reserves	56,992	26,650
Grants and pledges receivable, net	719,122	1,464,648
Accounts receivable	39,238	118,035
Other receivables	1,400	9,000
Prepaid expenses	181,699	268,083
Operating investments	131,708	257,631
Endowment investments	4,345,990	4,620,620
Leveraged loan receivable	6,827,800	6,827,800
Land, building, exhibits, and equipment, net	29,091,449	30,352,891
	<u>\$ 44,436,316</u>	<u>\$ 45,848,048</u>
Liabilities and Net Assets		
Accounts payable	\$ 98,293	\$ 160,103
Contractors payable	16,296	63,122
Accrued compensation	576,471	439,590
Deferred revenue	1,695,860	1,774,789
Note payable and other debt		
Paycheck Protection Program loan	1,237,100	-
Notes payable and other	115,955	750,000
New market tax credit loans	9,420,000	9,420,000
	<u>13,159,975</u>	<u>12,607,604</u>
Net Assets		
Without donor restrictions		
Undesignated	26,419,337	26,768,561
Board-designated quasi-endowment	2,460,433	2,460,433
Board-designated fixed asset replacement	-	531,000
Board-designated operating reserve	-	331,000
	<u>28,879,770</u>	<u>30,090,994</u>
With donor restrictions		
Purpose restrictions	-	5,050
Time-restricted for future periods	511,014	984,213
Accumulated earnings	104,668	379,298
Perpetual in nature	1,780,889	1,780,889
	<u>2,396,571</u>	<u>3,149,450</u>
Total net assets	<u>31,276,341</u>	<u>33,240,444</u>
Total liabilities and net assets	<u>\$ 44,436,316</u>	<u>\$ 45,848,048</u>

Minnesota Children's Museum and Affiliate
Consolidated Statements of Activities
Year Ended June 30, 2020

	Without Donor Restrictions		With Donor Restrictions	Total
	Undesignated	Board Designated		
Revenue, Support, and Gains				
Museum admissions	\$ 1,081,119	\$ -	\$ -	\$ 1,081,119
Memberships	1,117,085	-	-	1,117,085
Education and groups	143,176	-	-	143,176
Parties and events revenue	86,628	-	-	86,628
Exhibit rentals and sales	1,341,276	-	-	1,341,276
Net investment return (loss)	6,420	-	(44,630)	(38,210)
Other revenue	479,932	-	-	479,932
Grants and contributions	474,375	-	1,002,892	1,477,267
Government grants	-	-	1,158,625	1,158,625
Fundraising events	83,171	-	-	83,171
Less cost of direct benefit to donors	(10,000)	-	-	(10,000)
	<u>73,171</u>	<u>-</u>	<u>-</u>	<u>73,171</u>
In-kind contributions	52,077	-	-	52,077
Capital campaign	800,850	-	-	800,850
Net assets released from restriction pursuant to endowment spending-rate distribution formula	230,000	-	(230,000)	-
Net assets released from restrictions - other	<u>2,439,766</u>	<u>-</u>	<u>(2,439,766)</u>	<u>-</u>
Total revenue, support, and gains	<u>8,325,875</u>	<u>-</u>	<u>(552,879)</u>	<u>7,772,996</u>
 Expenses and Losses				
Program service expense	7,611,431	-	-	7,611,431
Supporting services expenses	<u>1,925,668</u>	<u>-</u>	<u>-</u>	<u>1,925,668</u>
Total expenses and losses	<u>9,537,099</u>	<u>-</u>	<u>-</u>	<u>9,537,099</u>

Minnesota Children's Museum and Affiliate
Consolidated Statements of Activities
Year Ended June 30, 2020

	Without Donor Restrictions		With Donor Restrictions	Total
	Undesignated	Board Designated		
Change in Net Assets	\$ (1,211,224)	\$ -	\$ (552,879)	\$ (1,764,103)
Board-Designated Reserve Transfer	862,000	(862,000)	-	-
Net Assets Transfer (Note 1)	-	-	(200,000)	(200,000)
Net Assets, Beginning of Year (Restated)	26,768,561	3,322,433	3,149,450	33,240,444
Net Assets, End of Year	\$ 26,419,337	\$ 2,460,433	\$ 2,396,571	\$ 31,276,341

Minnesota Children's Museum and Affiliate
Consolidated Statements of Activities
Year Ended June 30, 2019 (Restated)

	Without Donor Restrictions		With Donor Restrictions	Total
	Undesignated	Board Designated		
Revenue, Support, and Gains				
Museum admissions	\$ 1,613,442	\$ -	\$ -	\$ 1,613,442
Memberships	1,699,232	-	-	1,699,232
Education and groups	232,160	-	-	232,160
Parties and events revenue	109,814	-	-	109,814
Exhibit rentals and sales	1,286,515	-	-	1,286,515
Net investment return	6,156	-	201,592	207,748
Other revenue	564,121	-	-	564,121
Grants and contributions	810,023	-	1,034,200	1,844,223
Government grants	-	-	490,000	490,000
Fundraising events	367,661	-	-	367,661
Less cost of direct benefit to donors	(47,158)	-	-	(47,158)
	<u>320,503</u>	<u>-</u>	<u>-</u>	<u>320,503</u>
In-kind contributions	87,952	-	-	87,952
Capital campaign	366,811	-	-	366,811
Net assets released from restriction pursuant to endowment spending-rate distribution formula	231,886	-	(231,886)	-
Net assets released from restrictions - other	<u>1,314,852</u>	<u>-</u>	<u>(1,314,852)</u>	<u>-</u>
Total revenue, support, and gains	<u>8,643,467</u>	<u>-</u>	<u>179,054</u>	<u>8,822,521</u>
Expenses and Losses				
Program service expense	7,793,132	-	-	7,793,132
Supporting services expenses	<u>2,036,797</u>	<u>-</u>	<u>-</u>	<u>2,036,797</u>
Total expenses and losses	<u>9,829,929</u>	<u>-</u>	<u>-</u>	<u>9,829,929</u>

Minnesota Children's Museum and Affiliate
Consolidated Statements of Activities
Year Ended June 30, 2019 (Restated)

	Without Donor Restrictions		With Donor Restrictions	Total
	Undesignated	Board Designated		
Change in Net Assets	\$ (1,186,462)	\$ -	\$ 179,054	\$ (1,007,408)
Board-Designated Reserve Transfer	(75,000)	75,000	-	-
Net Assets, Beginning of Year (Restated)	28,030,023	3,247,433	2,970,396	34,247,852
Net Assets, End of Year (Restated)	\$ 26,768,561	\$ 3,322,433	\$ 3,149,450	\$ 33,240,444

