

**MINNESOTA HUMANITIES CENTER**

**FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED  
OCTOBER 31, 2020**

**MINNESOTA HUMANITIES CENTER**

**FINANCIAL STATEMENTS**

For the Year Ended October 31, 2020  
(With Comparative Totals for 2019)

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Minnesota Humanities Center  
Saint Paul, Minnesota

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Minnesota Humanities Center (a nonprofit organization), which comprise the statement of financial position as of October 31, 2020, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 financial statements.

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

(Continued)

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Minnesota Humanities Center as of October 31, 2020, 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.

**Adoption of New Accounting Standards**

As discussed in Note 2 to the financial statements, Minnesota Humanities Center has adopted Accounting Standards Update (ASU) 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash*, ASU 2018-08, *Not-for-Profit Entities (Topic 958), Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, and ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*. Our opinion is not modified with respect to those matters.

**Report on Summarized Comparative Information**

We have previously audited Minnesota Humanities Center’s 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated April 28, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended October 31, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated April 23, 2021, on our consideration of Minnesota Humanities Center’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Minnesota Humanities Center’s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Minnesota Humanities Center’s internal control over financial reporting and compliance.

*Mahoney Ulbrich  
Christiansen Russ P.A.*

April 23, 2021

**MINNESOTA HUMANITIES CENTER**

STATEMENT OF FINANCIAL POSITION

October 31, 2020  
(With Comparative Totals for 2019)

	2020	2019
ASSETS		
Cash and cash equivalents	\$ 346,389	\$ 517,829
Accounts receivable	10,298	77,652
Contributions receivable - current	5,197,327	12,412,551
Government grants receivable - current	291,877	182,899
Prepaid expenses	23,318	12,129
Total current assets	5,869,209	13,203,060
Land lease	235,000	235,000
Building	2,674,823	2,674,823
Construction in progress	77,108	18,000
Office equipment and furniture	810,790	779,346
Total land, building and equipment	3,797,721	3,707,169
Less accumulated depreciation and amortization	(2,460,370)	(2,367,574)
Net land, building and equipment	1,337,351	1,339,595
Other assets:		
Cash - capital campaign	537,077	373,991
Contributions receivable - capital campaign	408,310	402,180
Investments	7,276,180	6,103,114
Investments - endowment	62,772	58,885
Total other assets	8,284,339	6,938,170
Total assets	\$ 15,490,899	\$ 21,480,825
LIABILITIES AND NET ASSETS		
Accounts payable	\$ 98,439	\$ 450,998
Deferred revenue	7,000	1,759
Accrued expenses	332,948	247,408
Paycheck Protection Program loan payable	56,900	-
Total current liabilities	495,287	700,165
Net assets:		
Without donor restrictions		
Undesignated	1,730,630	1,696,437
Designated	1,560,525	1,573,514
Total net assets without donor restrictions	3,291,155	3,269,951
With donor restrictions	11,704,457	17,510,709
Total net assets	14,995,612	20,780,660
Total liabilities and net assets	\$ 15,490,899	\$ 21,480,825

See accompanying notes to financial statements.

MINNESOTA HUMANITIES CENTER

STATEMENT OF ACTIVITIES

For the Year Ended October 31, 2020  
(With Comparative Totals for 2019)

	2020		Total	2019
	Without donor restrictions	With donor restrictions		
Support and revenue:				
Support:				
Contributions	\$ 133,686	\$ 3,410	\$ 137,096	\$ 58,099
Event sponsorship	-	3,000	3,000	6,825
In-kind	-	-	-	1,000
Government grants:				
Federal grants	1,276,202	-	1,276,202	831,371
Other governmental agencies	-	415,041	415,041	7,804,726
Revenue:				
Conference center rental income - program related	130,386	-	130,386	322,433
Conference center rental income - non-program related	21,877	-	21,877	85,628
Conference center rental costs - non-program related	(60,120)	-	(60,120)	(102,046)
Program revenue	82,483	-	82,483	98,301
Investment income	65,143	3,887	69,030	151,531
Miscellaneous	3,033	-	3,033	6,388
Net assets released from restrictions	6,400,636	(6,400,636)	-	-
 Total support and revenue	 8,053,326	 (5,975,298)	 2,078,028	 9,264,256
Expenses:				
Program services:				
MHC Educational programs	6,785,948	-	6,785,948	7,084,094
Conference center rental costs - program related	358,943	-	358,943	383,562
Total program costs	7,144,891	-	7,144,891	7,467,656
Supporting services:				
Management and general	816,674	-	816,674	1,106,127
Fundraising	70,557	-	70,557	128,071
Total supporting services	887,231	-	887,231	1,234,198
Total expenses	8,032,122	-	8,032,122	8,701,854
 Change in net assets before capital campaign	 21,204	 (5,975,298)	 (5,954,094)	 562,402
Grant funds returned to the state	-	-	-	(44,546)
Capital campaign contributions	-	169,046	169,046	690,996
 Change in net assets	 21,204	 (5,806,252)	 (5,785,048)	 1,208,852
Net assets, beginning of year	3,269,951	17,510,709	20,780,660	19,571,808
Net assets, end of year	\$ 3,291,155	\$ 11,704,457	\$ 14,995,612	\$ 20,780,660

See accompanying notes to financial statements.

