

**NATIONAL MUSIC MUSEUM:
AMERICA'S SHRINE TO MUSIC**

**FINANCIAL STATEMENTS
AND
AUDITOR'S REPORT**

JUNE 30, 2020 and 2019

QUAM, BERGLIN & POST, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

NATIONAL MUSIC MUSEUM: AMERICA'S SHRINE TO MUSIC
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JUNE 30, 2020

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INDEPENDENT AUDITOR'S REPORT

The Board of Trustees of
National Music Museum: America's Shrine to Music
Vermillion, South Dakota

We have audited the accompanying financial statements of National Music Museum: America's Shrine to Music, (a nonprofit organization) which comprise the statements of financial position as of June 30, 2020 and 2019, and the related statements of activities, statement of functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

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

Report on Summarized Comparative Information

We have previously audited National Music Museum's 2019 financial statements, and our report dated April 22, 2020, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Supplemental Information

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of the National Music Museum: America's Shrine to Music, taken as a whole. The accompanying Schedules 1 and 2 of the supplemental information listed in the Table of Contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements taken as a whole.

Quam, Berglin & Post P.C.

Quam, Berglin & Post, P.C.
Elk Point, SD

October 27, 2020

NATIONAL MUSIC MUSEUM: AMERICA'S SHRINE TO MUSIC
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
ASSETS:		
<u>Current Assets</u>		
Operating Cash & Cash Equivalents	\$ 348,266.27	\$ 179,156.65
Cash with Fiscal Agent	2,200,000.00	
Contributions Receivable, Current	201,355.52	
Accounts Receivable	14,000.00	38,321.29
Inventories	180,612.02	180,734.83
Prepaid Expense	<u>37,123.20</u>	<u>25,244.02</u>
Total Current Assets	<u>2,981,357.01</u>	<u>423,456.79</u>
<u>Capital Assets</u>		
Property & Equipment, net	<u>182,688.33</u>	<u>157,994.18</u>
Total Capital Assets	<u>182,688.33</u>	<u>157,994.18</u>
<u>Other Assets</u>		
Right to Use Leased Assets	4,211,305.97	
Contributions Receivable-Split Interest Agreements	199,534.62	204,304.49
Reserve Investments	<u>5,818,454.62</u>	<u>6,614,350.11</u>
Total Other Assets	<u>10,229,295.21</u>	<u>6,818,654.60</u>
TOTAL ASSETS	<u>\$ 13,393,340.55</u>	<u>\$ 7,400,105.57</u>
LIABILITIES AND NET ASSETS:		
<u>Current Liabilities</u>		
Accounts Payable	\$ 6,647.69	\$ 7,441.58
Interest Payable	14,647.07	
Accrued Leave Payable	85,202.99	86,978.25
Current Portion of Long Term Debt	<u>476,752.00</u>	
Total Current Liabilities	<u>583,249.75</u>	<u>94,419.83</u>
<u>Noncurrent Liabilities</u>		
Long Term Debt	6,570,778.00	
Less: Current Portion	<u>(476,752.00)</u>	
Total Noncurrent Liabilities	<u>6,094,026.00</u>	
TOTAL LIABILITIES	<u>6,677,275.75</u>	<u>94,419.83</u>
NET ASSETS		
Net Assets Without Donor Restrictions	6,238,402.05	6,832,499.54
Net Assets With Donor Restrictions	<u>477,662.75</u>	<u>473,186.20</u>
TOTAL NET ASSETS	<u>6,716,064.80</u>	<u>7,305,685.74</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 13,393,340.55</u>	<u>\$ 7,400,105.57</u>