Minnesota Children's Museum and Affiliate

Consolidated Statements of Cash Flows
Years Ended June 30, 2020 and 2019

	2020	2019
Operating Activities		
Change in net assets	\$ (1,964,103)	\$ (1,007,408)
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	1,675,644	1,684,911
Realized and unrealized gain on operating investments	(6,420)	(6,156)
Endowment net investment return	44,630	(201,592)
Capital campaign discount amortization and write-off of uncollectible pledges receivable	26,811	11,414
Changes in operating assets and liabilities		
Grants and pledges receivable	(269,133)	651,171
Accounts receivable	78,797	89,623
Other receivables	7,600	204,011
Prepaid expenses	86,384	7,967
Accounts payable	(61,810)	70,331
Contractors payable	(46,826)	(1,458,687)
Accrued compensation	136,881	(60,894)
Deferred revenue	(78,929)	(275,553)
Net Cash used for Operating Activities	(370,474)	(290,862)
Investing Activities		
Withdrawal from endowment	230,000	231,886
Purchases of property and equipment	(414,010)	(1,276,054)
Purchase of operating investments	(131,900)	(251,475)
Proceeds from sale of operating investments	264,051	-
Net Cash used for Investing Activities	(51,859)	(1,295,643)
Financing Activities		
Principal payments on long-term debt	(750,000)	(600,000)
Proceeds from issuance of debt	1,353,055	-
Collection of contributions restricted for capital campaign and loan reserves	987,848	1,632,723
Net Cash from Financing Activities	1,590,903	1,032,723

Minnesota Children's Museum and Affiliate
Consolidated Statements of Cash Flows
Years Ended June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Net Change in Cash, Cash Equivalents, and Restricted Cash	\$ 1,168,570	\$ (553,782)
Cash, Cash Equivalents, and Restricted Cash, Beginning of Year	<u>1,929,340</u>	<u>2,483,122</u>
Cash, Cash Equivalents, and Restricted Cash, End of Year	<u>\$ 3,097,910</u>	<u>\$ 1,929,340</u>
Cash and Cash Equivalents	\$ 3,040,918	\$ 1,902,690
Cash Restricted for Capital Campaign and Loan Reserves	<u>56,992</u>	<u>26,650</u>
Total cash, cash equivalents, and restricted cash	<u>\$ 3,097,910</u>	<u>\$ 1,929,340</u>
Supplemental Disclosures		
Cash paid for interest	<u>\$ 167,002</u>	<u>\$ 194,131</u>

Minnesota Children's Museum and Affiliate
Consolidated Statements of Functional Expenses
Year Ended June 30, 2020

	Program Services			Administration	Fundraising	Cost of Direct Benefit to Donors	Total Expenses
	Experience and Outreach	Traveling Exhibit Production and Design	Total Program Services				
Salaries and Wages	\$ 2,516,462	\$ 344,578	\$ 2,861,040	\$ 644,269	\$ 321,871	\$ -	\$ 3,827,180
Payroll Taxes	281,534	38,967	320,501	55,247	27,318	-	403,066
Employee Benefits	268,118	32,281	300,399	50,167	37,040	-	387,606
Accounting and Finance Services Fees	6,356	-	6,356	33,774	-	-	40,130
Professional Fees and Contracted Services	85,906	14,228	100,134	111,610	7,275	-	219,019
Maintenance/Equipment/Rent	385,610	-	385,610	84,998	30,102	-	500,710
Information Technology	48,535	2,535	51,070	12,086	1,183	-	64,339
Travel	14,704	17,729	32,433	3,127	815	-	36,375
Training/Meetings	39,656	658	40,314	15,338	-	-	55,652
Supplies	135,542	18,059	153,601	4,249	1,882	-	159,732
Postage and Shipping	28,140	16,530	44,670	1,619	5,660	-	51,949
Utilities	231,346	378	231,724	39,027	1,481	-	272,232
Printing, Photography, and Graphics	72,738	1,842	74,580	1,669	8,075	-	84,324
Promotion and Advertising	189,978	-	189,978	23,423	4,121	-	217,522
Insurance	7,577	-	7,577	80,799	-	-	88,376
Fees/Permits/License	224,202	60,102	284,304	47,771	6,678	-	338,753
Exhibit Rental/Construction	195,207	-	195,207	-	7,387	-	202,594
Legal	17,947	6,502	24,449	12,517	547	-	37,513
Other Expenses	763,467	-	763,467	47	110,869	-	874,383
Cost of Direct Benefit to Donors	-	-	-	-	-	10,000	10,000
Depreciation	1,346,810	197,207	1,544,017	131,576	51	-	1,675,644
	<u>6,859,835</u>	<u>751,596</u>	<u>7,611,431</u>	<u>1,353,313</u>	<u>572,355</u>	<u>10,000</u>	<u>9,547,099</u>
Less Expenses Included with Revenues on the Statement of Activities							
Cost of direct benefit to donors	-	-	-	-	-	(10,000)	(10,000)
	<u>6,859,835</u>	<u>751,596</u>	<u>7,611,431</u>	<u>1,353,313</u>	<u>572,355</u>	<u>-</u>	<u>9,537,099</u>

Minnesota Children's Museum and Affiliate
Consolidated Statements of Functional Expenses
Year Ended June 30, 2019

	Program Services			Administration	Fundraising	Cost of Direct Benefit to Donors	Total Expenses
	Experience and Outreach	Traveling Exhibit Production and Design	Total Program Services				
Salaries and Wages	\$ 3,010,963	\$ 365,034	\$ 3,375,997	\$ 654,652	\$ 394,235	\$ -	\$ 4,424,884
Payroll Taxes	227,460	23,476	250,936	68,983	27,879	-	347,798
Employee Benefits	268,378	70,935	339,313	39,990	51,941	-	431,244
Accounting and Finance Services Fees	13,034	-	13,034	37,936	-	-	50,970
Professional Fees and Contracted Services	113,643	9,519	123,162	89,155	29,473	-	241,790
Maintenance/Equipment/Rent	527,495	5,175	532,670	99,910	49,968	-	682,548
Information Technology	77,053	2,762	79,815	17,471	1,771	-	99,057
Travel	6,649	16,158	22,807	2,859	1,011	-	26,677
Training/Meetings	58,068	4,596	62,664	9,006	17,950	-	89,620
Supplies	244,871	64,140	309,011	6,698	6,145	-	321,854
Postage and Shipping	27,392	46,197	73,589	1,739	6,547	-	81,875
Utilities	250,451	918	251,369	41,347	1,971	-	294,687
Printing, Photography, and Graphics	79,646	2,929	82,575	2,484	9,148	-	94,207
Promotion and Advertising	242,281	7,613	249,894	33,698	23,995	-	307,587
Insurance	4,663	-	4,663	55,745	-	-	60,408
Fees/Permits/License	233,282	65,698	298,980	78,971	10,166	-	388,117
Exhibit Rental/Construction	129,576	-	129,576	-	3,206	-	132,782
Legal	12,712	118	12,830	3,329	112	-	16,271
Other Expenses	34,617	2,154	36,771	5,545	10,326	-	52,642
Cost of Direct Benefit to Donors	-	-	-	-	-	47,158	47,158
Depreciation	1,407,088	136,388	1,543,476	141,384	51	-	1,684,911
	<u>6,969,322</u>	<u>823,810</u>	<u>7,793,132</u>	<u>1,390,902</u>	<u>645,895</u>	<u>47,158</u>	<u>9,877,087</u>
Less Expenses Included with Revenues on the Statement of Activities							
Cost of direct benefit to donors	-	-	-	-	-	(47,158)	(47,158)
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(47,158)</u>	<u>(47,158)</u>
Total expenses included in the expense section on the statement of activities	<u>\$ 6,969,322</u>	<u>\$ 823,810</u>	<u>\$ 7,793,132</u>	<u>\$ 1,390,902</u>	<u>\$ 645,895</u>	<u>\$ -</u>	<u>\$ 9,829,929</u>