MINNESOTA HUMANITIES CENTER

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended October 31, 2020  
(With Comparative Totals for the 2019)

	2020								
	Program Services			Supporting Services			Conference Center Rental Costs - Non - Program	Totals	
	MHC Educational Programs	Conference Center Rental Costs - Program Related	Total Program Services	Management and General	Fundraising	Total Supporting Services		2020	2019
Salaries and temporary help	\$ 1,211,988	\$ 163,623	\$ 1,375,611	\$ 471,831	\$ 47,712	\$ 519,543	\$ 27,405	\$ 1,922,559	\$ 1,979,314
Payroll taxes	90,037	11,864	101,901	25,225	3,485	28,710	1,987	132,598	159,332
Employee benefits	292,284	59,360	351,644	101,001	7,806	108,807	9,942	470,393	445,266
Total employee compensation	1,594,309	234,847	1,829,156	598,057	59,003	657,060	39,334	2,525,550	2,583,912
Regrant expense	2,048,335	-	2,048,335	-	-	-	-	2,048,335	1,861,510
Contract services	2,413,584	8,495	2,422,079	105,335	3,804	109,139	1,423	2,532,641	2,663,670
Site fees	199,573	-	199,573	-	-	-	-	199,573	471,765
Participant stipends	190,910	-	190,910	-	-	-	-	190,910	288,040
Staff development	3,656	175	3,831	893	109	1,002	29	4,862	10,859
Insurance and bonding	5,728	7,443	13,171	2,392	626	3,018	1,247	17,436	16,010
Equipment rental and maintenance/building maintenance	18,058	6,536	24,594	8,486	1,085	9,571	1,095	35,260	54,709
Accounting and legal	-	-	-	36,016	-	36,016	-	36,016	30,555
Memberships and subscriptions	6,432	946	7,378	22,603	-	22,603	159	30,140	23,883
Postage	5,679	135	5,814	675	450	1,125	23	6,962	12,483
Printing and mailing services	25,497	379	25,876	736	105	841	64	26,781	51,094
Supplies - office and programs/off-site program meals	42,904	4,326	47,230	7,883	238	8,121	724	56,075	75,730
Telephone and internet	10,324	1,163	11,487	3,587	581	4,168	195	15,850	18,380
Travel	112,010	115	112,125	8,483	67	8,550	19	120,694	362,520
Advertising and marketing	40,340	1,436	41,776	948	12	960	241	42,977	22,118
License and permits	173	981	1,154	154	-	154	164	1,472	990
Interest and investment	-	1,553	1,553	5,601	794	6,395	260	8,208	10,493
Food services, conference center housekeeping	21	15,832	15,853	-	-	-	2,652	18,505	68,475
Internal use of conference center	7,004	(7,834)	(830)	2,142	-	2,142	(1,312)	-	66
Utilities	12,826	23,798	36,624	2,984	1,270	4,254	3,986	44,864	58,017
Minor furnishings	5,344	4,836	10,180	137	-	137	810	11,127	10,299
Cost of goods sold	17,171	-	17,171	-	-	-	-	17,171	-
Miscellaneous	2,054	4,223	6,277	1,053	-	1,053	707	8,037	8,033
Total expenses before depreciation and amortization	6,761,932	309,385	7,071,317	808,165	68,144	876,309	51,820	7,999,446	8,703,611
Depreciation and amortization	24,016	49,558	73,574	8,509	2,413	10,922	8,300	92,796	100,289
Total expenses before removal of nonprogram conference center rental costs	6,785,948	358,943	7,144,891	816,674	70,557	887,231	60,120	8,092,242	8,803,900
Conference center rental costs - nonprogram	-	-	-	-	-	-	(60,120)	(60,120)	(102,046)
Total expenses	\$ 6,785,948	\$ 358,943	\$ 7,144,891	\$ 816,674	\$ 70,557	\$ 887,231	\$ -	\$ 8,032,122	\$ 8,701,854

See accompanying notes to financial statements.

**MINNESOTA HUMANITIES CENTER**

STATEMENT OF CASH FLOWS

For the Year Ended October 31, 2020  
(With Comparative Totals for 2019)

	2020	2019
Cash flows from operating activities:		
Change in net assets	\$ (5,785,048)	\$ 1,208,852
Adjustments to reconcile the change in net assets to net cash from operating activities:		
Depreciation and amortization	92,796	100,289
Loss (gain) on investments	(11,906)	51,257
Capital campaign contributions	(169,046)	(690,996)
Reinvestment of interest and dividends	(45,477)	(175,232)
Changes in operating assets and liabilities:		
Accounts receivable	67,354	26,788
Contributions receivable	7,215,224	(3,416,951)
Government grants receivable	(108,978)	3,356,026
Prepaid expenses	(11,189)	12,137
Accounts payable	(352,559)	88,267
Deferred revenue	5,241	1,059
Accrued expenses	78,263	(58,601)
Net cash from operating activities	974,675	502,895
Cash flows from investing activities:		
Purchase of land, building and equipment	(83,275)	(32,386)
Purchase of investments	(4,420,362)	(4,434,567)
Sale and maturity of investments	3,300,792	4,205,782
Net cash from investing activities	(1,202,845)	(261,171)
Cash flows from financing activities:		
Capital campaign contributions	162,916	288,816
Proceeds from issuance of PPP loan payable	56,900	-
Payments on debt	-	(3,514)
Net cash from financing activities	219,816	285,302
Net increase (decrease) in cash	(8,354)	527,026
Cash, beginning of year	891,820	364,794
Cash, end of year	\$ 883,466	\$ 891,820
Reconciliation to the statement of financial position:		
Cash and cash equivalents	\$ 346,389	\$ 517,829
Cash - capital campaign	537,077	373,991
Total cash	\$ 883,466	\$ 891,820
Noncash investing and financing activity:		
Land, building and equipment additions included in accrued expenses	\$ 7,277	\$ -

See accompanying notes to financial statements.



