

**CHILDREN'S MUSEUM OF SOUTHERN MINNESOTA
CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2022 AND 2021**



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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, 2022 and 2021, 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, 2022 and 2021, and the changes in their net assets and their 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 11, 2023

**CHILDREN'S MUSEUM OF SOUTHERN MINNESOTA
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2022 AND 2021**

ASSETS	<u>2022</u>	<u>2021</u>
Cash and Cash Equivalents	\$ 335,218	\$ 424,787
Receivables, Net:		
Pledges Receivable (Net of Unamortized Discount)	974,503	425,514
Grants Receivable	130,000	128,719
Employee Retention Tax Credit Receivable	-	194,852
Accounts Receivable	5,999	556
Prepaid Expenses	1,841	7,460
Beneficial Interest in Assets Held by Others	14,763	15,820
Property and Equipment, Net	<u>3,546,506</u>	<u>3,653,226</u>
 Total Assets	 <u>\$ 5,008,830</u>	 <u>\$ 4,850,934</u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts Payable	\$ 23,574	\$ 9,973
Payroll and Other Accrued Liabilities	27,948	30,007
Deferred Revenue	105,413	84,793
Refundable Advance - Payroll Protection Program	-	141,970
Note Payable	<u>438,515</u>	<u>454,765</u>
Total Liabilities	595,450	721,508
 NET ASSETS		
Without Donor Restrictions	3,465,201	3,909,426
With Donor Restrictions	<u>948,179</u>	<u>220,000</u>
Total Net Assets	<u>4,413,380</u>	<u>4,129,426</u>
 Total Liabilities and Net Assets	 <u>\$ 5,008,830</u>	 <u>\$ 4,850,934</u>

See accompanying Notes to Consolidated Financial Statements.

**CHILDREN'S MUSEUM OF SOUTHERN MINNESOTA
CONSOLIDATED STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2022**

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES, GAINS, AND OTHER SUPPORT			
Contributions	\$ 281,214	\$ 686,960	\$ 968,174
Grants	241,563	41,219	282,782
Payroll Protection Program Loan Forgiveness	141,970	-	141,970
Employee Retention Tax Credit	1,688	-	1,688
Admissions	235,676	-	235,676
Memberships	176,338	-	176,338
Program Service Fees	39,101	-	39,101
Investment Income	861	-	861
Fundraising Events	2,250	-	2,250
In-Kind Contributions	77,929	-	77,929
Facility, Café and Exhibit Revenue	27,013	-	27,013
Other Income	2,738	-	2,738
Total Revenues, Gains, and Other Support	1,228,341	728,179	1,956,520
EXPENSES			
Program Expenses	958,100	-	958,100
Supporting Services:			
Management and General	520,306	-	520,306
Fundraising	194,160	-	194,160
Total Expenses	1,672,566	-	1,672,566
CHANGES IN NET ASSETS	(444,225)	728,179	283,954
Net Assets - Beginning of Year	3,909,426	220,000	4,129,426
NET ASSETS - END OF YEAR	\$ 3,465,201	\$ 948,179	\$ 4,413,380

See accompanying Notes to Consolidated 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	\$ 985,604	\$ -	\$ 985,604
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	147,737	-	147,737
Memberships	89,279	-	89,279
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 Consolidated Financial Statements.