Note 1 - Summary of Significant Accounting Policies**Organizational Purpose**

At the Minnesota Children's Museum (the Museum), the mission is sparking children's learning through play. The museum's vision for the community is: Kids play more. Adults do, too. All families thrive as a happier, healthier, and more innovative community through the radiant power of play.

The Museum serves the community as a welcoming space for all families to engage in playful learning. Core to the Museum's mission is providing open-ended play experiences that not only delight children, but also help instill a lifelong love of learning by nurturing real-world skills children need. The Museum encourages parents to support their children's playful learning to maximize skill development in the critical early childhood years. The Museum remains committed to ensuring that all families have access to the museum through the Play for All access program and efforts to improve the Museum's impact with families facing adversities through community partnerships. Through this work, the Museum envisions a community that grows more inclusive as families play together and learn from each other.

The Museum operates eleven galleries developed with the latest research in playful learning, as well as a satellite location in Rochester. The Museum is the leading producer of traveling exhibits for the children's museum industry, reaching 2.5 million additional visitors annually. The Museum's current portfolio consists of 15 active exhibits, which are rented to children's museums, science museums, and other family-serving entities across North America. The Museum's traveling exhibit program leverages the Museum's core strength of producing engaging exhibits that foster children's learning.

The Museum's programs are categorized as follows:

Experience and Outreach – Includes all aspects of championing the power of play in the Museum's community and providing a high-quality visitor experience at the museum. This includes admissions, memberships, field trips and other group events, special programming, safety, operations, evaluation, community partnerships, access programs, parent resources, and other work to support and encourage playful learning in the Museum and beyond.

Traveling Exhibit Production and Design – Includes exhibit maintenance for active exhibits on tour throughout North America, along with the design and production of new exhibits to build the Museum's portfolio of traveling exhibits.

In September 2015, the Museum established MCM Holdings as a nonprofit corporation to hold and manage its existing facility in downtown St. Paul. This transaction was carried out to assist with the facilitation of a new market tax credit structure in conjunction with the expansion and complete renovation of the facility as more fully described in Note 8. The facility continues to be used for the exclusive use and benefit of the Museum and MCM is the sole voting member of MCM Holdings. As such, MCM Holdings is consolidated into the financial statements of the Museum.

During the year ended June 30, 2020, Minnesota Children's Museum of Rochester, Inc. d/b/a Spark (Spark) was incorporated in the State of Minnesota and therefore became its own standalone 501(c)(3). Spark was considered a program of the Museum until June 30, 2020 and any activities related to Spark through June 30, 2020 have been consolidated into the financial statements. On June 30, 2020, Spark and the Museum were no longer under common control and assets, liabilities, and net assets attributed to Spark were transferred from the Museum at that time. For the year ended June 30, 2020, the contribution expense to Spark of approximately \$840,000 is included within Other Expenses on the consolidated statement of functional expenses and an additional net asset transfer of \$200,000 is included on the consolidated statement of activities.

Principles of Consolidation

The financial statements as of and for the years ended June 30, 2020 and 2019, include the accounts of the Museum and MCM Holdings. The consolidated organization are herein referred to as the Museum. All significant intercompany accounts and transactions have been eliminated.

Cash and Cash Equivalents

The Museum considers all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents. Cash restricted for the Museum's capital campaign is reported in other assets and is not reported as part of cash and cash equivalents.

Accounts Receivable

Accounts receivable are stated at unpaid balances, less any allowance for doubtful accounts. Management provides for probable uncollectible amounts through a provision for bad debt expense based on its assessment of the current status of individual accounts, third-party contracts, and other circumstances, which may affect the ability of clients to meet their obligations. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and credit to accounts receivable. Management considers all receivables to be fully collectible at year-end and accordingly, an allowance for doubtful accounts has not been recorded.

Grants and Pledges Receivable

Grants and pledges that are expected to be collected within one year are recorded at their net realizable value. Grants and pledges that are expected to be collected in future years are recorded at the present value of the amounts expected to be collected. The discounts on those amounts are computed using an imputed interest rate applicable to the year in which the pledge is expected to be received. Amortization of the discount is included in contribution revenue. Grants and pledges receivable in more than one year are discounted at rates ranging from 1.2% to 2.4%. Conditional pledges are not included as support until such time as the conditions are substantially met.

An allowance for uncollectible grants and pledges receivable is provided based upon management's judgment, including factors such as prior collection history, type of contribution, and nature of fundraising activity. There was an allowance for uncollectible grants and pledges as of June 30, 2020 and 2019, of approximately \$3,000 and \$10,000, respectively.

Land, Building, Exhibits and Equipment

The Museum capitalizes land, buildings, exhibits and equipment when the cost per item is in excess of \$1,000. Donated fixed assets are capitalized at their fair market value or appraised value. Costs of current repairs and minor replacements are charged to expense as incurred. The Museum provides for depreciation of building, exhibits, furniture and equipment on a straight-line basis over the estimated useful lives of the assets as follows or in the case of capitalized leased assets, the lesser of the useful life of the asset or the lease term. When assets are sold or otherwise disposed of, the cost and related depreciation or amortization are removed from the accounts, and any resulting gain or loss is included in the statements of activities:

Land lease	40 years
Building and improvements	40 years
Furniture and equipment	3-5 Years
Exhibits	3-10 years

The carrying values of property and equipment are reviewed for impairment whenever events or circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. When considered impaired, an impairment loss is recognized to the extent carrying value exceeds the fair value of the asset. There were no indicators of asset impairment during the years ended June 30, 2020 and 2019.

