

**MINNESOTA HUMANITIES CENTER**

FINANCIAL STATEMENTS

For The Year Ended  
October 31, 2008

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**Tautges Redpath, Ltd.**

Certified Public Accountants and Consultants

## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Minnesota Humanities Center  
St. Paul, Minnesota

We have audited the accompanying statement of financial position of Minnesota Humanities Center as of October 31, 2008, and the related statements of activities, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of Minnesota Humanities Center's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the Minnesota Humanities Center's 2007 financial statements and, in our report dated May 21, 2008, we expressed an unqualified opinion on those financial statements.

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* as 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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, 2008, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated February 19, 2009 on our consideration of Minnesota Humanities Center's internal control over financial reporting and on our tests of compliance with certain provisions of laws, regulations, contracts and grants, agreements and other matters. The purpose of that report is 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

HLB TAUTGES REDPATH, LTD.  
White Bear Lake, Minnesota

*HLB Tautges Redpath, Ltd.*  
February 19, 2009

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## **FINANCIAL STATEMENTS**

**MINNESOTA HUMANITIES CENTER**  
**STATEMENT OF FINANCIAL POSITION**

October 31, 2008

With Comparative Amounts For October 31, 2007

**Statement 1**

	<u>2008</u>	<u>2007</u>
Assets:		
Current assets:		
Cash and cash equivalents	\$872,430	\$401,364
Accounts receivable	53,063	31,735
Pledges receivable	469,921	397,148
Grants receivable	427,650	500,000
Prepaid expense	1,749	31,883
Inventory	86,802	84,495
Total current assets	<u>1,911,615</u>	<u>1,446,625</u>
Land, building and equipment:		
Land lease	235,000	235,000
Building	2,545,645	2,540,500
Office equipment and furniture	692,436	623,871
Total land, building and equipment	<u>3,473,081</u>	<u>3,399,371</u>
Less accumulated depreciation and amortization	<u>(1,276,954)</u>	<u>(1,136,728)</u>
Net land, building and equipment	<u>2,196,127</u>	<u>2,262,643</u>
Other assets:		
Investments	38,549	315,967
Long-term pledges receivable	-	227,797
Total other assets	<u>38,549</u>	<u>543,764</u>
Total assets	<u>\$4,146,291</u>	<u>\$4,253,032</u>
Liabilities and net assets:		
Current liabilities:		
Regrant liability (net of allowance of \$0 for both 2008 and 2007)	\$5,498	\$6,048
Current maturities of long-term debt	14,050	13,524
Deferred revenue	5,820	7,480
Accounts payable	20,262	47,631
Accrued expenses	52,377	60,967
Total current liabilities	<u>98,007</u>	<u>135,650</u>
Long-term debt	<u>101,237</u>	<u>115,546</u>
Total liabilities	<u>199,244</u>	<u>251,196</u>
Net assets:		
Unrestricted net assets:		
Unrestricted - undesignated	417,966	425,686
Unrestricted - designated	2,196,127	2,362,643
Total unrestricted net assets	<u>2,614,093</u>	<u>2,788,329</u>
Temporarily restricted	<u>1,332,954</u>	<u>1,213,507</u>
Total net assets	<u>3,947,047</u>	<u>4,001,836</u>
Total liabilities and net assets	<u>\$4,146,291</u>	<u>\$4,253,032</u>

The accompanying notes are an integral part of these financial statements.