**CHILDREN'S MUSEUM OF SOUTHERN MINNESOTA
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2022**

EXPENSES	Program Services	Supporting Services		Total
		Management and General	Fundraising	
Salaries and Wages	\$ 270,632	\$ 315,596	\$ 79,924	\$ 666,152
Payroll Taxes and Employee Benefits	50,447	35,456	12,204	98,107
Contract Services and Professional Fees	-	91,208	80,510	171,718
Supplies	8,180	1,548	1,326	11,054
Printing, Publications, and Artwork	63,781	407	3,357	67,545
Program	20,612	-	-	20,612
Postage	725	137	117	979
Telephone	5,765	1,091	935	7,791
Occupancy	51,483	7,621	1,878	60,982
Fundraising and Events	135	-	3,868	4,003
Insurance	16,038	3,034	2,601	21,673
Travel and Training	9,311	4,555	1,510	15,376
Exhibit Development	143,685	-	-	143,685
Dues and Memberships	2,751	521	446	3,718
Advertising	-	18,378	-	18,378
Depreciation	256,063	5,226	-	261,289
Interest	16,669	340	-	17,009
Technology and Software	26,342	3,122	3,769	33,233
Credit Card and Bank Fees	13,879	156	1,584	15,619
Miscellaneous	1,602	31,910	131	33,643
Total Expenses	\$ 958,100	\$ 520,306	\$ 194,160	\$ 1,672,566

See accompanying Notes to Consolidated Financial Statements.

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

EXPENSES	Program Services	Supporting Services		Total
		Management and General	Fundraising	
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 Consolidated Financial Statements.

**CHILDREN'S MUSEUM OF SOUTHERN MINNESOTA
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2022 AND 2021**

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in Net Assets	\$ 283,954	\$ 798,166
Adjustments to Reconcile Changes in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	261,289	255,766
Contributed Property and Equipment Capitalized	(52,630)	-
Change in Value of Beneficial Interest in Assets Held by Others	35	(162)
(Increase) Decrease in:		
Receivables	(355,418)	(269,637)
Inventory	(5,443)	-
Prepaid Expenses	5,619	173
Beneficial Interest in Assets Held by Others	1,022	382
Increase (Decrease) in:		
Accounts Payable	13,601	(6,193)
Payroll and Other Accrued Liabilities	(2,059)	(12,840)
Deferred Revenue	20,620	55,132
Refundable Advance - Payroll Protection Program	(141,970)	(13,330)
Net Cash Provided by Operating Activities	28,620	807,457
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Property and Equipment	(127,201)	(656,028)
Proceeds from Sale of Property and Equipment	25,262	-
Net Cash Used by Investing Activities	(101,939)	(656,028)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on Long-Term Debt	(16,250)	(19,778)
Net Cash Used by Financing Activities	(16,250)	(19,778)
NET INCREASE (DECREASE) IN CASH	(89,569)	131,651
Cash and Cash Equivalents - Beginning of Year	424,787	293,136
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 335,218	\$ 424,787
SUPPLEMENTAL DATA		
Cash Paid for Interest	\$ 17,009	\$ 19,077
In-Kind Services and Materials	\$ 77,929	\$ 20,846

See accompanying Notes to Consolidated Financial Statements.

**CHILDREN'S MUSEUM OF SOUTHERN MINNESOTA
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021**

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 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, 2022 AND 2021**

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. Multiyear 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, 2022 and 2021 after its review of the donor schedules and anticipated payments. Pledges receivable, net of unamortized discounts, are summarized as follows at December 31:

	2022	2021
Pledges Receivable Expected to be Collected Within:		
Less than One Year	\$ 327,128	\$ 105,428
One to Five Years	732,500	345,833
After Five Years	-	10,000
Subtotal	1,059,628	461,261
Less: Unamortized Discount on Pledges Receivable	(85,125)	(35,747)
Total	\$ 974,503	\$ 425,514

Three donors comprised approximately 71% of pledges receivable at December 31, 2022; and two donors comprised approximately 76% of contribution revenue for 2022. Four donors comprised approximately 68% of pledges receivable at December 31, 2021; and three donors comprised approximately 46% of contribution revenue for 2021.

**CHILDREN'S MUSEUM OF SOUTHERN MINNESOTA
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021**

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, 2022 and 2021 was \$-0- and \$194,852, respectively. 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.

**CHILDREN'S MUSEUM OF SOUTHERN MINNESOTA
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition (Continued)

Admissions Revenue

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

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 statements of financial position. The Museum received cost-reimbursable grants of \$84,913 and \$141,970 that have not been recognized at December 31, 2022 and 2021 because qualifying expenditures have not yet been incurred, with progress payments of \$-0- and \$141,970, respectively, recognized in the statements 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.