# MINNESOTA HUMANITIES CENTER

## NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended October 31, 2020  
(With Comparative Totals for 2019)

### 1. ORGANIZATION

The Minnesota Humanities Center (MHC) is an independent, not-for-profit organization that conducts and supports cultural and educational programs throughout Minnesota. MHC supports and encourages exemplary teaching and partners with other organizations to provide meaningful and engaging public humanities programming in communities state-wide. Financial support for the programs and services of MHC comes primarily from the National Endowment for the Humanities (NEH), the Minnesota State Legislature, foundation grants, corporation gifts, donations from individuals, and conference center rental.

**MHC Educational Programs:** The Minnesota Humanities Center educational programs prepare schools, cultural organizations, state agencies, and other professional and community-based organizations to meet the complicated needs of the 21<sup>st</sup> century. Through its Absent Narratives approach and strategy, MHC puts the under-represented and untold stories and experiences of marginalized communities at the heart of school, community, and organizational planning for the future of Minnesota. Whether these marginalized communities are ethnic minorities, veterans, or immigrants and refugees MHC's programs work to guarantee that the wisdom and knowledge in these communities is seen and represented as essential to creating a successful future together; a future founded on expanding economic and social opportunity.

The Absent Narratives approach has brought work which was traditionally considered separate programs under one program entity; it permeates all activities – whether programs for teachers, development of resources for educators and communities or community programming.

MHC was also responsible for administering Legacy Funding for the Children's Museums throughout Minnesota, four Hmong Cultural Heritage grants, six Somali Cultural Heritage grants, eleven Cultural Identity grants, three Minnesota Civic Education Coalition grants, two Community Partner grants, and 82 NEH CARES grants. In addition, MHC administers the Healthy Eating Program.

(Continued)

# MINNESOTA HUMANITIES CENTER

## NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended October 31, 2020  
(With Comparative Totals for 2019)

### 1. ORGANIZATION (Continued)

**Conference Center Rental:** In addition to the Absent Narratives programming, MHC operates a full-service event center, as created by the State Legislature in 1996. In addition to housing programs of MHC, this restored architectural landmark serves educators, social service providers, other nonprofits, state colleges and universities, and state agencies and community groups seeking to improve both their individual work and the quality of life for all Minnesotans, by providing high-quality, cost effective meeting and event space for educational and public programs, and staff education and development.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**Adoption of New Accounting Standards** – Effective November 1, 2019, MHC adopted ASU 2018-08, *Not-for-Profit-Entities: Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (Topic 958)* using the full retrospective approach. The ASU provides guidance on distinguishing between contributions and exchange transactions and clarifies whether contributions are conditional. The adoption of this ASU had no significant effect on the financial statements. Certain prior year receivables were reclassified.

Effective November 1, 2019, MHC adopted ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)* using the full retrospective approach. The ASU clarifies the accounting for revenue arising from contracts with customers and specifies disclosures that an entity should include in the financial statements. The adoption of this ASU had no effect on the financial statements.

**Financial Statement Presentation** – MHC reports information regarding its financial position and activities in the following net asset categories:

- *Net Assets Without Donor Restrictions* - Net assets available to use in general operations at the discretion of management and the board of directors and not subject to donor (or certain grantor) restrictions.
- *Net Assets With Donor Restrictions* - Net assets subject to donor- (or certain grantor-) 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. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. 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.

(Continued)

# MINNESOTA HUMANITIES CENTER

## NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended October 31, 2020  
(With Comparative Totals for 2019)

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

**Use of Estimates** - Management uses estimates and assumptions in preparing financial statements in accordance with U.S. generally accepted accounting principles. 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.

**Cash and Cash Equivalents** - MHC considers highly liquid securities purchased with an original maturity of three months or less to be cash equivalents. Cash held for long-term purposes and cash and liquid securities held in its investment brokerage accounts are not considered cash equivalents.

**Accounts Receivable** - Accounts receivable are stated at net realizable value. Accordingly, bad debts are provided for on the reserve method based on management's evaluation of outstanding receivables at the end of each year. When all collection efforts have been exhausted, the accounts are written off against the related allowance. Management believes no allowance is necessary at October 31, 2020 and 2019.

**Contributions and Government Grants Receivable** - Pledges and grants that are expected to be collected within one year are recorded at their net realizable value. Pledges and grants 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 or grant is received. Amortization of the discount is included in contribution or grant revenue. Conditional pledges are not included in support until such time as the conditions are substantially met.

**Investments** - MHC carries its investments at fair value. Realized and unrealized gains and losses are included in investment income in the statement of activities.

**Land, Building, and Equipment** - All major expenditures for building improvements, furniture and equipment are capitalized at cost. All donated property and equipment is recorded at its fair market value. The capitalization threshold is \$5,000. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. The estimated life of the building is 40 years, 80 years for the land lease, and three to ten years for the office equipment and furniture. Absent explicit donor restrictions regarding how long contributed assets must be used, MHC reports expiration of donor restrictions when the donated or acquired assets are placed in service.

