

CHILDREN'S MUSEUM OF SOUTHERN MINNESOTA
CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2021 AND 2020



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YEARS ENDED DECEMBER 31, 2021 AND 2020**

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Children's Museum of Southern Minnesota
Mankato, Minnesota

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of Children's Museum of Southern Minnesota (a nonprofit organization), which comprise the consolidated statements of financial position as of December 31, 2021 and 2020, 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.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Children's Museum of Southern Minnesota as of December 31, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Consolidated Financial Statements

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

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Children's Museum of Southern Minnesota's ability to continue as a going concern for one year after the date the consolidated financial statements are available to be issued.

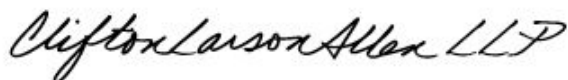
Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Children's Museum of Southern Minnesota's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Children's Museum of Southern Minnesota's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.



CliftonLarsonAllen LLP

Austin, Minnesota
October 7, 2022

**CHILDREN'S MUSEUM OF SOUTHERN MINNESOTA
CONOSLIDATED STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2021 AND 2020**

	2021	2020
ASSETS		
Cash and Cash Equivalents	\$ 424,787	\$ 293,136
Receivables, Net:		
Pledges Receivable (Net of Unamortized Discount)	425,514	446,895
Grants Receivable	128,719	32,553
Employee Retention Tax Credit Receivable	194,852	-
Accounts Receivable	556	556
Prepaid Expenses	7,460	7,633
Beneficial Interest in Assets Held by Others	15,820	16,040
Property and Equipment, Net	3,653,226	3,252,964
 Total Assets	 \$ 4,850,934	 \$ 4,049,777
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts Payable	\$ 9,973	\$ 16,166
Payroll and Other Accrued Liabilities	30,007	42,847
Deferred Revenue	84,793	29,661
Refundable Advance - Payroll Protection Program	141,970	155,300
Note Payable	454,765	474,543
Total Liabilities	721,508	718,517
NET ASSETS		
Without Donor Restrictions	3,909,426	3,229,636
With Donor Restrictions	220,000	101,624
Total Net Assets	4,129,426	3,331,260
 Total Liabilities and Net Assets	 \$ 4,850,934	 \$ 4,049,777

See accompanying Notes to Financial Statements.

**CHILDREN'S MUSEUM OF SOUTHERN MINNESOTA
CONSOLIDATED STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2021**

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES, GAINS, AND OTHER SUPPORT			
Contributions	\$ 956,662	\$ -	\$ 956,662
Grants	188,182	220,000	408,182
Payroll Protection Program Loan Forgiveness	155,300	-	155,300
Employee Retention Tax Credit	263,699	-	263,699
Admissions	151,767	-	151,767
Memberships	114,191	-	114,191
Program Service Fees	14,850	-	14,850
Investment Income	455	-	455
In-Kind Contributions	20,846	-	20,846
Facility, Café and Exhibit Revenue	11,778	-	11,778
Other Income	3,450	-	3,450
Net Assets Released from Restrictions	101,624	(101,624)	-
Total Revenues, Gains, and Other Support	1,982,804	118,376	2,101,180
EXPENSES			
Program Expenses	744,513	-	744,513
Supporting Services:			
Management and General	340,874	-	340,874
Fundraising	217,627	-	217,627
Total Expenses	1,303,014	-	1,303,014
CHANGES IN NET ASSETS	679,790	118,376	798,166
Net Assets - Beginning of Year	3,229,636	101,624	3,331,260
NET ASSETS - END OF YEAR	\$ 3,909,426	\$ 220,000	\$ 4,129,426

See accompanying Notes to Financial Statements.