Investments

Investment purchases are recorded at cost, or if donated, at fair value on the date of donation. Thereafter, investments are reported at their fair values in the statements of financial position. Net investment return/(loss) is reported in the statements of activities and consists of interest and dividend income, realized and unrealized capital gains and losses, less external and direct internal investment expenses.

Investments are exposed to various risks, such as interest rate, credit and overall market volatility risk. Due to the level of risk associated with certain investments, it is reasonably possible that changes in the values of the investments will occur in the near term and that such changes could materially affect the amounts reported in the statement of financial position.

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board has designated, from net assets without donor restrictions, net assets for an operating reserve and fixed asset replacement.

Net Assets With Donor Restrictions – Net assets subject to donor (or certain grantor) restrictions. Some donor imposed (or grantor) restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. The Museum reports contributions restricted by donors as increases in net assets with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends, or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Museum Admissions

The Museum recognizes museum admissions as revenue at the time services are provided.

Memberships

Membership dues collected are recognized as revenue ratably over the period to which the dues relate. Dues collected in advance are recorded as deferred memberships until they are earned.

Exhibit Rental Revenue

The Museum rents out exhibits to other institutions. Rental revenue is recognized evenly over the period of the rental agreement. Deferred revenue results from prepayments received for exhibits.

Grants and Contributions

Grants and contributions and unconditional promises to give (pledges receivable) are recognized at fair value and are recorded as made. All grants and contributions are available for unrestricted use unless specifically restricted by the donor.

Government Grants

Government grant funds are considered grants with donor restrictions and are recorded when notification is received.

Expenditures under government grants are subject to review by the granting authority. To the extent, if any, that such a review reduces expenditures allowable under these contracts, the Museum will record such disallowance at the time the determination is made.

Donated Services and In-Kind Contributions

Contributed goods are recorded at fair value at the date of donation. Donated professional services are recorded at the respective fair values of the services received (Note 12).

Advertising Costs

Advertising costs are expensed as incurred and approximated \$218,000 and \$308,000 during the years ended June 30, 2020 and 2019, respectively.

Functional Allocation of Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the consolidated statements of activities. The consolidated statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The consolidated financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include utilities and depreciation, which are allocated on a square footage basis, as well as salaries and wages, benefits, payroll taxes, professional services, maintenance, information technology, insurance, and other expenses, which are allocated on the basis of estimates of time and effort. All other expenses are allocated based on actual expenses incurred.

Tax Exempt Status

Minnesota Children's Museum and MCM Holdings are organized as Minnesota nonprofit corporations and have been recognized by the Internal Revenue Service (IRS) as exempt from federal income taxes under Section 501(a) of the Internal Revenue Code as organizations described in Section 501(c)(3), qualify for the charitable contribution deduction under Section 170(b)(1)(A)(vi) and (viii), respectively, and have been determined not to be private foundations under Sections 509(a)(1) and (3), respectively. Each entity is annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS. In addition, the Museum is subject to income tax on net income that is derived from business activities that are unrelated to its exempt purpose. The Museum files an Exempt Organization Business Income Tax Return (Form 990-T) with the IRS to request a refund for estimated tax paid on fringe parking benefits. MCM Holdings is not subject to unrelated business income tax and has not filed an Exempt Organization Business Income Tax Return (Form 990-T) with the IRS.

The Museum and MCM Holdings believe they have appropriate support for any tax positions taken affecting their annual filing requirements, and as such, do not have any uncertain tax positions that are material to the financial statements. The Museum and MCM Holdings would recognize future accrued interest and penalties related to unrecognized tax benefits and liabilities in income tax expense if such interest and penalties are incurred. The Museum's Form 990-T and other income tax filings required by state, local, or non-U.S. tax authorities are no longer subject to tax examination for the years before 2017.

Estimates

Management uses estimates and assumptions in preparing financial statements in conformity with accounting principles generally accepted in the United States of America. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates that were used.

Financial Instruments and Credit Risk

Deposit concentration risk is managed by placing cash, money market accounts, securities, and certificates of deposit with financial institutions believed by the Museum to be creditworthy. At times, amounts on deposit may exceed insured limits or include uninsured investments in money market mutual funds. To date, no losses have been experienced in any of these accounts. Credit risk associated with accounts receivable, grants receivable, and promises to give is considered to be limited due to high historical collection rates and because substantial portions of the outstanding amounts are due from Board members, governmental agencies, and foundations supportive of the Museum's mission. Investments are made by diversified investment managers whose performance is monitored by the Museum and the finance committee of the Board of Directors. Although the fair values of investments are subject to fluctuation on a year-to-year basis, the Museum and the finance committee believe that the investment policies and guidelines are prudent for the long-term welfare of the organizations.

Reclassifications

Certain reclassifications of amounts previously reported have been made to the accompanying consolidated financial statements to maintain consistency between periods presented. The reclassifications had no impact on previously reported net assets.

Change in Accounting Policy

As of July 1, 2019, the Museum adopted the provisions of Accounting Standards Update (ASU) 2016-18, *Statement of Cash Flows (Topic 230) Restricted Cash*. This update requires that a statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents, by including amounts generally described as restricted cash and restricted cash equivalents with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. Retrospective application of the amendment is required. The Museum has adopted this standard as management believes this presentation eliminates a diversity in practice in the presentation of restricted cash and restricted cash equivalents in the statement of cash flows.

Additionally, in June 2018, FASB issued Accounting Standards (ASU) 2018-08, *Accounting Guidance for Contributions Received and Made*. This ASU was issued to clarify accounting guidance for contributions received and contributions made. The amendments to this ASU assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of Topic 958, *Not-for-Profit Entities*, or as an exchange (reciprocal) transactions subject to other guidance, and (2) determining whether a contribution is conditional. The implementation of this standard had no impact on the financial statements.

Note 2 - Liquidity and Availability

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

	2020	2019
Cash and cash equivalents	\$ 3,040,918	\$ 1,040,690
Accounts and other receivables	39,238	40,638
Operating investments	131,708	257,631
Pledges receivable	621,283	389,272
Endowment spending rate distributions and appropriations	230,000	231,882
	<u>\$ 4,063,147</u>	<u>\$ 1,960,113</u>

As part of a liquidity management plan, cash in excess of daily requirements is invested in short-term investments, CDs, and money market funds. As of June 30, 2019, there was a board-designated operating reserve of \$331,000 and a board-designated fixed asset replacement reserve of \$531,000. During the year end June 30, 2020, the Board approved to utilize these reserves.