(Continued)

# MINNESOTA HUMANITIES CENTER

## NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended October 31, 2020  
(With Comparative Totals for 2019)

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

**Deferred Revenue** - Deferred revenue includes revenues that will be recognized in a future period such as prepayment of program services, Event Center deposits for future client events, advances on contracts, and other exchange transactions received prior to the incurrence of the related costs.

**Grants from Governmental Agencies** - Federal government grants funds are accounted for as contributions and are considered conditional based upon certain performance requirements and/or the incurrence of allowable qualifying expenses. For reimbursement grants, revenue is earned when eligible expenditures, as defined in each grant or contract, are incurred. Funds received but not yet earned are shown as refundable advances. Expenditures under government contracts are subject to review by the granting authority.

State government grants are awarded at the beginning of the State of Minnesota's budget cycle, which operates on a two-year cycle. Under generally accepted accounting principles, contributions are recognized as revenue when a donor makes an unconditional commitment. As a result, revenue from state funding fluctuates from year-to-year depending on the year in which the state budget is adopted. Two years of funding are recognized in the year the state budget is adopted.

In 2019, multi-year grants of \$7,800,000 were awarded by the State of Minnesota, recorded in revenue, and the unspent portion included in net assets with donor restrictions at the end of the year. These funds are for work from July 1, 2019, through June 30, 2022, as the legislation permits an additional twelve months past the end of the state fiscal year for grant close-outs.

**Contributions** - Contributions are recognized when the donor makes an unconditional commitment to give to MHC. Contributions received are recorded as without donor restrictions or with donor restrictions depending on the existence and/or nature of any donor restrictions. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized. When a restriction expires, net assets with donor restrictions are released to net assets without donor restrictions.

**Contributed Materials and Services** - Contributed materials are recorded in the financial statements at their estimated fair value at the date of donation. Contributed services are recorded when the service creates or enhances a nonfinancial asset, or the service requires specialized skills, is provided by an individual possessing those skills, and would typically need to be purchased if not provided by donation.

(Continued)

## MINNESOTA HUMANITIES CENTER

### NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended October 31, 2020  
(With Comparative Totals for 2019)

#### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

MHC received professional services valued at \$1,000 for the year ended October 31, 2019. No contributed materials or services were recorded for the year ended October 31, 2020.

**Functional Allocation of Expense** - Employees complete timesheets bi-weekly tracking hours by program and supporting services. Associated salaries and related benefit expenses are charged directly to program and supporting services. Specifically identifiable expenses are charged directly to program and supporting services. Interest, utilities, and building maintenance expense are allocated based on square footage. All other indirect expenses for its programs and supporting services are allocated based upon personnel costs.

**Advertising Costs** - Advertising costs are expensed as incurred. Advertising expenses were \$42,977 and \$22,118 for the years ended October 31, 2020 and 2019.

**Unemployment Compensation** - MHC has elected to self-insure unemployment tax claims. Any amounts incurred are recorded as expense when liable and estimable. There was no unemployment claims expense for the years ended October 31, 2020 and 2019.

**Tax Exempt Status** - MHC is classified as a tax-exempt organization under Minnesota Statute 290.05 and Section 501(c)(3) of the Internal Revenue Code, is exempt from private foundation status under Section 509(a)(1) of the Internal Revenue Code, and is subject to income taxes only on net unrelated business income.

A portion of rental activities from the conference center is subject to unrelated business income tax; however, losses have been incurred so no tax has been due. MHC believes that it has appropriate support for any tax positions taken, and accordingly, does not have any uncertain tax positions that are material to the financial statements. MHC has significant net operating loss carryforwards from rental activities that begin to expire in 2019. It is expected that most or all of the carryforwards will expire without being fully utilized.

**Comparative Total Column** - The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. generally accepted accounting principles. Accordingly, such information should be read in conjunction with MHC's financial statements as of and for the year ended October 31, 2019, from which the summarized information was derived.

(Continued)

## MINNESOTA HUMANITIES CENTER

### NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended October 31, 2020  
(With Comparative Totals for 2019)

#### 3. LIQUIDITY AND AVAILABILITY

MHC adopts an annual budget and anticipates collecting sufficient revenue to fund general expenditures. Budget to actual results are monitored monthly. As part of the MHC's liquidity management, its policy is to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. Cash in excess of immediate needs has been invested.

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, consist of the following:

	<u>2020</u>	<u>2019</u>
Cash and equivalents	\$ 346,389	\$ 517,829
Accounts receivable	10,928	77,652
Contributions receivable - current	5,197,327	12,412,551
Government grants receivable – current	273,610	171,653
Investments	<u>7,276,180</u>	<u>6,103,114</u>
Total financial assets	13,104,434	19,282,799
Less amounts not available to be used within one year:		
Contributions receivable for Healthy Eating Here at Home grant	(150,000)	(475,000)
Contributions restricted for future use	-	(4,427,286)
Contributions receivable for Legacy grants	<u>(4,706,000)</u>	<u>(4,478,500)</u>
Total financial assets available within one year after donor restrictions and Board designations	<u>\$ 8,248,434</u>	<u>\$ 9,902,013</u>

#### 4. CONTRIBUTIONS AND GOVERNMENT GRANTS RECEIVABLE

Contributions and government grants receivable of \$5,768,764 are expected to be collected in 2021, \$38,750 in 2022, \$30,000 in 2023, \$30,000 in 2024, and \$30,000 in 2025. Capital campaign contributions receivable of \$309,560 are presented as noncurrent because they will be used towards the building preservation.