**CHILDREN'S MUSEUM OF SOUTHERN MINNESOTA
CONSOLIDATED STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2020**

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES, GAINS, AND OTHER SUPPORT			
Contributions	\$ 261,880	\$ 40,000	\$ 301,880
Grants	178,080	16,965	195,045
Admissions	35,426	-	35,426
Memberships	143,152	-	143,152
Program Service Fees	8,726	-	8,726
Investment Income	1,244	-	1,244
Fundraising Events	14,056	-	14,056
In-Kind Contributions	16,011	-	16,011
Facility, Café and Exhibit Revenue	16,294	-	16,294
Net Assets Released from Restrictions	94,313	(94,313)	-
Total Revenues, Gains, and Other Support	769,182	(37,348)	731,834
EXPENSES			
Program Expenses	693,227	-	693,227
Supporting Services:			
Management and General	324,062	-	324,062
Fundraising	95,541	-	95,541
Total Expenses	1,112,830	-	1,112,830
CHANGES IN NET ASSETS	(343,648)	(37,348)	(380,996)
Net Assets - Beginning of Year	3,573,284	138,972	3,712,256
NET ASSETS - END OF YEAR	\$ 3,229,636	\$ 101,624	\$ 3,331,260

See accompanying Notes to Financial Statements.

**CHILDREN'S MUSEUM OF SOUTHERN MINNESOTA
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2021**

	Program Services	Supporting Services		Total
		Management and General	Fundraising	
EXPENSES				
Salaries and Wages	\$ 227,143	\$ 190,166	\$ 110,930	\$ 528,239
Payroll Taxes and Employee Benefits	51,413	26,497	15,122	93,032
Contract Services and Professional Fees	3,637	79,171	60,000	142,808
Supplies	8,357	1,513	1,297	11,167
Printing, Publications, and Artwork	28,493	-	1,494	29,987
Program	5,005	-	-	5,005
Postage	1,039	196	168	1,403
Telephone	5,663	1,071	918	7,652
Occupancy	47,084	3,361	2,382	52,827
Fundraising and Events	-	-	16,851	16,851
Insurance	9,335	1,766	1,514	12,615
Travel and Training	2,405	1,602	390	4,397
Café Purchases	268	-	-	268
Exhibit Development	21,952	-	-	21,952
Dues and Memberships	3,131	592	508	4,231
Advertising	-	23,858	-	23,858
Depreciation	250,651	5,115	-	255,766
Interest	18,695	382	-	19,077
Technology and Software	27,860	3,653	4,081	35,594
Credit Card and Bank Fees	7,100	75	809	7,984
Miscellaneous	25,282	1,856	1,163	28,301
Total Expenses	<u>\$ 744,513</u>	<u>\$ 340,874</u>	<u>\$ 217,627</u>	<u>\$ 1,303,014</u>

See accompanying Notes to Financial Statements.

**CHILDREN'S MUSEUM OF SOUTHERN MINNESOTA
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2020**

	Program Services	Supporting Services		Total
		Management and General	Fundraising	
EXPENSES				
Salaries and Wages	\$ 222,339	\$ 217,285	\$ 65,691	\$ 505,315
Payroll Taxes and Employee Benefits	50,491	27,158	11,003	88,652
Contract Services and Professional Fees	505	57,338	-	57,843
Supplies	4,762	901	773	6,436
Printing, Publications, and Artwork	23,852	-	1,255	25,107
Program	5,766	-	-	5,766
Postage	328	62	53	443
Telephone	3,494	661	567	4,722
Occupancy	38,299	3,162	2,250	43,711
Fundraising and Events	-	-	4,722	4,722
Insurance	14,338	2,713	2,325	19,376
Travel and Training	5,126	1,452	832	7,410
Café Purchases	4,327	-	-	4,327
Exhibit Development	11,771	-	-	11,771
Dues and Memberships	3,144	595	510	4,249
Advertising	-	1,761	-	1,761
Depreciation	244,328	4,986	-	249,314
Interest	23,563	481	-	24,044
Technology and Software	32,913	4,243	4,802	41,958
Credit Card and Bank Fees	3,577	67	416	4,060
Miscellaneous	304	1,197	342	1,843
Total Expenses	<u>\$ 693,227</u>	<u>\$ 324,062</u>	<u>\$ 95,541</u>	<u>\$ 1,112,830</u>

See accompanying Notes to Financial Statements.