The attached notes are an integral part of these financial statements

**NATIONAL MUSIC MUSEUM: AMERICA'S SHRINE TO MUSIC
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED**

	June 30, 2020		June 30, 2019	
	Without Donor Restrictions	With Donor Restrictions	TOTAL	TOTAL
Support:				
Memberships	\$ 46,878.23	\$	\$ 46,878.23	\$ 46,763.01
General Cash Contributions	297,733.71	179,934.42	477,668.13	461,823.52
Contributions-noncash		88,553.00	88,553.00	45,405.00
Grants & Other Support	44,448.94	530,567.91	575,016.85	992,145.77
Revenue:				
Investment Income (Net)	64,204.93	5,806.20	70,011.13	290,364.21
Public Programming & Events	629.00	46,413.90	47,042.90	105,434.08
Other Revenue (includes Cost of Goods Sold)	5,622.09	2,547.57	8,169.66	(3,955.42)
Total Support and Revenue	459,516.90	853,823.00	1,313,339.90	1,937,980.17
Net Assets Added to/(Released from) Restrictions	849,346.45	(849,346.45)		
Total Support and Revenue after Restriction Adjustments	1,308,863.35	4,476.55	1,313,339.90	1,937,980.17
Expenses:				
Program Services	1,047,064.46		1,047,064.46	889,907.18
Supporting Services:				
Management and General	719,093.29		719,093.29	710,130.71
Fund Raising	61,004.65		61,004.65	56,823.37
Total Expenses	1,827,162.40		1,827,162.40	1,656,861.26
Excess Revenue Over/(Under) Expense	(518,299.05)	4,476.55	(513,822.50)	281,118.91
Capital Additions:				
Acquisition of contributed musical instruments, books and music	(75,798.44)		(75,798.44)	(45,405.00)
Total Capital Additions	(75,798.44)		(75,798.44)	(45,405.00)
Excess(deficiency) of support and revenue over expenses after capital additions	(594,097.49)	4,476.55	(589,620.94)	235,713.91
Net Assets, Beginning of year	6,832,499.54	473,186.20	7,305,685.74	7,069,971.83
Net Assets, End of Year	\$ 6,238,402.05	\$ 477,662.75	\$ 6,716,064.80	\$ 7,305,685.74

The attached notes are an integral part of these financial statements

**NATIONAL MUSIC MUSEUM: AMERICA'S SHRINE TO MUSIC
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED**

June 30, 2020

June 30, 2019

	<u>PROGRAM SERVICES</u>	<u>SUPPORTING SERVICES ADMINISTRATIVE</u>	<u>FUND RAISING</u>	<u>TOTAL</u>	<u>TOTAL</u>
Operating:					
Personnel	\$ 681,869.14	\$ 221,146.75	\$ 18,428.90	\$ 921,444.79	\$ 972,668.18
Archival Supplies/ Equipment	20.73	8.88		29.61	6.48
Accounting/Legal/Professional		48,769.34	30,000.00	78,769.34	38,158.15
Bank Charges/ Credit Card Fees		1,948.88		1,948.88	1,745.92
Billboards	9,100.00		3,900.00	13,000.00	12,630.00
Board Activities		1,818.02		1,818.02	3,796.13
Carnegie Relocation		218,414.24		218,414.24	177,742.81
Computer Software & Support		25,605.16		25,605.16	34,305.28
Conservation	3,970.28			3,970.28	5,229.27
Depreciation & Amortization	89,039.04	45,848.89		134,887.93	15,395.80
Dues & Membership Fees		4,925.94		4,925.94	5,418.26
Exhibitions	468.91			468.91	431.71
Fees		134.67		134.67	177.99
Furniture & Equipment		2,232.47		2,232.47	4,280.67
Fund Development Events	58,180.60		6,434.33	64,614.93	21,480.79
Feasibility Study		21,000.00		21,000.00	
Insurance		25,011.63		25,011.63	19,186.47
Interest Expense	100,237.49	35,218.58		135,456.07	
Library Materials	503.33			503.33	1,059.92
Maintenance & Rental	44,716.20	19,164.09		63,880.29	150,427.28
Media			210.42	210.42	6,383.11
Membership Services	7,046.38			7,046.38	12,034.26
Miscellaneous		2,062.17		2,062.17	660.50
Newsletter	9,157.85			9,157.85	8,218.84
Office Supplies	2,978.43	1,276.47		4,254.90	5,439.54
Photography					800.07
Postage	1,486.62	637.12		2,123.74	2,711.42
Preservation Center	11,098.38	3,899.43		14,997.81	
Printing & Copying	4,085.82	1,751.06		5,836.88	11,999.35
Professional Development		5,670.30		5,670.30	17,104.60
Public Programming	11,384.18			11,384.18	13,933.80
Subscriptions		1,098.46		1,098.46	1,300.30
Taxes		17,574.87		17,574.87	15,701.33
Storage Room		3,523.50		3,523.50	7,293.60
Telephone		5,329.05		5,329.05	8,145.61
Travel			2,031.00	2,031.00	5,717.10
Website Development					250.00
Utilities/Security	<u>11,721.08</u>	<u>5,023.32</u>		<u>16,744.40</u>	<u>75,026.72</u>
TOTAL EXPENSES	<u>\$ 1,047,064.46</u>	<u>\$ 719,093.29</u>	<u>\$ 61,004.65</u>	<u>\$ 1,827,162.40</u>	<u>\$ 1,656,861.26</u>