(Continued)

## MINNESOTA HUMANITIES CENTER

### NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended October 31, 2020  
(With Comparative Totals for 2019)

#### 4. CONTRIBUTIONS AND GOVERNMENT GRANTS RECEIVABLE (Continued)

At October 31, 2020, MHC has government grants with remaining commitments of \$787,792 that are conditional upon incurring eligible expenditures or performing certain services in accordance with the corresponding grant agreements. Conditional contributions are not recognized in the financial statements until the conditions have been met.

Certain government grants receivable are available to be drawn over a two-year period and do not have a detailed payout schedule. Because of the uncertain timing of future receipts, no discount has been calculated. All receivables are expected to be collected; therefore, no allowance has been recorded.

#### 5. LAND USE

MHC leases both land and a building from the City of Saint Paul. The portion of the lease related to the building is for 30 years beginning in August 1995 with the option to renew for five periods of ten years each. Rent is \$100 per year. MHC is responsible for insuring the building. Due to the poor condition of the building and the extensive amount of rehabilitation costs paid by MHC, the fair market value of the portion of the bargain lease relating to the building was valued at \$0. MHC renovated the building as part of a previous capital campaign with the stipulation that the building be used for their day-to-day administration and programs. The portion of the lease attributed to the land had an appraised market value of \$235,000 and was recorded as a contribution when the lease was signed. The use of the land is amortized over the expected 80-year term of the lease. Amortization expense was \$2,938 for the years ended October 31, 2020 and 2019.

#### 6. INVESTMENTS

Investments were comprised of the following at October 31:

	2020	2019
Brokerage bank account	\$ 253,710	\$ 253,091
Brokerage sweeps account	1,939,142	57,892
Money market funds	502,369	959,875
Exchange traded funds	40,630	38,039
Negotiable certificates of deposit	4,603,101	4,853,102
	<u>\$ 7,338,952</u>	<u>\$ 6,161,999</u>

(Continued)

## MINNESOTA HUMANITIES CENTER

### NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended October 31, 2020  
(With Comparative Totals for 2019)

#### 6. INVESTMENTS (Continued)

Investment income consisted of the following for the years ended October 31:

	<u>2020</u>	<u>2019</u>
Interest and dividends	\$ 80,936	\$ 100,274
Realized and unrealized gains (losses)	<u>(11,906)</u>	<u>51,257</u>
	<u>\$ 69,030</u>	<u>\$ 151,531</u>

Funds deposited in brokerage sweeps accounts are not federally insured or protected by the Securities Investor Protection Corporation (SIPC).

#### 7. FAIR VALUE MEASUREMENTS

MHC determines fair value, when necessary, based on the assumptions that market participants would use when pricing the asset or liability. Valuation inputs are categorized using the following fair value hierarchy:

- Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 - inputs that are observable, directly or indirectly, other than the quoted prices included in Level 1; and
- Level 3 - inputs that are unobservable for the asset or liability, which are typically based on an organization's own assumptions, as there is little, if any, related market activity.

Following is a description of the valuation methodology used for investments measured at fair value. There have been no changes in the methodologies used.

Cash, AG Deposit account, money market, and exchange-traded funds: (Level 1) Carried at fair value based on quoted prices.

Certificates of deposit: (Level 2) All certificate of deposit values are derived using a computerized valuation model and therefore represent an estimated market value. Estimated market values are obtained from statements provided by the broker.

(Continued)



**MINNESOTA HUMANITIES CENTER**

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended October 31, 2020  
(With Comparative Totals for 2019)

**7. FAIR VALUE MEASUREMENTS (Continued)**

Significant assets that are measured at fair value on a recurring basis were as follows as of:

	Level 1	Level 2	Total
<u>October 31, 2020:</u>			
Brokerage bank account	\$ 253,710	\$ -	\$ 253,710
Exchange traded funds	40,630	-	40,630
AG deposit account	1,939,142	-	1,939,142
Money market	502,369	-	502,369
Negotiable certificates of deposit	-	4,603,101	4,603,101
	<u>\$ 2,735,851</u>	<u>\$ 4,603,101</u>	<u>\$ 7,338,952</u>
 <u>October 31, 2019:</u>			
Brokerage bank account	\$ 253,091	\$ -	\$ 253,091
Exchange traded funds	38,039	-	38,039
AG deposit account	57,892	-	57,892
Money market	959,875	-	959,875
Negotiable certificates of deposit	-	4,853,102	4,853,102
	<u>\$ 1,308,897</u>	<u>\$ 4,853,102</u>	<u>\$ 6,161,999</u>

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although MHC believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

(Continued)

**MINNESOTA HUMANITIES CENTER**

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended October 31, 2020  
(With Comparative Totals for 2019)

**8. PAYCHECK PROTECTION PROGRAM LOAN PAYABLE**

In May 2020, MHC received a \$56,900 unsecured loan payable to Bremer Bank with an interest rate of 1%. The note is funded through the Paycheck Protection Program (PPP), a program developed by the Federal government in response to the COVID-19 pandemic. All or a portion of this note may be forgiven if MHC uses the proceeds from the note for payroll costs and other expenses in accordance with the requirements of the PPP. If the proceeds are not used in accordance with the PPP guidelines, the note will be required to be repaid with monthly principal and interest payments beginning November 1, 2020 through May 1, 2022, the date all outstanding principal and interest are due. MHC expects the loan to be forgiven in 2021.