The board-designated endowment of \$2,460,433 may be subject to an annual spending rate as described in Note 12. Although the Museum does not intend to spend from this board-designated endowment, these amounts could be made available if necessary.

Note 3 - Fair Value Measurement and Disclosures

Certain assets and liabilities are reported at fair value in the consolidated financial statements. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal, or most advantageous, market at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique. Inputs used to determine fair value refer broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability based on the best information available. A three-tier hierarchy categorizes the inputs as follows:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities that can be accessed at the measurement date.

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Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, and market-corroborated inputs.

Level 3 – Unobservable inputs for the asset or liability. In these situations, inputs are developed using the best information available in the circumstances.

In some cases, the inputs used to measure the fair value of an asset or a liability might be categorized within different levels of the fair value hierarchy. In those cases, the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. Assessing the significance of a particular input to entire measurement requires judgment, taking into account factors specific to the asset or liability. The categorization of an asset within the hierarchy is based upon the pricing transparency of the asset and does not necessarily correspond to the Museum’s assessment of the quality, risk, or liquidity profile of the asset or liability.

A significant portion of investment assets are classified within Level 1 because they comprise mutual funds, fixed income, real assets, and complementary strategies with readily determinable fair values based on daily redemption values. The Museum invests in CDs traded in the financial markets. Those CDs are valued by the custodians of the securities using pricing models based on credit quality, time to maturity, stated interest rates, and market-rate assumptions and are classified within Level 2.

June 30, 2020	Fair Value Measurements at Report Date Using			
	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Operating investments				
Certificates of deposit	\$ 131,708	\$ -	\$ 131,708	\$ -
Endowment investments				
Fixed income	1,103,136	1,103,136	-	-
Equities - mutual funds	2,858,507	2,858,507	-	-
Cash and cash equivalents (at cost)	384,347	-	-	-
	<u>4,345,990</u>	<u>3,961,643</u>	<u>-</u>	<u>-</u>
	<u>\$ 4,477,698</u>	<u>\$ 3,961,643</u>	<u>\$ 131,708</u>	<u>\$ -</u>

Minnesota Children's Museum and Affiliate

Notes to Consolidated Financial Statements

June 30, 2020 and 2019

June 30, 2019	Fair Value Measurements at Report Date Using			
	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Operating investments				
Certificates of deposit	\$ 257,631	\$ -	\$ 257,631	\$ -
Endowment investments				
Fixed income	1,481,026	1,481,026	-	-
Equities - mutual funds	2,146,823	2,146,823	-	-
Complementary strategies	493,084	493,084	-	-
Real assets	407,647	407,647	-	-
Cash and cash equivalents (at cost)	92,040	-	-	-
	4,620,620	4,528,580	-	-
	\$ 4,878,251	\$ 4,528,580	\$ 257,631	\$ -

Note 4 - Grants and Pledges Receivable

The grants and pledges receivable consist of the following as of June 30:

	2020	2019
Programs	\$ 99,761	\$ 138,235
General operating	521,522	251,037
Capital campaign	100,768	1,088,616
Total grants and pledges receivable	\$ 722,051	\$ 1,477,888
Amount due in		
Less than one year	\$ 622,051	\$ 1,167,599
One to five years	100,000	310,289
	722,051	1,477,888
Less allowance for uncollectible pledges	(2,929)	(9,929)
Less discount on long-term pledges	-	(3,311)
Grant and pledges receivable, net	\$ 719,122	\$ 1,464,648

At June 30, 2020, three donors accounted for 79% of total grants and pledges receivable. At June 30, 2019, three donors accounted for 69% of total grants and pledges receivable.

Note 5 - Land, Building, Exhibits, and Equipment

The Museum has the following fixed assets as of June 30:

	2020	2019
Land	\$ 1,600,000	\$ 1,600,000
Building and improvements	29,065,729	29,150,127
Furniture and fixtures	542,396	562,997
Exhibits	13,105,277	13,090,047
Construction in progress	402,390	67,835
	44,715,792	44,471,006
Less accumulated depreciation	(15,624,343)	(14,118,115)
	\$ 29,091,449	\$ 30,352,891

In September 1995, the Museum opened its facility in downtown St. Paul. A portion of the construction financing was provided through public financing requiring that title to the property transfer to the City of St. Paul. The City of St. Paul and the Museum entered into a long-term lease agreement for the property to operate a children’s museum. The lease was for 30 years beginning in December 1994 with the option to renew for five periods of ten years each. Rent was \$100 per year plus minor additional amounts for insurance, assessments and fees. The value assigned to the building was the construction costs of the facility. The portion of the lease attributed to the land had a fair market value of \$1,600,000 and was recorded as a contribution.

During the year ended June 30, 2017, the Museum substantially completed construction on the expansion and complete renovation of its facility in downtown St. Paul. A portion of the construction financing for the project was provided through public financing. In December 2015, in connection with the construction and related public financing, the Museum entered into an amended and restated lease agreement with the City of St. Paul. The new lease agreement terminated the existing lease with the Museum and established a new lease with MCM Holdings. The initial lease term is for 20 years from the completion date of the capital improvement project with options for two successive renewal terms, the first shall be for 20 years after the initial term and the second shall be the balance of the period through December 15, 2074. No rental payments are required, but the agreement is a “Net” lease and all costs and expenses attributed to the property are the responsibility of MCM Holdings. The lease contains various terms and conditions as defined in the agreement including continued operation of the facility as a museum. The additional value that was assigned to the building and improvements was the total construction costs of the expansion and renovation. The value assigned to the land is unchanged from the original lease agreement.

Depreciation expense, which includes the amortization of the land lease, was approximately \$1,676,000 and \$1,685,000 for the years ended June 30, 2020 and 2019, respectively.

Note 6 - Line of Credit

The Museum had an unsecured line of credit agreement with a bank which provided working capital financing up to \$500,000. Borrowings bore interest at 3.1% plus the one-month LIBOR rate, an effective rate of 5.54% at June 30, 2019. The line of credit was renewed March 1, 2019, and expired March 1, 2020. The borrowings on the line of credit as of June 30, 2019, was \$0.