Advertising

The Museum expenses advertising costs as incurred. Advertising expenses were \$18,378 and \$23,858 for the years ended December 31, 2022 and 2021, respectively.

**CHILDREN'S MUSEUM OF SOUTHERN MINNESOTA
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021**

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, 2022 and 2021.

The Museum evaluated its tax positions and determined it has no uncertain tax positions as of December 31, 2022 and 2021.

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.

Leases

The Museum leases office space. The Museum determines if an arrangement is a lease at inception. Operating leases are included in operating lease right-of-use (ROU) assets, other current liabilities, and operating lease liabilities on the statements of financial position. Finance leases are included in property and equipment, other current liabilities, and other long-term liabilities on the statements of financial position.

ROU assets represent the Museum's right to use an underlying asset for the lease term and lease liabilities represent the Museum's obligation to make lease payments arising from the lease. ROU assets and liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term. As most of leases do not provide an implicit rate, the Museum uses a federal risk free rate based on the information available at commencement date in determining the present value of lease payments. The operating lease ROU asset also includes any lease payments made and excludes lease incentives. The lease terms may include options to extend or terminate the lease when it is reasonably certain that the Museum will exercise that option. Lease expense for lease payments is recognized on a straight-line basis over the lease term. The Museum has elected to recognize payments for short-term leases with a lease term of 12 months or less as expense as incurred and these leases are not included as lease liabilities or right-of-use assets on the consolidated statements of financial condition.

The Museum has elected not to separate nonlease components from lease components and instead accounts for each separate lease component and the nonlease component as a single lease component.

**CHILDREN'S MUSEUM OF SOUTHERN MINNESOTA
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Change in Accounting Principle

In September 2020 the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets (Topic 958)*. The update increases transparency of contributed nonfinancial assets through enhancements to presentation and disclosure. The financial statements reflect the retrospective application of ASU 2020-07 guidance beginning in 2021. The adoption of ASU 2020-07 did not significantly impact the Museum's financial statements.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. This new standard increases transparency and comparability among organizations by requiring the recognition of right-of-use (ROU) assets and lease liabilities on the statement of financial position. Most prominent among the changes in the standard is the recognition of ROU assets and lease liabilities be lessees for those leases classified as operating leases. Under the standard, disclosures are required to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases.

The Museum adopted the requirements of the guidance effective January 1, 2022 and has elected to apply the provisions of this standard to the beginning of the period of adoption, through a cumulative effect adjustment, with certain practical expedients available. Lease disclosures for the year ended December 31, 2021 are made under prior lease guidance in FASB Accounting Standards Codification 840.

The Museum has elected to adopt the package of practical expedients available in the year of adoption. The Museum has elected to adopt the available practical expedient to use hindsight in determining the lease term and in assessing impairment of the Museum's ROU assets.

Reclassifications

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

Subsequent Events

In preparing these financial statements, the Museum has evaluated events and transactions for potential recognition or disclosure through October 11, 2023, the date the financial statements were available to be issued.

**CHILDREN'S MUSEUM OF SOUTHERN MINNESOTA
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021**

NOTE 2 PROPERTY AND EQUIPMENT

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

	<u>2022</u>	<u>2021</u>
Furniture and Equipment	\$ 39,066	\$ 39,066
Exhibits	1,170,471	1,145,322
Land	600,595	600,595
Building	3,267,252	3,267,252
Leasehold Improvements	190,410	190,410
Exhibits in Process	154,791	25,371
Total	<u>5,422,585</u>	<u>5,268,016</u>
Accumulated Depreciation	<u>(1,876,079)</u>	<u>(1,614,790)</u>
Net Land, Buildings, and Equipment	<u>\$ 3,546,506</u>	<u>\$ 3,653,226</u>

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% and an original maturity date of December 1, 2020. An extension on the loan was granted in May 2020, allowing for three months of interest only payments which 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 \$438,515 and \$454,765 at December 31, 2022 and 2021, respectively. Total interest expense for the years ended December 31, 2022 and 2021 was \$17,009 and \$19,077, respectively.