**MINNESOTA HUMANITIES CENTER**

STATEMENT OF ACTIVITIES

**Statement 2**

For The Year Ended October 31, 2008

With Comparative Totals For The Year Ended October 31, 2007

	2008			2007
	Unrestricted	Temporarily Restricted	Total	Total
Support and revenue:				
Support:				
Contributions	\$114,456	\$657,002	\$771,458	\$479,649
In-kind	58,892	-	58,892	37,747
Grants from governmental agencies:				
Federal grants	927,622	-	927,622	657,033
Other governmental agencies	-	405,000	405,000	500,000
Revenue:				
Investment income	(13,456)	-	(13,456)	19,576
Publication sales	26,530	-	26,530	37,024
Conference center rental income - program related	221,902	-	221,902	160,360
Conference center rental income - non-program related	166,650	-	166,650	120,974
Program income	52,286	-	52,286	92,181
Miscellaneous income	2,571	-	2,571	6,671
Subtotal	1,557,453	1,062,002	2,619,455	2,111,215
Net assets released from restrictions	942,555	(942,555)	-	-
Total support and revenue	2,500,008	119,447	2,619,455	2,111,215
Expense:				
Program services:				
Educator training and professional development	365,641	-	365,641	575,319
Educator resource creation	417,922	-	417,922	
Grants, community programs and family literacy	626,359	-	626,359	509,775
Conference center rental costs - program related	301,473	-	301,473	224,985
Total program services	1,711,395	0	1,711,395	1,310,079
Support services:				
Management and general	491,197	-	491,197	647,261
Fundraising	232,293	-	232,293	181,571
Conference center rental costs - non-program related	239,359	-	239,359	169,726
Total support services	962,849	0	962,849	998,558
Total expense	2,674,244	0	2,674,244	2,308,637
Change in net assets	(174,236)	119,447	(54,789)	(197,422)
Net assets at beginning of year	2,788,329	1,213,507	4,001,836	4,199,258
Net assets at end of year	\$2,614,093	\$1,332,954	\$3,947,047	\$4,001,836

The accompanying notes are an integral part of these financial statements.

**MINNESOTA HUMANITIES CENTER**  
**STATEMENT OF FUNCTIONAL EXPENSES**

**Statement 3**

For The Year Ended October 31, 2008

With Comparative Totals For The Year Ended October 31, 2007

	2008											
	Program Services					Supporting Services					Totals	
	Educator Grants, Training and Professional Development	Educator Resource Creation	Community Programs and Family Literacy	Conference Center Rental Costs - Program Related	Total Program Services	Management and General	Fundraising	Conference Center Rental Costs - Non - Program	Total Support Services	2008		
Expenses:												
Salaries and temporary help	\$186,760	\$110,983	\$176,538	\$133,423	\$607,704	\$259,713	\$142,858	\$100,201	\$502,772	\$1,110,476	\$1,014,190	
Payroll taxes	14,950	8,463	14,372	16,624	54,409	26,882	11,032	12,489	50,403	104,812	133,807	
Employee benefits and HR Admin fees	30,162	27,514	30,170	31,346	119,192	54,804	25,401	23,551	103,756	222,948	211,810	
Regrant expense	11,469	10,000	110,624	-	132,093	-	-	-	-	132,093	45,148	
Contract services	43,154	119,516	144,645	3,025	310,340	8,484	7,695	2,272	18,451	328,791	143,244	
Staff development	563	30	200	1,660	2,453	1,785	653	1,246	3,684	6,137	4,682	
Insurance and bonding	2,826	2,208	3,433	4,722	13,189	2,593	3,124	3,547	9,264	22,453	29,495	
Equipment rental and maintenance	2,366	1,865	2,559	7,001	13,791	17,001	2,590	5,257	24,848	38,639	46,367	
Data processing and accounting, legal	2,987	-	164	-	3,151	56,849	-	-	56,849	60,000	29,216	
Resource acquisition	5,130	5,400	21,253	-	31,783	228	69	-	297	32,080	43,751	
Memberships and subscriptions	616	121	9,639	383	10,759	8,842	1,188	287	10,317	21,076	7,051	
Postage	2,253	1,600	4,059	404	8,316	4,364	1,560	303	6,227	14,543	33,250	
Printing and mailing services	2,429	(7,324)	7,047	251	2,403	5,166	8,573	188	13,927	16,330	55,535	
Supplies	3,467	4,655	4,182	10,737	23,041	3,525	2,967	8,063	14,555	37,596	15,228	
Telephone and internet	1,211	871	2,002	921	5,005	5,058	3,228	691	8,977	13,982	26,398	
Travel	10,149	90,223	9,372	1,068	110,812	12,299	1,887	801	14,987	125,799	43,323	
Advertising and marketing	1,187	278	65	3,186	4,716	801	138	2,393	3,332	8,048	16,757	
License and permits	-	-	-	749	749	-	-	562	562	1,311	1,241	
Interest and investment expenses	416	15	22	58	511	4,808	258	44	5,110	5,621	993	
Food services, conference center	-	-	-	46,273	46,273	-	347	34,670	35,017	81,290	54,794	
Internal use of conference center	12,023	1,808	1,448	(18,775)	(3,496)	3,496	-	-	3,496	-	-	
Utilities	5,546	5,397	8,049	13,768	32,760	4,687	4,935	10,339	19,961	52,721	39,959	
Allocation of mortgage principal/ payment in lieu of RE tax	1,340	1,304	1,945	3,808	8,397	(11,895)	1,192	2,859	(7,844)	553	552	
Cost of goods sold	-	15,224	-	-	15,224	-	-	-	-	15,224	23,339	
Site fees, teacher stipends, program scholarships	9,191	4,460	105	672	14,428	-	250	505	755	15,183	115,611	
In kind expenses - donated goods	1,786	-	54,200	1,406	57,392	-	-	-	-	57,392	37,747	
In kind expenses - donated services	-	-	-	26	26	1,500	-	-	1,500	1,526	-	
Miscellaneous	30	45	480	-	555	6,619	218	-	6,837	7,392	7,596	
Total expense before depreciation	352,011	404,656	606,573	262,736	1,625,976	477,609	220,163	210,268	908,040	2,534,016	2,181,084	
Depreciation and amortization	13,630	13,266	19,786	38,737	85,419	13,588	12,130	29,091	54,809	140,228	127,553	
Total expenses	\$365,641	\$417,922	\$626,359	\$301,473	\$1,711,395	\$491,197	\$232,293	\$239,359	\$962,849	\$2,674,244	\$2,308,637	