Note 7 - Deferred Revenue

Deferred revenue consists of the following as of June 30:

	<u>2020</u>	<u>2019</u>
Membership dues	\$ 813,079	\$ 690,840
Deferred exhibit income	593,267	927,324
Other deferred income	<u>289,514</u>	<u>156,625</u>
	<u>\$ 1,695,860</u>	<u>\$ 1,774,789</u>

Note 8 - New Market Tax Credit Loans and Leveraged Loan Receivable

During 2016, the Museum, through its MCM Holdings affiliate, embarked on a series of transactions to effectuate a new market tax credit structure to assist with construction costs for the expansion and complete renovation of its downtown St. Paul facility. Under a transaction of this kind, the long-term benefits allow for larger net proceeds than would otherwise be available under classic financing thereby producing a public benefit greater than would otherwise be achieved. The Museum loaned funds (leveraged loan) in concert with the capital contribution of an investor into a new entity set up for this purpose. The entity then invested in Community Development Enterprises ("CDEs") who loaned the funds net of transaction costs to MCM Holdings for use with the renovation project. Thus the effect of the Museum's leveraged loan of \$6,827,800 is to effectively avail itself to approximately \$8,900,000 in funds net of fees and transaction costs. The following sets forth more detailed information on this transaction.

In conjunction with the leveraged loan, CNMC Sub-CDE 95, LLC (CNMC) and BH New Markets Sub-CDE V, LLC (BH) collectively known as the CDEs each made new market tax credit enhanced mortgage loans (the NMTC Loans) to MCM Holdings to finance the project.

Minnesota Children's Museum and Affiliate

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June 30, 2020 and 2019

The CDEs received allocations of new market tax credits (NMTC) pursuant to Section 45D of the Internal Revenue Code in order to assist eligible businesses in making investments in certain low-income communities. The availability of NMTC allowed Chase NMTC MCM Investment Fund LLC (Chase NMTC) to invest \$3,112,200 in MCM Holdings Investment Fund (the "Investment Fund"). In addition, the Museum made a leveraged loan of \$6,827,800 from the proceeds of the BMO Harris Bank bridge loan and the Museum equity. The Investment Fund used the combined amount to make equity contributions of \$8,000,000 to BH and \$1,500,000 to CNMC. The CDEs, in turn, used the contributions to make the NMTC Loans to MCM Holdings. The NMTC Loans are secured by mortgages on the property of MCM Holdings, assignment of leases and rents, and a guarantee by the Museum. MCM Holdings must also comply with various loan covenants.

The NMTC Loans mature on December 1, 2045, and principal is payable in quarterly installments commencing March 1, 2023. Interest is payable quarterly and commenced March 1, 2016, at the following interest rates:

	Principal Amounts	Interest Rate
BH	\$ 7,920,000	1.27691%
CNMC	1,500,000	1.27691%
Total new market tax credit loans	\$ 9,420,000	

Simultaneously with the new market tax credit transaction, MCM Holdings entered into a Sublease agreement with the Museum pursuant to which the Museum will lease the Project for a period of 16 years from the lease commencement date. The lease commenced on April 1, 2017, and requires quarterly rental payments to MCM Holdings at an initial annual rate of \$155,100 increasing to an annual rate of \$568,800 throughout the lease term. The Museum has an option to renew for an additional 16-year period at a then determined fair market value lease rate. Rental payments will be used by MCM Holdings to pay the interest and principal payments on the NMTC loans. Total rental income and expense of approximately \$428,000 and \$428,000 was recorded by MCM Holdings and the Museum, respectively for the years ended June 30, 2020 and 2019, respectively, and is eliminated in the consolidated financial statements.

MCM expects, in turn, to receive quarterly interest on the leveraged loan receivable at an annual interest rate of 1%. The leveraged loan receivable matures on December 31, 2045, and principal is payable in monthly installments commencing March 10, 2023. Amounts received from the Investment Fund as payment on the leveraged loan receivable will be used by MCM to fund rental payments on the lease with MCM Holdings.

On December 11, 2022, Chase Community Equity, LLC (100% owner of Chase NMTC) has a right and option, but not an obligation, for a period of 90 days, to require MCM to purchase all of Chase Community Equity, LLC's interest in the Investment Fund for a put exercise price of \$1,000. If the put is not exercised, then MCM has the right to purchase Chase Community Equity, LLC's interest in the Investment Fund at an amount equal to the fair market value of Chase Community Equity, LLC's interest in the Investment Fund.

Note 9 - Notes Payable

Notes payable consist of the following at June 30, 2020 and 2019

	2020	2019
<p>Note payable to BMO Harris Bank with annual interest at an adjusted LIBOR rate plus 2.75%. Principal and interest is payable and interest is payable quarterly based on a set principal payment schedule. The note matured in March 2020. The Museum is required to deposit all capital campaign funds received by it in a Capital Campaign Account maintained with BMO Harris Bank to be used as collateral on the note. The funds cannot be withdrawn except for the purpose of making payment on the note. Additionally the note is secured by the assets of the Museum excluding its rights to sublease the property of MCM Holdings. The Museum must also comply with various loan covenants.</p>	\$ -	\$ 750,000
<p>1.00% Payroll Protection Program loan, due in monthly installments of \$52,084 starting in November 2021, including interest to November 2022, unsecured (1)</p>	1,237,100	-
<p>2.00% Note Payable to Venn Foundation, interest is due in annual installments of \$2,319 starting in November 2020, with two equal principal payments at November 2024 and May 2025, unsecured</p>	115,955	-
	\$ 1,353,055	\$ 750,000

(1) The Museum was granted a loan under the PPP administered by a Small Business Administration (SBA) approved partner. The Museum is eligible for loan forgiveness of up to 100% of the loan, upon meeting certain requirements. The Museum has initially recorded the loan as a refundable advance and will record the forgiveness in accordance with guidance for conditional contributions when there is no longer a measurable performance or other barrier and a right to return of the PPP loan. Proceeds from the loan are eligible for forgiveness if they are used for certain payroll, rent, and utility expenses. No contribution revenue has been recorded for the year ended June 30, 2020. The Museum will be required to repay any remaining balance, plus interest accrued at 1%, in monthly payments commencing upon notification of forgiveness or partial forgiveness.

Future maturities of long-term debt are as follows:

Years Ending June 30,	Amount
2021	\$ 403,382
2022	619,511
2023	214,207
2024	-
2025	115,955
	\$ 1,353,055

Interest for the years ended June 30, 2020 and 2019, consists of interest expense of approximately \$167,000 and \$194,000.

Note 10 - Net Assets with Donor Restrictions

Net assets with donor restrictions are restricted for the following purposes or periods.