The attached notes are an integral part of these financial statements

**NATIONAL MUSIC MUSEUM: AMERICA'S SHRINE TO MUSIC
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED**

	June 30, <u>2020</u>	June 30, <u>2019</u>
OPERATING ACTIVITIES		
Changes in net assets	\$ (589,620.94)	\$ 235,713.91
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation expense	134,887.93	15,395.80
Change in receivables	(172,264.36)	(191,906.33)
Change in prepaid expense	(11,879.18)	(7,234.99)
Change in inventories	122.81	12,352.30
Change in interest payable	14,647.07	
Change in liabilities	<u>(2,569.15)</u>	<u>25,694.02</u>
Net cash used by operating activities	<u>(626,675.82)</u>	<u>90,014.71</u>
INVESTING ACTIVITIES:		
Purchase of property and equipment	(4,370,888.05)	(30,626.44)
Change in reserve investments	<u>795,895.49</u>	<u>(49,455.12)</u>
Net cash from investing activities	<u>(3,574,992.56)</u>	<u>(80,081.56)</u>
FINANCING ACTIVITIES		
Proceeds of Long Term Debt	6,570,778.00	
Cash held with Fiscal Agent	<u>(2,200,000.00)</u>	<u> </u>
Net cash from financing activities	<u>4,370,778.00</u>	<u> </u>
Net increase (decrease) in cash and cash equivalents	169,109.62	9,933.15
Cash and Cash Equivalents, beginning of year	<u>179,156.65</u>	<u>169,223.50</u>
Cash and Cash Equivalents, end of year	<u>\$ 348,266.27</u>	<u>\$ 179,156.65</u>
Interest Expense	120,809.00	
Noncash Investing Activity-		
Value of Donated Instruments, Books and Music	<u>\$ 88,553.00</u>	<u>\$ 45,405.00</u>

The attached notes are an integral part of these financial statements

NATIONAL MUSIC MUSEUM: AMERICA'S SHRINE TO MUSIC
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1 – Summary of Significant Accounting Policies

Nature of Organization

The National Music Museum: America's Shrine to Music (the Museum) serves the people of South Dakota and the Nation as an international center for collecting and conserving musical instruments of all cultures and bringing people together to study, enjoy, and understand our diverse musical heritage. It partners with and is located on the campus of The University of South Dakota.

Basis of Accounting:

The accompanying financial statements have been prepared on the accrual basis in accordance with generally accepted accounting principles.

Financial Statement Presentation

For the year ended June 30, 2020, the Organization adopted the Financial Accounting Standards Board's Accounting Standards Update (ASU) No. 2016-14 – *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. This update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return between not-for-profit entities. The changes required by the update have been applied retrospectively to all periods presented. A key change required by ASU 2016-14 are the net asset classes used in these financial statements. Amounts previously reported as unrestricted net assets are now reported as net assets without donor restrictions and amounts previously reported as temporarily restricted net assets and permanently restricted net assets, if applicable, are now reported as net assets with donor restrictions.

Investments

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

Public Support and Revenue

Contributions, memberships, and grants are generally available for unrestricted use unless specifically restricted by the donor. Unconditional promises to give are recorded as received.

All gain and losses from the sale, collection, or other disposition of investments are accounted for in the fund that owned the assets. Ordinary income from investments is accounted for in the fund that owned the assets.

Contributions of donated services that either create or enhance nonfinancial assets or that require specialized skills are provided by individuals possessing those skills. These services typically would need to be paid by the organization if not provided by donation. They are recorded at fair value in the period received. Donated services include travel to retrieve donations and other miscellaneous tasks.