**9. LONG-TERM DEBT**

Long-term debt consisted of a note payable to Phalen Shores LLC for parking lot repairs in the original amount of \$17,582 dated October 2015. Payments were due annually in the amount of \$3,514 with no interest. The loan was paid off in 2019.

**10. NET ASSETS**

**Without Donor Restrictions** - The Board of Directors has made the following designations of net assets without donor restrictions as of October 31:

	<u>2020</u>	<u>2019</u>
Property and equipment	\$ 1,310,525	\$ 1,323,514
Capital campaign	250,000	250,000
	<u>\$ 1,560,525</u>	<u>\$ 1,573,514</u>

(Continued)

**MINNESOTA HUMANITIES CENTER**

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended October 31, 2020  
(With Comparative Totals for 2019)

**10. NET ASSETS (Continued)**

**With Donor Restrictions** - Net assets with donor restrictions consisted of the following as of October 31:

	2020	2019
Absent Narratives program work/professional development programs for teachers and school districts	\$ 4,864,958	\$ 8,242,458
State of Minnesota operating grant	244,824	625,000
State of Minnesota arts and cultural heritage funds	1,718,195	2,641,394
Civics Education arts and cultural heritage funds	240,318	420,507
Healthy Eating arts and cultural heritage funds	159,007	476,753
Children’s Museums arts and cultural heritage funds	1,703,807	2,350,968
Community identity and heritage - Hmong	119,443	249,867
Community identity and heritage - Somali	177,869	249,867
Community identity and heritage	1,025,253	1,186,634
Minnesota Pollution Control	202,253	23,589
Why Treaties Matter	-	94,815
Why It Matters – Civic and Electoral Participation	50,000	-
Somali Community and Museum	-	11,641
Many Voices: One State capital campaign	1,022,495	776,171
Women Veterans Initiative	9,514	14,021
Veteran’s Voices programming	36,249	36,721
Water Ways project	67,500	50,986
Endowment	62,772	58,885
Other	-	432
	<u>\$ 11,704,457</u>	<u>\$ 17,510,709</u>
Total	<u>\$ 11,704,457</u>	<u>\$ 17,510,709</u>

MHC has a perpetually restricted endowment of \$50,000, the earnings on which will be used annually to honor one or more Minnesota historians and/or outstanding work of Minnesota History.

(Continued)

## MINNESOTA HUMANITIES CENTER

### NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended October 31, 2020  
(With Comparative Totals for 2019)

#### 10. NET ASSETS (Continued)

Restricted amounts are classified above according to their primary restriction. Some of the restricted amounts have components of both time and purpose restrictions.

**Released from Restrictions** - Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors.

	<u>2020</u>	<u>2019</u>
Program expenditures	\$ 6,020,459	\$ 7,185,779
Elapsed time restriction	<u>380,177</u>	<u>258,082</u>
	<u>\$ 6,400,636</u>	<u>\$ 7,443,861</u>

#### 11. OPERATING LEASES

MHC leases a copier under a five-year operating lease. Total leased equipment expenses were \$10,176 and \$9,996 for the years ended October 31, 2020 and 2019. This amount includes the base lease costs, fees for copies above the minimums and one-time rental costs. The minimum payments include a base number of copies and maintenance; overages are also recorded in the lease expense account. Future minimal rental payments for 2021 through 2024 are \$3,588 per year.

#### 12. RETIREMENT PLAN

MHC provides an employee retirement plan through a Safe Harbor 401K plan. Employees eligible to participate in the plan receive a 1:1 match on the first 3% of contributions, and a 0.5 to 1 match on the next 2%. The plan also provides for a discretionary employer contribution for eligible employees, to be made after the end of the plan year (but expense is accrued in the fiscal year). For the year ended October 31, 2020, the Board approved a 4% discretionary contribution. Total matching contributions were \$62,159; accrued discretionary contributions were \$68,429; for a total expense of \$130,588 for the year ended October 31, 2020. Total matching contributions were \$63,858; accrued discretionary contributions were \$72,371; for a total expense of \$136,229 for the year ended October 31, 2019.

(Continued)

**MINNESOTA HUMANITIES CENTER**

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended October 31, 2020  
(With Comparative Totals for 2019)

**13. CONCENTRATIONS OF CREDIT RISK**

MHC places its cash with multiple financial institutions. At times the amount on deposit exceeds the insured limit of an institution and exposes MHC to a credit risk. MHC believes it is not exposed to any significant risk on these funds. At October 31, 2020 and 2019, deposits of \$848,730 and \$789,315 exceeded federally insured limits.

**14. CONTINGENCIES**

MHC receives financial assistance from federal and state governmental agencies in the form of grants. These programs generally require compliance with the terms and conditions specified in the grant agreements, which are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of MHC. However, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements or on the overall financial position of MHC.