	2020	2019 (Restated)
Subject to expenditure for specified purpose		
Capital campaign	\$ -	\$ 5,050
Subject to the passage of time		
Future educational programs	511,014	984,213
	511,014	989,263
Endowments		
Subject to appropriation and expenditure when a specified event occurs		
Restricted by donors for		
Available for general use	104,668	379,298
Perpetual in nature, earnings from which are subject to endowment spending policy appropriation		
General use	1,780,889	1,780,889
Total endowments	1,885,557	2,160,187
	\$ 2,396,571	\$ 3,149,450

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Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of the passage of time or other events specified by donors as follows for the years ended June 30, 2020 and 2019, are as follows:

	<u>2020</u>	<u>2019</u>
Expiration of time restrictions	\$ 436,244	\$ 305,240
Satisfaction of purpose restrictions		
Educational programs	2,003,522	1,009,612
Restricted-purpose spending rate distributions and appropriations		
General use	<u>230,000</u>	<u>231,886</u>
	<u>\$ 2,669,766</u>	<u>\$ 1,546,738</u>

Note 11 - Endowments

The Museum's endowment consists of funds established by the donors to provide annual funding for general operations. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The Board of Directors has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the date of the donor-restricted endowment funds, unless there are explicit donor stipulations to the contrary. As a result of this interpretation, the Museum retains in perpetuity (a) the original value of initial and subsequent gift amounts (including promises to give net of discount and allowance for doubtful accounts, including promises to give at fair value) donated to the Endowment and (b) any accumulations to the Endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added. Donor-restricted amounts not retained in perpetuity are subject to appropriation for expenditure in a manner consistent with the standard of prudence prescribed by UPMIFA. The following factors are considered in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purposes of the organization and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the organization
- The investment policies of the organization

Minnesota Children's Museum and Affiliate

Notes to Consolidated Financial Statements

June 30, 2020 and 2019

From time to time, certain donor-restricted endowment funds may have fair values less than the amount required to be maintained by donors or by law (underwater endowments). The Museum has interpreted UPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law. At June 30, 2020 and 2019, there were no underwater endowments.

Investment Objectives and Strategies

The Museum has adopted an investment policy to provide guidelines for investing endowment assets. Under this policy, the primary investment objective is achieving real growth in invested capital consistent with preservation of capital, maintenance of liquidity, and obtaining the best total return while minimizing market and investment risk. As of June 30, 2020, these assets are invested in an endowment fund at Wells Fargo and are allocated to five major asset classes including cash and cash equivalents, fixed income securities, mutual funds, complementary strategies and real assets.

Spending Policy

The Museum has a policy of appropriating for distribution each year approximately 3.0% to 5.0% of its endowment fund's 12 quarter trailing average fair value.

Changes in Endowment net assets for the years ended June 30, 2020 and 2019 are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, June 30, 2019	\$ 2,460,433	\$ 2,160,187	\$ 4,620,620
Investment return (loss), net	-	(44,630)	(44,630)
Appropriation of endowment assets pursuant to spending-rate policy	-	(230,000)	(230,000)
Endowment net assets, June 30, 2020	<u>\$ 2,460,433</u>	<u>\$ 1,885,557</u>	<u>\$ 4,345,990</u>
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, June 30, 2018 (Restated)	\$ 2,460,433	\$ 2,190,481	\$ 4,650,914
Investment return, net	-	201,592	201,592
Appropriation of endowment assets pursuant to spending-rate policy	-	(231,886)	(231,886)
Endowment net assets, June 30, 2019 (Restated)	<u>\$ 2,460,433</u>	<u>\$ 2,160,187</u>	<u>\$ 4,620,620</u>

Minnesota Children's Museum and Affiliate

Notes to Consolidated Financial Statements

June 30, 2020 and 2019

Note 12 - In-Kind Contributions

The Museum records in-kind contributions at fair market value at date of donation. In-kind contributions expended or capitalized for the year ended June 30, 2020:

	Program Services	Administration	Fundraising	Total
Services	\$ -	\$ 7,800	\$ 2,275	\$ 10,075
Food	-	-	10,000	10,000
Printing/advertising	26,002	-	-	26,002
Supplies	6,000	-	-	6,000
	\$ 32,002	\$ 7,800	\$ 12,275	\$ 52,077

In-kind contributions expended or capitalized for the year ended June 30, 2019:

	Program Services	Administration	Fundraising	Total
Services	\$ 2,466	\$ -	\$ 4,623	\$ 7,089
Decorations	-	-	7,988	7,988
Food/beverage	11,405	-	18,388	29,793
Printing/advertising	36,780	-	6,302	43,082
	\$ 50,651	\$ -	\$ 37,301	\$ 87,952

Note 13 - Leased Store and Food Court Revenue

The Museum leased space to an organization that is paying a royalty ranging from 10% to 20% based on gross revenues generated from gift store sales, foodservice, vending and catering operated by the tenant. The term of the agreement is from June 2017 to June 2027 with options for two additional 5-year terms. Either party may terminate the lease agreement upon 90 days written notice. Royalty revenue was approximately \$101,000 and \$140,000 for the years ended June 30, 2020 and 2019, respectively, and is included in other revenue in the statement of activities.

Note 14 - Retirement Plan

The Museum established a defined contribution retirement plan under Section 403(b) of the Internal Revenue Code. The plan covers all employees who meet eligibility requirements and elect to participate in the plan. The Museum will match 100% of the employee's contributions up to a maximum of 3% of the employee's compensation. The retirement plan expense was approximately \$69,000 and \$77,000 for the years ended June 30, 2020 and 2019, respectively.

Note 15 - Commitments and Contingencies

The Museum has entered into various rental agreements for exhibits. As of June 30, 2020 and 2019, the total commitment owed under these rental agreements was \$76,000 and \$278,000, respectively.

Note 16 - Related Party Transactions

Pledge commitments commonly span multiple years. Total contributions received from Board members for the years ended June 30, 2020 and 2019, was approximately \$105,000 and \$92,000, respectively.

Note 17 - Restatement

During the year ended June 30, 2020, the Museum management identified a misstatement within the 2019 financial statements resulting in overstatement of previously reported net assets with donor restrictions (perpetual) and understatement of net assets without donor restrictions (undesignated) of \$2,460,433 as of June 30, 2018. Accordingly, amounts reported for net assets with donor restrictions and without donor restrictions have been restated in the 2019 financial statements now presented to correct the error.