Cash and Cash Equivalents

The Museum considers all highly liquid investments with maturity of three months or less when purchased to be cash equivalents. Cash and highly liquid financial instruments restricted for other long-term purposes are excluded from this definition.

Use of Estimates

The organization prepares its financial statements on the accrual basis of accounting in conformity with generally accepted accounting principles. These principles require management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual amounts could differ from those estimates.

Comparative Data:

The financial statements include certain June 30, 2019 summarized comparative information. With respect to the statement of financial position, the statement of activities, and the statement of cash flows, such prior information is not presented by net asset class and, in the statement of functional expenses, the June 30, 2019 expenses by object are presented in total rather than by functional category. Accordingly, such information should be read in conjunction with the organization's financial statements for the year ended June 30, 2019 from which the summarized information was derived.

Museum Collections

The Museum collections, which were acquired through purchases and contributions since the organization's inception, are not recognized as assets on the statement of financial position. Purchases of collection items are recorded as decreases in net assets without donor restrictions in the year in which the items are acquired, or net assets with donor restrictions if the assets used to purchase the items are restricted by donors. Proceeds from deaccessions or insurance recoveries are reflected as increases in the appropriate net asset classes.

Merchandise Inventories

Merchandise inventories are carried at the lower of average cost or market.

Property and Equipment

The Museum occupies state-owned buildings without charge from the state of South Dakota. Generally, expenses that are attached to the building are not capitalized. Property and equipment are depreciated over their useful lives, ranging from 5-10 years, using the straight-line method.

Income Taxes

The Museum is a nonprofit organization as described in section 501(c)(3) of the Internal Revenue Code and is exempt from federal and state income taxes.

NOTE 2 – Net Assets without Donor Restrictions

Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board has designated, from net assets without donor restrictions, net assets for operating reserve and board-designated endowments. Net assets without donor restrictions are disclosed in the Supplementary Schedules in Schedule 1.

NOTE 3 – Net Assets with Donor Restrictions

Net assets subject to donor or certain grantor-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. Donor imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. See Schedule 2 in the Supplementary Schedules for a listing as of June 30, 2020.

During fiscal year 2020, these net assets were analyzed according to donor restriction

requirements, making reclassifications from net assets with donor restrictions for accurate reporting by donor restriction. Reclassifications were made to release net assets with donor restrictions to net assets without donor restrictions as follows:

Release of purpose restrictions by incurring expenses to satisfy requirements	<u>\$ 849,346.45</u>
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NOTE 4 – Reserve Investments-University of South Dakota Foundation

To achieve its investment objectives, the Museum invests some endowments and operational resources in a pooled account with the University of South Dakota Foundation. The pooled account is managed by the Foundation using a total return strategy in which investment results are achieved through capital appreciation (realized and unrealized) and current yield (interest and dividend). A diversified asset allocation is used that places a greater emphasis on equity-based investments to achieve long-term return objectives within prudent constraints. Investments include fixed income mutual funds, private equity co-mingled funds, equity securities, government bonds and real estate limited partnerships. Investment income, including interest, dividends, realized gains and losses, and unrealized gains and losses are allocated to the participants in the pooled account based upon their pro rata share of the investments. The Museum reserves the right to withdraw all or a portion of the funds in the pooled account, in addition to the normal annual distribution, as adjusted for unexpended earnings and market appreciation (depreciation), upon giving a 90 days written notice to the Foundation.

On June 30, 2020, the Foundation reported a current year net investment income on its pooled account. Net earnings and any additions to each Museum account invested in the pool were allocated to each account of the Museum’s investment fund. The Foundation has a policy of calculating an annual distribution from the pooled account based on the average fair value over the period of 36 months. The distribution rate for the years ending June 30, 2020 and 2019 was 4%, which was available for each account on July 1, 2020.

Funds held by the University of South Dakota Foundation as of June 30, 2020 are summarized as follows:

<u>Contributed Value</u>	<u>Market Value</u>
<u>\$ 4,534,685.46</u>	<u>\$ 5,818,454.62</u>

NOTE 5 – Changes in Investments

The following summarizes the reserve investment changes in the Statement of Financial Position for the year ended June 30, 2020.