**15. MAJOR SOURCES OF SUPPORT AND REVENUE**

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

	<u>2020</u>	<u>2019</u>
National Endowment for the Humanities	\$ 1,276,202	\$ 831,371
State of Minnesota	-	7,800,000

**16. ENDOWMENT**

Minnesota Humanities Center's endowment consists of an investment fund established to recognize one or more outstanding Minnesota historians and/or outstanding work of Minnesota History as defined by MHC. The endowment is donor-restricted. As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

(Continued)

## MINNESOTA HUMANITIES CENTER

### NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended October 31, 2020  
(With Comparative Totals for 2019)

#### 16. **ENDOWMENT (Continued)**

**Interpretation of Relevant Law** - The Board of Directors has interpreted the Minnesota Prudent Management of Institutional Funds Act (MPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, MHC classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by MHC in a manner consistent with the standard of prudence prescribed by MPMIFA. In accordance with MPMIFA, MHC 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 purposes of MHC 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 the appreciation of investments
- (6) Other resources of MHC
- (7) The investment policies of MHC

Changes in endowment net assets for the year ended October 31, 2020, follow:

	Without donor restrictions	With donor restrictions	Total
Endowment net assets, beginning of year	\$ -	\$ 58,885	\$ 58,885
Investment income, net	-	3,887	3,887
Endowment net assets, end of year	\$ -	\$ 62,772	\$ 62,772

(Continued)

## MINNESOTA HUMANITIES CENTER

### NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended October 31, 2020  
(With Comparative Totals for 2019)

#### 16. ENDOWMENT (Continued)

Changes in endowment net assets for the year ended October 31, 2019, follow:

	Without donor restrictions	With donor restrictions	Total
Endowment net assets, beginning of year	\$ -	\$ 53,050	\$ 53,050
Investment income, net	-	5,835	5,835
Endowment net assets, end of year	\$ -	\$ 58,885	\$ 58,885

**Return Objectives and Risk Parameters** - MHC has adopted investment and spending policies for endowment assets that attempt to provide a predictable and consistent stream of funding to the program supported by its endowments while seeking to maintain the purchasing power of the endowment assets. Under this policy, as approved by the Board of Directors, the endowment assets will be invested in a manner that is intended to produce results that exceed the price and yield results of the All Urban Consumer Price Index (CPI) while assuming a moderate level of investment risk. MHC expects its endowment investments, over time, to provide an average rate of return of approximately 5 percent annually over the CPI. Actual returns in any given year may vary from this amount.

**Strategies Employed for Achieving Objectives** - To satisfy its long-term rate-of-return objectives, MHC 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). MHC targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

**Spending Policy and How the Investment Objectives Relate to Spending Policy** - MHC has a policy of appropriating for distribution each year up to 5 percent of its endowment fund's average fair value over the preceding 12 calendar quarters through October 31 of the preceding the fiscal year in which the distribution is planned. In establishing this policy, MHC considered the long-term expected return on its endowment. The rate of draw will be periodically reviewed by the Finance Committee and/or Board of Directors. Upon completion of the initial four years from investment (December 2020), distributions from the endowment fund will begin.

(Continued)

## MINNESOTA HUMANITIES CENTER

### NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended October 31, 2020  
(With Comparative Totals for 2019)

#### 17. CAPITAL CAMPAIGN

In 2018, MHC initiated a capital campaign entitled “Many Voices, One State.” The campaign celebrates the 50<sup>th</sup> anniversary of MHC and its decades of accomplishments and services to the state and strengthens the foundation for the next 50 years. The \$3.5 million campaign’s goals are 1) to secure the funding needed for short-term and long-term asset preservation, and 2) build a broad base of sustainable support for MHC.

MHC has been awarded \$1 million of state bonding for asset preservation for which the contracts have not been finalized. The City of Saint Paul, under its STAR Loan and Grant program, has awarded a grant of \$100,000 and a loan of \$150,000 for the campaign. Under the City award, MHC must provide matching funds of \$475,550. The grant was recognized as revenue in 2019. No funds have been advanced against the loan as of October 31, 2020.

In October 2020, MHC was awarded \$750,000 of additional state bonding for asset preservation. The bonding contracts will be finalized in 2021.

In 2020, MHC entered into construction and architect contracts totaling \$1,702,404 for the building’s preservation work. It is estimated it will be completed in the year ending October 31, 2021.

#### 18. COMMITMENTS

MHC has approximately \$674,000 in contracts related to its Absent Narratives work with a cumulative total of approximately \$505,500 remaining at October 31, 2020.

#### 19. COVID-19

A nationwide public health emergency developed in 2020. The state of Minnesota has enacted measures to combat the global pandemic resulting from a novel strain of coronavirus known as COVID-19. Measures have included regulatory restrictions on citizen and business activities as well as recommendations for further voluntary curtailment of activities.

(Continued)



**MINNESOTA HUMANITIES CENTER**

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended October 31, 2020  
(With Comparative Totals for 2019)

19. **COVID-19 (Continued)**

The immediate impact on the MHC's operations included the following:

- Temporary closure of the event center
- Suspension of MHC's in-person program related group offerings
- Development and implementation of virtual program offerings
- Instruction from Minnesota Management and Budget placed 14% holdback on all 2021 Legacy appropriations; these funds will not be available until July 1, 2021

The future potential impact of these issues is unknown.