**CHILDREN'S MUSEUM OF SOUTHERN MINNESOTA
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2021 AND 2020**

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in Net Assets	\$ 798,166	\$ (380,996)
Adjustments to Reconcile Changes in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	255,766	249,314
Change in Value of Beneficial Interest in Assets Held by Others	(162)	(162)
(Increase) Decrease in:		
Receivables	(269,637)	99,357
Inventory	-	2,842
Prepaid Expenses	173	1,561
Beneficial Interest in Assets Held by Others	382	(201)
Increase (Decrease) in:		
Accounts Payable	(6,193)	5,905
Payroll and Other Accrued Liabilities	(12,840)	(19,630)
Deferred Revenue	55,132	(77,723)
Refundable Advance - Payroll Protection Program	(13,330)	155,300
Net Cash Provided by Operating Activities	807,457	35,567
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Property and Equipment	(656,028)	(61,291)
Net Cash Used by Investing Activities	(656,028)	(61,291)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on Long-Term Debt	(19,778)	(43,343)
Net Cash Used by Financing Activities	(19,778)	(43,343)
NET INCREASE (DECREASE) IN CASH	131,651	(69,067)
Cash and Cash Equivalents - Beginning of Year	293,136	362,203
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 424,787	\$ 293,136
SUPPLEMENTAL DATA		
Cash Paid for Interest	\$ 19,077	\$ 24,044
In-Kind Services and Materials	\$ 20,846	\$ 16,011

See accompanying Notes to Financial Statements.

**CHILDREN'S MUSEUM OF SOUTHERN MINNESOTA
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

The Children's Museum of Southern Minnesota (the Museum) is a nonprofit corporation organized in 2006 under the laws of the state of Minnesota. Its mission is to ignite the natural curiosity of every child through the power of play in a dynamic, awe-inspiring environment. The Museum strives to be a catalyst for building a stronger, more vibrant community around play so that all children in the region share in a bright future of opportunity and well-being featuring play-based exhibits and dynamic hands-on programming designed to stimulate inquiry, spark curiosity, and reveal the wonder of STEAM, agriculture, and the arts, while also calling attention to the culture and heritage of the region.

The Museum is truly unique to the southern Minnesota region and has inspired the joy of learning through the power of play for thousands of children and adults. Since its 2015 opening in its permanent location, the Museum has welcomed nearly 100,000 visitors annually, engaging children of all ages in its interactive exhibits, facilitated programming, and special events.

On December 15, 2021, the Museum formed CMSM Holdings, LLC, a wholly owned subsidiary, to own the land acquired by the Museum.

Principles of Consolidation

The financial statements are consolidated for the year ended December 31, 2021 and include the accounts of the Museum and its subsidiary, CMSM Holdings, LLC. All significant intercompany accounts have been eliminated in consolidation.

Basis of Presentation

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor-imposed 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.

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. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue when the assets are placed in service.

**CHILDREN'S MUSEUM OF SOUTHERN MINNESOTA
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation (Continued)

The Museum reports contributions restricted by donors as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, 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.

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Museum considers all monies in banks and highly liquid investments with original maturity dates of three months or less to be cash equivalents. Accumulated deposits at these financial institutions, at times, may exceed federally insured limits.

Pledges Receivable

Pledges receivable consists of payments promised to the Museum from donors related to its capital campaign. Multi-year promises are recorded at their net present value using a discount rate of 3%. The rate of 3% has been determined based on the observed returns of similar cash flows as adjusted for risk within the Museum's donor base. Estimated uncollectible pledges are netted against the present value of the receivable based on the Museum's estimate of uncollectible pledges based on historic collection and current economic conditions. The Museum has determined that an allowance is not necessary at December 31, 2021 and 2020 after its review of the donor schedules and anticipated payments. Pledges receivable, net of unamortized discounts, are summarized as follows at December 31:

	<u>2021</u>	<u>2020</u>
Pledges Receivable Expected to be Collected Within:		
Less than One Year	\$ 105,428	\$ 127,128
One to Five Years	345,833	297,833
After Five Years	10,000	63,333
Subtotal	<u>461,261</u>	<u>488,294</u>
Less: Unamortized Discount on Pledges Receivable	<u>(35,747)</u>	<u>(41,399)</u>
Total	<u>\$ 425,514</u>	<u>\$ 446,895</u>

Four donors comprised approximately 68% of pledges receivable at December 31, 2021; and three donors comprised approximately 46% of contribution revenue for 2021. Three donors comprised approximately 88% of pledges receivable at December 31, 2020; and one donor comprised approximately 23% of contribution revenue for 2020.