The accompanying notes are an integral part of these financial statements.

**MINNESOTA HUMANITIES CENTER**

## STATEMENT OF CASH FLOWS

For The Year Ended October 31, 2008

With Comparative Totals For The Year Ended October 31, 2007

**Statement 4**

	<u>2008</u>	<u>2007</u>
Cash flows from operating activities:		
(Decrease) in net assets	(\$54,789)	(\$197,422)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Change in present value discount	-	11,486
Depreciation and amortization	140,228	127,553
(Increase) decrease in fair value of investments	31,006	9,379
(Increase) decrease in accounts receivable	(21,328)	78,188
(Increase) decrease in pledges receivable	155,024	121,450
(Increase) decrease in grants receivable	72,350	150,000
(Increase) decrease in prepaid expense	30,134	3,993
(Increase) decrease in inventory	(2,307)	22,075
Increase (decrease) in regrant liability - net	(550)	(5,975)
Increase (decrease) in deferred revenue	(1,660)	(2,590)
Increase (decrease) in accounts payable	(27,369)	18,717
Increase (decrease) in accrued liabilities	(8,590)	1,871
Net cash provided (used) by operating activities	<u>312,149</u>	<u>338,725</u>
Cash flows from investing activities:		
Purchase of land, building and equipment	(73,712)	(67,337)
Purchase of investments	(20,145)	(235,667)
Sale and maturity of investments	266,557	121,863
Net cash (provided) used by investing activities	<u>172,700</u>	<u>(181,141)</u>
Cash flows from financing activities:		
Payments on debt	(13,783)	(13,526)
Net increase in cash and cash equivalents	471,066	144,058
Cash and cash equivalents at beginning of year	<u>401,364</u>	<u>257,306</u>
Cash and cash equivalents at end of year	<u>\$872,430</u>	<u>\$401,364</u>
Interest paid	<u>\$2,128</u>	<u>\$2,301</u>

The accompanying notes are an integral part of these financial statements.

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**MINNESOTA HUMANITIES CENTER**  
NOTES TO FINANCIAL STATEMENTS  
For The Year Ended October 31, 2008

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**Note 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. ORGANIZATION**

The Minnesota Humanities Center (MHC) is an independent, not-for-profit organization that supports and conducts cultural and educational programs throughout Minnesota. Prior to September 12, 2007, the Organization's legal name was the Minnesota Humanities Commission. Dedicated to preserving and renewing Minnesota's commitment to education, MHC supports and encourages exemplary teaching, provides opportunity for teacher renewal, and fosters collaboration among cultural and educational organizations active in lifelong learning throughout Minnesota. Financial support for the programs and services of MHC comes from the National Endowment for the Humanities, the Minnesota State Legislature, foundations, corporations and individuals.

Current Programs and Activities:

Educator Training and Professional Development - MHC offers conferences and workshops for Minnesota's educators. These are rigorous opportunities for early literacy and K-12 teachers. Through in-depth presentations by leading local and national scholars, teachers gain content knowledge they can use to help their students achieve academic excellence in English literature, American history, world history, civics, world languages, and social studies.