20. **SUBSEQUENT EVENTS**

Management has evaluated subsequent events through April 23, 2021, the date the financial statements were available to be issued.

**MINNESOTA HUMANITIES CENTER**

**SCHEDULE OF EXPENDITURES OF FEDERAL  
AWARDS AND RELATED REPORTS**

**FOR THE YEAR ENDED  
OCTOBER 31, 2020**

**MINNESOTA HUMANITIES CENTER**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
AND RELATED REPORTS**

For the Year Ended October 31, 2020

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**MINNESOTA HUMANITIES CENTER**

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended October 31, 2020

Federal Grantor/ Program Title	CFDA Number	Grant Number	Federal Expenditures
National Endowment for the Humanities:			
Promotion of the Humanities - Federal/State Partnership	45.129		
Operating grant		SO-263525-19	\$ 771,919
Operating grant - CARES Act		SO-263525-19	<u>\$ 504,283</u>
Total National Endowment for the Humanities			<u>\$ 1,276,202</u>
Total			<u>\$ 1,276,202</u>

**Note 1: Basis of Presentation**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Minnesota Humanities Center under programs of the federal government for the year ended October 31, 2020. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the Uniform Guidance). Because the schedule presents only a selected portion of the operations of Minnesota Humanities Center, it is not intended to and does not present the financial position, changes in net assets or cash flows of Minnesota Humanities Center.

**Note 2: Summary of Significant Accounting Policies**

- (1) Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.
- (2) Grant identifying numbers are presented where available.
- (3) Minnesota Humanities Center has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

**INDEPENDENT AUDITOR’S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND  
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the Board of Directors  
Minnesota Humanities Center  
Saint Paul, Minnesota

We have audited the financial statements of Minnesota Humanities Center (a nonprofit organization), which comprise the statement of financial position as of October 31, 2020, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to financial statements, and have issued our report thereon dated April 23, 2021. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Minnesota Humanities Center’s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Minnesota Humanities Center’s internal control. Accordingly, we do not express an opinion on the effectiveness of Minnesota Humanities Center’s internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

(Continued)

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Minnesota Humanities Center's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Minnesota Humanities Center's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Minnesota Humanities Center's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Mahoney Ulbrich  
Christiansen Russ P.A.*

April 23, 2021

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR THE MAJOR FEDERAL PROGRAM AND  
ON INTERNAL CONTROL OVER COMPLIANCE AND ON THE SCHEDULE OF EXPENDITURES OF  
FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE**

To the Board of Directors  
Minnesota Humanities Center  
Saint Paul, Minnesota

**Report on Compliance for the Major Federal Program**

We have audited Minnesota Humanities Center's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on Minnesota Humanities Center's major federal program for the year ended October 31, 2020. Minnesota Humanities Center's major federal program is identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

***Management's Responsibility***

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for Minnesota Humanities Center's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on the major federal program occurred. An audit includes examining, on a test basis, evidence about Minnesota Humanities Center's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of Minnesota Humanities Center's compliance.

(Continued)

### ***Opinion on the Major Federal Program***

In our opinion, Minnesota Humanities Center complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended October 31, 2020.

### **Report on Internal Control Over Compliance**

Management of Minnesota Humanities Center is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Minnesota Humanities Center's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Minnesota Humanities Center's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

(Continued)



## Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of Minnesota Humanities Center as of and for the year ended October 31, 2020, and have issued our report thereon dated April 23, 2021, which contained an unmodified opinion on those financial statements. Our report on the financial statements includes an emphasis-of-matter paragraph describing an adoption of new accounting standards in Note 2. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance, and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

*Mahoney Ulbrich  
Christiansen Russ P.A.*

April 23, 2021

**MINNESOTA HUMANITIES CENTER**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

For the Year Ended October 31, 2020

**SECTION I - SUMMARY OF AUDITOR'S RESULTS**

**FINANCIAL STATEMENTS**

Type of auditor's report issued	Unmodified		
"Going concern" emphasis-of-matter paragraph included in the auditor's report?	<u>      </u> yes	<u>  X  </u> no	
Internal control over financial reporting:			
• Material weakness(es) identified?	<u>      </u> yes	<u>  X  </u> no	
• Significant deficiency(s) identified?	<u>      </u> yes	<u>  X  </u> none reported	
Noncompliance material to financial statements noted?	<u>      </u> yes	<u>  X  </u> no	

**FEDERAL AWARDS**

Internal control over major program:			
• Material weakness(es) identified?	<u>      </u> yes	<u>  X  </u> no	
• Significant deficiency(s) identified?	<u>      </u> yes	<u>  X  </u> none reported	
Type of auditor's report issued on compliance for major program	Unmodified		
Any audit findings disclosed that are required to be reported in accordance with 2 CFR section 200.516(a)?	<u>      </u> yes	<u>  X  </u> no	
Identification of major program:			
• CFDA Number 45.129 – Promotion of the Humanities – Federal/State Partnership			
Dollar threshold used to distinguish between type A and type B programs		<u>  \$ 750,000  </u>	
Auditee qualified as low-risk auditee?	<u>  X  </u> yes	<u>      </u> no	

(Continued)

**MINNESOTA HUMANITIES CENTER**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

For the Year Ended October 31, 2020

**SECTION II – FINDINGS - FINANCIAL STATEMENTS AUDIT**

No matters were reported.

**SECTION III – FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAM AUDIT**

No matters were reported.