	<u>USD</u> <u>Foundation</u>
Beginning Balance	\$ 6,614,350.11
<u>Additions:</u>	
Investment Income	140,403.43
Realized Gain (Loss)	33,986.62
Unrealized Gain (Loss)	(23,845.09)
<u>Distributions:</u>	
Transfers/Reclassification	(860,511.11)
Investment Expenses	<u>(85,929.34)</u>
Ending balance	<u>\$ 5,818,454.62</u>

NOTE 6 – Property and Equipment

The Museum's property and equipment are recorded at cost, or if donated, at fair value on the date of donation and consist of office and exhibition furniture and equipment. Costs of maintenance and repairs that do not improve or extend the useful lives of the respective assets are expenses as incurred.

The following is a summary of property and equipment as of June 30, 2020 and June 30, 2019.

	<u>June 30, 2020</u>	<u>June 30, 2019</u>
Property & Equipment	\$ 410,424.35	\$ 371,165.30
Less Accumulated Depreciation	<u>(227,736.02)</u>	<u>(213,171.12)</u>
Total	<u>\$ 182,688.33</u>	<u>\$ 157,994.18</u>

NOTE 7 – Concentration of Credit Risk

The Museum maintains cash balances at Bank of the West and First Bank and Trust in South Dakota, which are insured by the Federal Deposit Insurance Corporation up to \$250,000. As of June 30, 2020, \$9,070.09 of the deposits held in First Bank and Trust were not insured by the FDIC.

The Museum is one of nine non-related organizations which hold investments with the University of South Dakota Foundation in Vermillion, South Dakota.

NOTE 8- Contributions Receivable – Split Interest Agreements

The Museum has been named as an irrevocable beneficiary of two charitable trusts held and administered by independent trustees. These trusts were created independently by donors and are administered by outside agents designated by the donors. Therefore, the Museum has neither possession nor control over the assets of the trusts. At the date the Museum receives notice of a beneficial interest, a contribution with donor restrictions is recorded in the statement of financial position at fair value using present value techniques and risk-adjusted discount rates

designed to reflect the assumptions market participants would use in pricing the expected distributions to be received under the agreement. Thereafter, beneficial interests in the trusts are reported at fair value in the statement of financial position, with changes in fair value recognized in the statement of activities.

Upon receipt of trust distributions, net assets with donor-imposed time or purpose restrictions are released to net assets without donor restrictions.

As of June 30, 2020, \$184,911.00 and \$14,623.62 was held in these two trusts.

NOTE 9- University Support

The Museum occupies state-owned buildings without charge from the state of South Dakota. The Museum also receives support from the state of South Dakota for personnel, operations and maintenance. It is estimated that the approximate value for these costs is \$422,283 and \$586,761 at June 30, 2020 and 2019, respectively, and is included in grants and other support with donor restrictions and expenses in the statement of activities.

NOTE 10 – Subsequent Events

In preparing these financial statements, the Museum has evaluated events and transactions for potential recognition or disclosure through October 27, 2020, the date the financial statements were available to be issued.

NOTE 11 – Available Resources and Liquidity

The organization strives to maintain liquid financial assets sufficient to cover 90 days of general expenditures. Financial assets in excess of daily cash requirements are invested in certificates of deposit, money market funds and other short-term investments.

The following table reflects the organization's financial assets as of June 30, 2020 and 2019, reduced by amounts that are not available to meet general expenditures within one year of the statement of financial position date because of contractual restrictions or internal board designations. In the event the need arises to utilize the board-designated funds for liquidity purposes, the reserves could be drawn upon through board resolution. Amounts not available to meet general expenditures within one year also may include net assets with donor restrictions.

	<u>2020</u>	<u>2019</u>
Total Financial Assets	\$ 13,210,652	\$ 7,242,112
Cash held with fiscal agent	(2,200,000)	
Right to use Lease Assets	(4,211,306)	
Contributions Receivable with liquidity greater than one year	(199,535)	(204,304)
Board Designated funds	(3,516,976)	(3,999,753)
Donor Restrictions perpetual	(136,695)	(39,686)
Donor Restrictions conditional	<u>(141,433)</u>	<u>(229,196)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 2,804,707</u>	<u>\$ 2,769,173</u>

In addition to financial assets available to meet general expenditures over the next 12 months, the organization operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures not covered by donor-restricted resources.