Projected payments of the loan are due as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2023	\$ 17,123
2024	17,777
2025	18,455
2026	385,160
Total	<u>\$ 438,515</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.

**CHILDREN'S MUSEUM OF SOUTHERN MINNESOTA
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DECEMBER 31, 2022 AND 2021**

NOTE 4 REFUNDABLE ADVANCE – PAYROLL PROTECTION PLAN (CONTINUED)

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. On May 3, 2022, the SBA formally forgave the full amount of the Museum’s obligation under this Second Draw PPP loan. Full satisfaction of the performance barriers were met in 2022 and revenue was be recognized related to this agreement during 2022.

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:

	<u>2022</u>	<u>2021</u>
Subject to Expenditure for Specified Purpose:		
Ag Learning Space	\$ 220,000	\$ 220,000
Museum Planning Consultants	40,000	-
Ag Programming	1,219	-
Capital Campaign	686,960	-
Total Net Assets With Donor Restrictions	<u>\$ 948,179</u>	<u>\$ 220,000</u>

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

	<u>2022</u>	<u>2021</u>
Expiration of Time Restrictions	\$ -	\$ 15,000
Satisfaction of Purpose Restrictions:		
Exhibits	-	40,000
Programming	-	11,218
Development	-	30,000
Technology Enhancements	-	5,406
Total	<u>\$ -</u>	<u>\$ 101,624</u>

**CHILDREN'S MUSEUM OF SOUTHERN MINNESOTA
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NOTE 6 IN-KIND REVENUE

The Museum received contributed museum furnishings, capitalized building improvements, and exhibits during the years ended December 31, 2022 and 2021, with a fair value on the dates of donation of \$52,630 and \$2,485, respectively. The Museum also received donated services and materials for the years ended December 31, 2022 and 2021, with a fair value on the dates of donation of \$22,478 and \$1,939 in program expenses, and \$2,821 and \$2,735 in management and general expenses, respectively.

Fair value of museum furnishings, services, and materials is determined using the cost of purchasing similar items in the market.

All contributed supplies and services received by the Museum for the years ended December 31, 2022 and 2021 were considered without donor restrictions and able to be used by the Museum as determined by the board of directors and management.

NOTE 7 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.

In 2021, the lease was amended to include additional land and to extend the lease term to August 2112.

NOTE 8 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, 2022 and 2021 was \$12,233 and \$11,102, respectively.

NOTE 9 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.

**CHILDREN'S MUSEUM OF SOUTHERN MINNESOTA
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NOTE 10 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, 2022 and 2021, the following financial assets could be readily made available within one year of the statement of financial position date to meet general expenditures:

	<u>2022</u>	<u>2021</u>
Financial Assets at Year-End:		
Cash and Cash Equivalents	\$ 335,218	\$ 424,787
Pledges Receivable	1,059,628	461,261
Employee Tax Credit Receivable	-	194,852
Grants Receivable	130,000	128,719
Accounts Receivable	5,999	556
Total Financial Assets at Year-End	<u>1,530,845</u>	<u>1,210,175</u>
Less: Amounts Not Available to Meet General Expenditures Within One Year:		
Pledges Receivable Without Donor Restrictions Not Due Within One Year Not Included in Net Assets With Donor Restrictions	(232,499)	(355,833)
Net Assets With Donor Restrictions	<u>(948,179)</u>	<u>(220,000)</u>
Financial Assets Available to Meet General Expenditures Within One Year	<u>\$ 350,167</u>	<u>\$ 634,342</u>

NOTE 11 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.

NOTE 12 COMMITMENTS

The Museum has entered into various contract agreements for lobbying, museum master planning and exhibit consulting. Outstanding commitments for these contracts totaled \$52,920 as of December 31, 2022.

Subsequent to December 31, 2022, the Museum entered into additional contract agreements totaling \$72,000.



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