**CHILDREN'S MUSEUM OF SOUTHERN MINNESOTA
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Employee Retention Tax Credit (Receivable)

The Museum is eligible for the Employee Retention Credit (ERC) under the CARES Act. The receivable for the ERC at December 31, 2021 is \$194,852. In 2021, Museum submitted 2020 and 2021 Form 941-X Adjusted Employer's Quarterly Federal Tax Return or Claim for Refund for the quarters ended June 30, 2020, December 31, 2020, March 31, 2021, and June 30, 2021 as well as the 2021 Form 941 for the quarter ended September 30, 2021. The estimated credits from all returns total \$263,699.

Eligibility and usage of funds in compliance with the program based on dollar thresholds and other factors are subject to review. The amount of liability, if any, from potential noncompliance cannot be determined with certainty; however, management is of the opinion that any review will not have a material adverse impact on the Museum's financial position.

Property and Equipment

Land, buildings, and equipment are stated at cost. Contributed property and equipment is recorded at estimated fair market values at the date of gift. Major additions and improvements greater than \$5,000 are charged to the property accounts, while replacements, maintenance, and repairs which do not improve or extend the life of the assets are expensed currently. Depreciation is computed using the straight-line method over the estimated useful lives of the assets.

Beneficial Interest in Assets Held by Others

In 2015, the Museum established a charitable fund (the fund) under a community foundation's (the CF) Restricted Fund Agreement and named itself as beneficiary. The Museum granted variance power to the CF, which allows the CF to modify any condition or restriction on its distributions for any specified charitable purpose or to any specified organization if, in the sole judgment of the CF's Board of Directors, such restriction or condition becomes unnecessary, incapable of fulfillment, or inconsistent with the charitable needs of the community. The fund is held and invested by the CF for the benefit of the Museum and is reported at fair value in the statements of financial position, with distributions and changes in fair value recognized in the statements of activities.

Revenue Recognition

Membership Revenue

The Museum uses the accrual method of accounting. Membership revenue is recognized ratably over the term of the membership. Program service revenue is recognized when the related services are performed. Deferred revenue consists primarily of membership fees that will be recognized ratably over the term of the membership and gift certificates which have been purchased and will be recognized upon usage.

Admissions Revenue

Admissions revenue consists of daily admission fees. Revenue is recognized when the related services are performed, which is generally the museum visit.

**CHILDREN'S MUSEUM OF SOUTHERN MINNESOTA
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition (Continued)

Fundraising Events Revenue

Fundraising events revenue primarily consists of registration fees and sponsorships received for various museum events. The performance obligation for registration is admission to the event. Sponsorship revenues are recognized in the period in which the event is held. These revenues are considered nonreciprocal transactions and are classified as conditional contributions.

Contributions and Grants Revenue

The Museum recognizes contributions when cash, securities, or other assets; an unconditional promise to give; or a notification of a beneficial interest is received. Conditional promises to give – that is, those with a measurable performance or other barrier and a right of return – are not recognized until the conditions on which they depend have been met.

A portion of the Museum's revenue is derived from cost-reimbursable grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received as revenue when the Museum has incurred expenditures in compliance with specific grant provisions. Amounts received prior to incurring qualifying expenditures are reported as refundable advances in the statement of financial position. The Museum received cost-reimbursable grants of \$141,970 and \$248,408 that have not been recognized at December 31, 2021 and 2020 because qualifying expenditures have not yet been incurred, with progress payments of \$144,970 and \$155,300, respectively, recognized in the statement of financial position as a refundable advance.