Educational Resource Creation - MHC produces one-of-a-kind resources for educators nationwide; including, bilingual books, multicultural literature as well as lesson plans and activities that support the content covered in MHC's professional development activities. MHC offers on-line learning communities which support the use of humanities resources in educational settings.

Grants, Community Programs and Family Literacy - MHC supports humanities programs in the wider community by partnering with museums, libraries, and schools to increase the awareness, access, and use of the humanities in formal and informal educational settings across the state of Minnesota.

Conference Center - MHC operates a full service meeting and event center created by the State Legislature in 1996. This meeting and event center serves educators, social service providers, nonprofits, state colleges and universities as well as state agencies and community groups. This restored architectural landmark helps to strengthen neighborhoods on St. Paul's east side and it provides high-quality meeting and event space for people working to improve Minnesota's standard of living.

**MINNESOTA HUMANITIES CENTER**  
NOTES TO FINANCIAL STATEMENTS  
For The Year Ended October 31, 2008

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**B. FINANCIAL STATEMENT PRESENTATION**

Under the provisions of Statement of Financial Accounting Standards (SFAS) 116 and SFAS 117, net assets and revenues and gains and losses are classified based on donor imposed restrictions. Accordingly, net assets of MHC and changes therein are classified and reported as follows:

Unrestricted – Resources over which the Board of Directors has discretionary control. Designated amounts represent those revenues which the Board has set aside for a particular purpose.

Temporarily Restricted – Those resources subject to donor imposed restrictions which will be satisfied by actions of MHC or passage of time.

**C. CASH AND CASH EQUIVALENTS**

For purposes of the statement of cash flows, MHC considers all highly liquid securities purchased with an original maturity of three months or less to be cash equivalents.

**D. 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. As of October 31, 2008, management believes all receivables are collectible therefore, no allowance has been recorded.

**E. PLEDGES AND 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 is received. Amortization of the discount is included in contribution revenue. Conditional pledges are not included in support until such time as the conditions are substantially met. All receivables are expected to be collected therefore, no allowance has been recorded.

**F. INVENTORY**

Inventory consists of a publication titled Braided Lives, an anthology of multi-cultural American writing distributed for use as a classroom resource; Hmong translated books and resource books for the Family Literacy program and Somali bilingual books. Inventory is valued at the lower of cost or market, determined on a first-in, first-out basis.

**MINNESOTA HUMANITIES CENTER**  
NOTES TO FINANCIAL STATEMENTS  
For The Year Ended October 31, 2008

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**G. LAND, BUILDING AND EQUIPMENT**

All major expenditures for building improvements, furniture and equipment are capitalized at cost. Depreciation is provided through the use of the straight-line method over the estimated useful lives of the asset. 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. The capitalization threshold changed from \$1,000 - \$3,000 during 2008. All donated property and equipment is recorded at its fair market value. If donors stipulate how long the assets must be used, the contributions are recorded as restricted support. In the absence of such stipulations, contributions of property and equipment are recorded as unrestricted. Depreciation expense was \$137,289 for 2008.

**H. INVESTMENTS**

MHC carries its investments at fair value based on quoted market prices. Realized and unrealized gains and losses are included in investment income in the statement of activities.

**I. REGRANT LIABILITY**

The regrant liability consists of amounts remaining to be paid to other nonprofits for grants made by MHC for humanities related projects.

**J. DEFERRED REVENUE**

Deferred revenue consists of amounts received for the purchase of prepaid teacher institute packages.

**K. GRANTS FROM GOVERNMENT AGENCIES**

Federal government grants and contract funds are recorded as revenue when earned. For reimbursement grants, revenue is earned when eligible expenditures, as defined in each grant or contract, are made. Funds received but not yet earned are shown as deferred revenue. Expenditures under government contracts are subject to review by the granting authority.

MHC also received two grants from the State of Minnesota that were not reimbursement based. A \$275,000 grant was appropriated from the State of Minnesota for the period of September 8, 2008 – June 30, 2009. A \$130,000 grant was from the State of Minnesota made through the Office of the Commissioner of Iron Range Resources. Both of these grants are recorded as a temporary restricted for purpose.

**MINNESOTA HUMANITIES CENTER**  
NOTES TO FINANCIAL STATEMENTS  
For The Year Ended October 31, 2008

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**L. CONTRIBUTIONS**

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received which are designated for future periods or restricted by donor are recorded as temporarily restricted until the appropriate future period or the donor restriction is satisfied, respectively. As noted in Note 13, the allocation method was revised in 2008 and reclassifications were also made to prior year amounts.