NOTE 12 – Notes Payable

National Music Museum signed a promissory note with CorTrust Bank of Sioux Falls, SD on June 18, 2020. The terms of this note are 3.75% with a maturity date of June 18, 2023. As of June 30, 2020, \$2,200,000 of this note have been drawn down by the organization. This drawdown is currently held as cash with fiscal agent by the University of South Dakota to pay for ongoing construction costs of the new facility.

NOTE 13 – Leases

National Music Museum entered into a lease agreement with Vermillion Area Chamber of Commerce as of September 1, 2019 for a Preservation Hall for special storage of priceless inventory. The initial terms of this lease are 10% for the 1st ten years with an annual rent of \$216,000. Two additional terms of ten years each is available as an option to extend.

Calculation of the lease payable included the rate of 3.75% and the two extended terms for a total of 30 years. Total lease amount is \$4,272,438.00 as of June 30, 2020.

As of September 1, 2019, the beginning asset amount of this agreement was \$4,331,629. Amortization during the current period included \$120,323.03 with an ending asset amount of \$4,211,305.97, as of June 30, 2020.

**NATIONAL MUSIC MUSEUM: AMERICA'S SHRINE TO MUSIC
SCHEDULES TO FINANCIAL STATEMENTS**

Schedule 1 - Net Assets Without Donor Restrictions are summarized as follows:

Donor	Purpose	June 30 2020	June 30, 2019
Board Designated:			
Board of Trustees	Acquisitions	\$ 4,685.62	\$ 4,685.62
Clifford Graese	Program	226,763.45	257,959.66
Rawlins/Larson Estate	Personnel	2,093,234.98	2,381,166.04
Rawlins	Insurance	447,879.41	509,304.96
Rawlins Estate	Program	633,994.92	720,964.16
Edith Siegrist	Operations	110,417.60	125,672.65
Total Board Designated		<u>3,516,975.98</u>	<u>3,999,753.09</u>
Undesignated:		<u>2,721,426.07</u>	<u>2,832,746.45</u>
Total Net Assets Without Donor Restrictions		<u>\$ 6,238,402.05</u>	<u>\$ 6,832,499.54</u>

Schedule 2 - Net Assets with Donor Restrictions are Restricted for the Following Purposes or Periods:

Donor	Purpose	June 30, 2020	June 30, 2019
Subject to Expenditure for Specified Purposes:			
Cremona Exhibit	Exhibitions	\$ 20,210.16	\$ 32,126.86
Acquisitions Fund	Acquisitions	60.60	
Exhibitions Fund	Exhibitions	25,000.00	
Mary Chilton DAR Foundation	Conservation		12,425.00
Expansion Fund Account	Facilities		65,091.53
John & Margaret Fowler	Acquisitions	18,787.33	18,787.33
Martin Guitar Charitable Foundation	Program	12,597.44	12,597.44
Al Hegyi Fund	Personnel	41,477.88	41,164.12
IN Historical Society-CLIO Grant	Research	2,764.13	2,764.13
Thomas Mace Conservation	Research	3,982.84	3,982.84
Joe and Joella Utley Foundation	Personnel		24,028.65
Janet Wanzek Memorials	Memorials	12,470.00	12,145.00
Marifran Wohlenberg Fund	Exhibitions	4,082.71	4,082.71
Total for Specified Purposes		<u>141,433.09</u>	<u>229,195.61</u>

Endowments and Split Interest Agreements, Earnings from Which are Subject to Spending Policy and Appropriation:

Andre Larson Endowment	Operations	98,609.42	
Mary Adams Estate	Events	38,085.62	39,686.10
Edith Siegrist Estate	Operations	184,911.00	190,538.00
SD Community Foundation	Operations	14,623.62	13,766.49
Total Endowments and Split Interest Agreements		<u>336,229.66</u>	<u>243,990.59</u>
Total Net Assets With Donor Restrictions		<u>\$ 477,662.75</u>	<u>\$ 473,186.20</u>