Donated Services and Materials

Donated materials and equipment are reflected as contributions in the accompanying statements at their estimated values at the date of receipt. Donated services are recorded as contributions if the services require specialized skills, are performed by people with these skills, and would otherwise be purchased by the Museum.

The Museum received contributed museum furnishings and capitalized building improvements during the years ended December 31, 2021 and 2020, with a fair value on the dates of donation of \$2,485 and \$2,414 , respectively. The Museum also received donated services and materials for the years ended December 31, 2021 and 2020, with a fair value on the dates of donation of \$1,939 and \$13,128 in program expenses, and \$2,735 and \$469 in management and general expenses, respectively.

Advertising

The Museum expenses advertising costs as incurred. Advertising expenses were \$23,858 and \$1,761 for the years ended December 31, 2021 and 2020, respectively.

**CHILDREN'S MUSEUM OF SOUTHERN MINNESOTA
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Functional Allocation of Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the statements of activities. The 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.

Income Tax Exemption

The Museum is exempt from income taxes under Sections 501(c)(3) of the Internal Revenue Code, thus there is no provision for income taxes at December 31, 2021 and 2020.

The Museum evaluated its tax positions and determined it has no uncertain tax positions as of December 31, 2021 and 2020.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from the estimates used.

Subsequent Events

In preparing these financial statements, the Museum has evaluated events and transactions for potential recognition or disclosure through October 7, 2022, the date the financial statements were available to be issued.

NOTE 2 PROPERTY AND EQUIPMENT

The following is a summary of property and equipment at December 31:

	<u>2021</u>	<u>2020</u>
Furniture and Equipment	\$ 39,066	\$ 39,066
Exhibits	1,145,322	1,053,774
Land	600,595	-
Building	3,267,252	3,267,252
Leasehold Improvements	190,410	190,410
Exhibits in Process	25,371	61,486
Total	<u>5,268,016</u>	<u>4,611,988</u>
Accumulated Depreciation	<u>(1,614,790)</u>	<u>(1,359,024)</u>
Net Land, Buildings, and Equipment	<u>\$ 3,653,226</u>	<u>\$ 3,252,964</u>

**CHILDREN'S MUSEUM OF SOUTHERN MINNESOTA
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020**

NOTE 3 NOTE PAYABLE

On December 22, 2015, the Museum entered into a term loan in amount of \$1,100,000 with an interest rate of 4.75%. The note was secured by real estate. The outstanding balance was due in monthly installments of principal and interest of \$6,807 with final payment of remaining principal and interest due on December 1, 2020. An extension on the loan was granted in May 2020, allowing for three months of interest only payments and extended the maturity date to March 1, 2021. On March 23, 2021, the loan was refinanced with an interest rate of 3.75%. The note is due in monthly installments of \$2,712 with final payment of the remaining principal and interest due on April 1, 2026. The outstanding balance on this agreement was \$454,765 and \$474,543 at December 31, 2021 and 2020, respectively. Total interest expense for the years ended December 31, 2021 and 2020 was \$19,077 and \$24,044, respectively.

Projected payments of the loan are due as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2022	\$ 16,494
2023	17,123
2024	17,777
2025	18,455
Thereafter	384,916
Total	<u>\$ 454,765</u>

NOTE 4 REFUNDABLE ADVANCE – PAYROLL PROTECTION PLAN

In April 2020, the Museum received proceeds from Bremer Bank of \$155,300 to fund payroll, rent, and utilities through the Payroll Protection Program (the PPP Loan). The PPP Loan may be forgiven by the U.S. Small Business Administration (SBA) subject to certain performance barriers, as outlined in the loan agreement and the CARES Act. Therefore, the Museum has classified this loan as a conditional contribution for accounting purposes. As of December 31, 2020, the Museum had not satisfied the performance barriers attributable to the PPP Loan proceeds, and this amount was classified as a refundable advance in the accompanying statements of financial position.

On January 11, 2021, the SBA formally forgave the full amount of the Museum's obligation under this PPP loan. Full satisfaction of the performance barriers were met in 2021 and revenue was recognized related to this agreement during 2021.