**M. FUNCTIONAL ALLOCATION OF EXPENSE**

Salaries and related expenses are allocated based on job descriptions and time studies. Other expenses are either directly identifiable with a program or allocated based primarily on personnel costs or space allocation. As noted in Note 12, the allocation method was revised in 2008 and reclassifications were also made to prior year amounts.

**N. ADVERTISING COSTS**

Advertising expenses are expensed as incurred. Advertising expenses were \$8,048 for the year ended October 31, 2008.

**O. UNEMPLOYMENT COMPENSATION**

MHC has elected to self-insure unemployment tax claims. Any amounts incurred will be recorded as expense when payable. The amount paid for unemployment claims was \$9,954 in 2008.

**P. TAX EXEMPT STATUS**

MHC has tax exempt status under Section 501(c)(3) of the Internal Revenue Code and Minnesota Statute.

MHC has been classified as an organization that is not a private foundation under the Internal Revenue Code. Charitable contributions by donors to MHC are tax deductible. MHC is subject to unrelated business income tax on a portion of its conference center rental activities. MHC has significant net operating loss carryforwards that begin to expire in 2018. It is expected that most or all of the carryforwards will expire without being fully utilized.

**Q. 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.

**MINNESOTA HUMANITIES CENTER**  
NOTES TO FINANCIAL STATEMENTS  
For The Year Ended October 31, 2008

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**R. CONTRIBUTED MATERIALS**

MHC receives materials in the form of books during the year. The value of these donated materials is recorded in the financial statements at \$55,986 for October 31, 2008. In addition, in 2008, MHC received donated materials for conference center rooms of \$1,406 and donated professional services of \$1,500.

**Note 2 MAJOR SOURCES OF REVENUE**

Major sources of revenue were as follows for the year ended October 31, 2008:

National Endowment for the Humanities	<u>\$856,098</u>
State of Minnesota	<u>\$405,000</u>
Anonymous	<u>\$458,218</u>

**Note 3 SIGNIFICANT CONCENTRATIONS OF CREDIT RISK**

Grants receivable are from federal and state governments. Of total pledges receivable at October 31, 2008, the balance was due from a variety of funders.

MHC maintains its cash balances at two local financial institutions. At times the balances may exceed the federally insured limit which was \$100,000 but has been increased to \$250,000 during October 2008. At October 31, 2008, MHC's bank balances exceeded the \$250,000 insured limit by approximately \$404,000. MHC has not experienced any losses in such accounts in the past.

**Note 4 PLEDGES AND GRANTS RECEIVABLE**

The market value of the pledges receivable are recorded as contribution revenue on the date of the contribution at the net present value of the benefit to be received. Pledges and grants receivable consist of the following:

Pledges receivable:	
Gross amount due in:	
Less than one year	\$469,921
Grants receivable:	
Less than one year	\$427,650

**MINNESOTA HUMANITIES CENTER**  
NOTES TO FINANCIAL STATEMENTS  
For The Year Ended October 31, 2008

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**Note 5 LAND LEASE**

MHC leases both land and a building from the City of St. 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 plus minor additional amounts for insurance, assessments and fees. Due to the condition of the building and the extensive amount of rehabilitation costs, the fair market value portion of the building was valued at \$0. MHC renovated the building as part of their 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 80-year life of the lease. Amortization expense was \$2,938 for 2008.

**Note 6 INVESTMENTS**

Investments are comprised of the following at October 31, 2008:

Mutual funds	\$38,549
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Investment income consists of the following at October 31, 2008:

Interest and dividends	\$17,550
Increase (decrease) in fair value	<u>(31,006)</u>
Investment earnings	<u><u>(\$13,456)</u></u>

**MINNESOTA HUMANITIES CENTER**  
**NOTES TO FINANCIAL STATEMENTS**  
For The Year Ended October 31, 2008

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**Note 7 LONG-TERM DEBT**

Long-term debt consists of the following at October 31, 2008:

Note payable to the City of St. Paul Housing and Redevelopment Authority for building and renovation. The term of the note is for 21 years with a one-year deferral of principal and interest. Payments on the note began in August 1996 for \$860 per month including interest at a stated rate of 2%. The note is secured by a mortgage on the property and all assets of MHC.	\$74,125
Note payable to the City of St. Paul Housing and Redevelopment Authority for building and renovation. The term of the note is for 21 years with a one-year deferral of principal and interest. Payments on the note began in August 1996 for \$460 per month including interest at a stated rate of 1%. The note is secured by a mortgage on the property and all assets of MHC.	<u>41,162</u>
Total notes payable	115,287
Less current maturities	<u>(14,050)</u>
Long-term portion	<u><u>\$101,237</u></u>

Annual principal maturities of long-term debt are as follows:

Year Ending June 30,	Amount
2009	\$14,050
2010	14,283
2011	14,439
2012	14,763
2013	15,003
Thereafter	<u>42,749</u>
Total	<u><u>\$115,287</u></u>

**MINNESOTA HUMANITIES CENTER**  
NOTES TO FINANCIAL STATEMENTS  
For The Year Ended October 31, 2008

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**Note 8 NET ASSETS**

**A. UNRESTRICTED**

The Board of Directors has made the following designations of unrestricted net assets as of October 31, 2008:

Property and equipment	<u><u>\$2,196,127</u></u>
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In 2007, MHC had an operating reserve of \$100,000. The Board of Directors undesignated the operating reserve for 2008 to simplify the monitoring of unrestricted net assets.

**B. TEMPORARILY RESTRICTED**

Net assets temporarily restricted consist of the following as of October 31, 2008:

Time restricted:	
State of Minnesota	\$333,334
Purpose restricted	<u>\$999,620</u>
	<u><u>\$1,332,954</u></u>

Restrictions are classified above according to their main restriction. Some of the restrictions have components of both time and purpose restrictions.

**C. 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.

Program expenditures	\$692,555
Elapsed time restriction	<u>250,000</u>
	<u><u>\$942,555</u></u>

**MINNESOTA HUMANITIES CENTER**  
NOTES TO FINANCIAL STATEMENTS  
For The Year Ended October 31, 2008

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**Note 9 RETIREMENT PLAN**

Employees of MHC are provided a retirement plan through a defined contribution program. MHC currently contributes 6% of each employee's salary and provides a match up to an additional 2% of salary, depending on the employee's contribution, for employees eligible to participate in the retirement plan. Total contributions were \$58,905 for the year ended October 31, 2008.

**Note 10 COMMITMENTS**

In 1995, MHC began a capital campaign to renovate the west wing of Gillette Hospital to be used for its administrative and program operations. MHC received several significant governmental grants and loans. MHC received a \$1,200,000 grant from the City of St. Paul which requires MHC to occupy the renovated space for a period of time or repayment of the funds is required. If MHC vacates the renovated space within 10 years, they will be required to repay 100% of the grant proceeds. If the vacancy occurs within the time frame of 10 to 20 years, MHC will be required to repay the grant funds minus 10% for each full year after the first 10 years. The money for this grant was raised through state general obligation bonds.

MHC received additional funding for the capital campaign through two loans (Note 7). In order to retain these funds, MHC must comply with certain provisions and conditions specified in both the grant and loan agreements.

**Note 11 OPERATING LEASES**

As of October 31, 2008, MHC had two ongoing lease commitments for a copier and vehicle, through October 2, 2010 and October 20, 2010 respectively. Lease expense for the year ending October 31, 2008 totaled \$8,532.

Future minimum rental payments required under the leases are as follows:

<u>Year Ending October 31,</u>	<u>Copier</u>	<u>Vehicle</u>	<u>Total</u>
2009	\$3,672	\$4,860	\$8,532
2010	<u>3,672</u>	<u>4,860</u>	<u>8,532</u>
Total	<u>\$7,344</u>	<u>\$9,720</u>	<u>\$17,064</u>

**MINNESOTA HUMANITIES CENTER**  
NOTES TO FINANCIAL STATEMENTS  
For The Year Ended October 31, 2008

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**Note 12 SUMMARIZED PRIOR YEAR FINANCIAL INFORMATION RECLASSIFICATIONS**

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 accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with MHC's financial statements as of and for the year ended October 31, 2007 from which the summarized information was derived. Certain reclassifications, including the functional expense allocations, were made to prior year amounts to conform to current year classification.

**Note 13 CONTINGENCIES**

**FEDERAL AND STATE FUNDS**

MHC receives financial assistance from federal and state governmental agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with the terms and conditions specified in the grant agreements and 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 at October 31, 2008.