The following financial statement line items for the year ended June 30, 2019, were adjusted as a result of the adoption:

Statement of Financial Position	As Previously Reported	Adjustment	As Restated
Net assets without donor restrictions			
Board-designated quasi-endowment	\$ -	\$ 2,460,433	\$ 2,460,433
Net assets with donor restrictions			
Perpetual in nature	4,241,322	(2,460,433)	1,780,889
Statement of Activities	As Previously Reported	Adjustment	As Adjusted
For the year ended June 30, 2019			
Net assets, beginning of year			
Without donor restrictions			
Board-designated	\$ 787,000	\$ 2,460,433	\$ 3,247,433
With donor restrictions	5,430,829	(2,460,433)	2,970,396
Net assets, end of year			
Without donor restrictions			
Board-designated	862,000	2,460,433	3,322,433
With donor restrictions	5,609,883	(2,460,433)	3,149,450

Note 18 - Subsequent Events

The coronavirus pandemic closed the Museum in March 2020 which significantly reduced the Museum's admissions and membership revenues for the year ended June 30, 2020. The Museum took immediate measures to reduce costs and maintain adequate liquidity. The continued spread of the virus has caused a rapidly changing business environment, unprecedented market volatility, and other circumstances that will continue to impact the Museum's business in future periods. The Museum reopened in August 2020 at a reduced capacity but is currently unable to fully determine the extent of COVID 19's impact on its financial position. The economic impacts and recovery in the United States will directly impact the resumption of the Museum's business. The Museum continues to monitor evolving economic, public health, and general business conditions to address the actual and potential impacts on its financial position, results of operations, and cash flows.

The Museum has evaluated subsequent events through November 24, 2020, the date the financial statements were available to be issued.



Supplementary Information
June 30, 2020

Minnesota Children's Museum and Affiliate



Independent Auditor's Report on Consolidating and Supplementary Information

The Board of Trustees
Minnesota Children's Museum and Affiliate
Saint Paul, Minnesota

We have audited the consolidated financial statements of Minnesota Children's Museum and Affiliate (the Museum) as of and for the year ended June 30, 2020, and our report thereon dated November 24, 2020, which expressed an unmodified opinion on those consolidated financial statements, appears on pages 1 and 2. Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The supplementary information on pages 32 through 34 is presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position and results of activities of the individual companies, and it is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The consolidating information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the consolidating information on pages 32 through 34 is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

A handwritten signature in cursive script that reads 'Eide Bailly LLP'.

Minneapolis, Minnesota
November 24, 2020

Minnesota Children's Museum and Affiliate
Consolidating Statement of Financial Position
June 30, 2020

	Minnesota Children's Museum	MCM Holdings	Eliminations	Total
Assets				
Cash and cash equivalents	\$ 3,040,918	\$ -	\$ -	\$ 3,040,918
Cash restricted for capital campaign and loan reserves	56,992	-	-	56,992
Grants and pledges receivable, net	719,122	-	-	719,122
Accounts receivable	39,238	-	-	39,238
Other receivables	-	1,400	-	1,400
Prepaid expenses	181,699	-	-	181,699
Deferred rent	-	856,744	(856,744)	-
Operating investments	131,708	-	-	131,708
Endowment investments	4,345,990	-	-	4,345,990
Leveraged loan receivable	6,827,800	-	-	6,827,800
Land, building, exhibits, and equipment, net	7,765,747	21,325,702	-	29,091,449
Due from (to) related party	-	7,861,118	(7,861,118)	-
	<u>\$ 23,109,214</u>	<u>\$ 30,044,964</u>	<u>\$ (8,717,862)</u>	<u>\$ 44,436,316</u>
Total assets	<u>\$ 23,109,214</u>	<u>\$ 30,044,964</u>	<u>\$ (8,717,862)</u>	<u>\$ 44,436,316</u>

Minnesota Children's Museum and Affiliate
Consolidating Statement of Financial Position
June 30, 2020

	Minnesota Children's Museum	MCM Holdings	Eliminations	Total
Liabilities and Net Assets				
Accounts payable	\$ 98,293	\$ -	\$ -	\$ 98,293
Contractors payable	16,296	-	-	16,296
Accrued compensation	576,471	-	-	576,471
Deferred revenue	1,695,860	-	-	1,695,860
Deferred rent	856,744	-	(856,744)	-
Due from related party	7,861,118	-	(7,861,118)	-
Notes payable and other debt				
Paycheck Protection Program loan	1,237,100	-	-	1,237,100
Notes payable and other	115,955	-	-	115,955
New market tax credit loans	-	9,420,000	-	9,420,000
Total liabilities	12,457,837	9,420,000	(8,717,862)	13,159,975
Net Assets				
Without donor restrictions				
Undesignated	5,794,373	20,624,964	-	26,419,337
Board-designated quasi-endowment	2,460,433	-	-	2,460,433
	<u>8,254,806</u>	<u>20,624,964</u>	<u>-</u>	<u>28,879,770</u>
With donor restrictions				
Time-restricted for future periods	511,014	-	-	511,014
Accumulated earnings	104,668	-	-	104,668
Perpetual in nature	1,780,889	-	-	1,780,889
	<u>2,396,571</u>	<u>-</u>	<u>-</u>	<u>2,396,571</u>
Total net assets	10,651,377	20,624,964	-	31,276,341
Total liabilities and net assets	\$ 23,109,214	\$ 30,044,964	\$ (8,717,862)	\$ 44,436,316

Minnesota Children's Museum and Affiliate
Consolidating Statement of Activities
Year Ended June 30, 2020

	Minnesota Children's Museum	MCM Holdings	Eliminations	Total
Revenue, Support, and Gains				
Museum admissions	\$ 1,081,119	\$ -	\$ -	\$ 1,081,119
Memberships	1,117,085	-	-	1,117,085
Education and groups	143,176	-	-	143,176
Parties and events revenue	86,628	-	-	86,628
Exhibit rentals and sales	1,341,276	-	-	1,341,276
Net investment return (loss)	(38,210)	-	-	(38,210)
Other revenue	191,203	717,201	(428,472)	479,932
Grants and contributions	1,477,267	-	-	1,477,267
Government grants	1,158,625	-	-	1,158,625
 Fundraising events	 83,171	 -	 -	 83,171
Less cost of direct benefit to donors	 (10,000)	 -	 -	 (10,000)
	<u>73,171</u>	<u>-</u>	<u>-</u>	<u>73,171</u>
 In-kind contributions	 52,077	 -	 -	 52,077
Capital campaign	800,850	-	-	800,850
	<u>7,484,267</u>	<u>717,201</u>	<u>(428,472)</u>	<u>7,772,996</u>
Expenses and Losses				
Program service expense	6,856,381	1,183,522	(428,472)	7,611,431
Supporting services expenses	1,925,668	-	-	1,925,668
	<u>8,782,049</u>	<u>1,183,522</u>	<u>(428,472)</u>	<u>9,537,099</u>
Change in Net Assets	(1,297,782)	(466,321)	-	(1,764,103)
Net Assets Transfer	(200,000)	-	-	(200,000)
Net Assets, Beginning of Year	12,149,159	21,091,285	-	33,240,444
Net Assets, End of Year	<u>\$ 10,651,377</u>	<u>\$ 20,624,964</u>	<u>\$ -</u>	<u>\$ 31,276,341</u>