On January 24, 2021, the Museum received a Second Draw PPP loan in the amount of \$141,790. These funds must be used in accordance with the program requirements. Additionally, some or all of the funds may be forgiven based on compliance with program requirements and approval of the SBA. Full satisfaction of the performance barriers have been met in 2022 and revenue will be recognized related to this agreement during 2022. On May 3, 2022, the SBA formally forgave the full amount of the Museum's obligation under this Second Draw PPP loan.

**CHILDREN'S MUSEUM OF SOUTHERN MINNESOTA
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020**

NOTE 4 REFUNDABLE ADVANCE – PAYROLL PROTECTION PLAN (CONTINUED)

The SBA may review funding eligibility and usage of funds in compliance with the program based on dollar thresholds and other factors. The amount of liability, if any, from potential noncompliance cannot be determined with certainty; however, management is of the opinion that any review will not have a material adverse impact on the Museum's financial position

NOTE 5 NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist of the following at December 31:

	2021	2020
Subject to Expenditure for Specified Purpose:		
Exhibits	\$ 220,000	\$ 40,000
Programming	-	11,218
Technology Enhancements	-	5,406
Development and Fundraising	-	30,000
Subject to the Passage of Time:		
Annual Contribution	-	15,000
Total Net Assets With Donor Restrictions	\$ 220,000	\$ 101,624

The following represents net assets with donor restrictions released by satisfaction of expenditure restrictions for the years ended December 31:

	2021	2020
Expiration of Time Restrictions	\$ 15,000	\$ 15,000
Satisfaction of Purpose Restrictions:		
Exhibits	40,000	50,000
Programming	11,218	14,303
Development	30,000	-
Technology Enhancements	5,406	15,010
Total	\$ 101,624	\$ 94,313

NOTE 6 OPERATING LEASES

The Museum entered into a lease for its permanent location in September 2013. The lease matures in August 2063 and requires annual payments of \$1.

Subsequent to year-end, the lease was amended to include additional land and to extend the lease term to August 3013.

**CHILDREN'S MUSEUM OF SOUTHERN MINNESOTA
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NOTE 7 RETIREMENT PLAN

The Museum offers a SIMPLE retirement plan for eligible employees. The Museum will match up to 3% of participating employee gross wages each year. Contributions to the SIMPLE plan for the years ended December 31, 2021 and 2020 was \$11,102 and \$8,573, respectively.

NOTE 8 SOLAR GARDEN AGREEMENT

The Museum entered into an agreement related to a community solar garden. The agreement will generate bill credits to be applied to the Museum's monthly invoices from Xcel Energy for the retail electric services. The delivered energy will be generated on the operation date through the date of the agreement at a fixed rate. The agreement includes a termination provision that is based on the Museum's allocated percentage at the time of termination.

NOTE 9 LIQUIDITY AND AVAILABILITY

The Museum regularly monitors the availability of resources required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Museum considers all expenditures related to its ongoing program-related activities as well as the conduct of services undertaken to support those programs to be general expenditures.

As of December 31, 2021 and 2020, the following financial assets could be readily made available within one year of the balance sheet date to meet general expenditures:

	2021	2020
Financial Assets at Year-End:		
Cash and Cash Equivalents	\$ 424,787	\$ 293,136
Pledges Receivable	461,261	488,294
Employee Tax Credit Receivable	194,852	556
Grants Receivable	128,719	32,553
Accounts Receivable	556	556
Total Financial Assets at Year-End	1,210,175	815,095
Less: Amounts Not Available to Meet General Expenditures Within One Year:		
Pledges Receivable Without Donor Restrictions Not Due Within One Year	(355,833)	(361,166)
Net Assets With Donor Restrictions	(220,000)	(101,624)
Financial Assets Available to Meet General Expenditures Within One Year	\$ 634,342	\$ 352,305

**CHILDREN'S MUSEUM OF SOUTHERN MINNESOTA
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NOTE 10 RELATED PARTY TRANSACTIONS

The Museum has entered into certain transactions with financial institutions that have current Museum board members as part of management. See Note 3 for note payable and Note 4 for refundable advance transactions with these financial institutions.



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