

MINT MUSEUM OF ART

CONSOLIDATED FINANCIAL STATEMENTS

As of and for the Years Ended June 30, 2021 and 2020

And Report of Independent Auditor

MINT MUSEUM OF ART
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Report of Independent Auditor

To the Board of Trustees
Mint Museum of Art
Charlotte, North Carolina

We have audited the accompanying consolidated financial statements of Mint Museum of Art (the "Museum"), which comprise the consolidated statements of financial position as of June 30, 2021 and 2020, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Museum's preparation and fair presentation of the consolidated 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 Museum'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 consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Mint Museum of Art as of June 30, 2021 and 2020, and the consolidated changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Cherry Bekaert LLP

Charlotte, North Carolina
December 17, 2021

MINT MUSEUM OF ART
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2021 AND 2020

	2021	2020
ASSETS		
Cash and cash equivalents	\$ 1,809,336	\$ 1,674,865
Accounts receivable	406,726	219,323
Government grant receivable	373,956	-
Contributions Receivable:		
Operating contributions receivable, net	79,700	96,400
Other contributions receivable, net	302,500	94,500
Inventories	320,508	418,344
Deposits for future exhibitions, prepaid expenses, and other assets	343,625	462,525
Investments:		
Endowed investments:		
Foundation for the Mint Museums	17,278,671	13,977,449
Beneficial interest in trusts	29,919,882	23,864,591
Nonendowment beneficial interest in trusts	3,386,404	2,642,257
Other investments	1,482,632	1,347,057
Property and equipment, net	46,013,666	47,355,079
Land use and air rights, net	2,607,960	2,679,760
Total Assets	\$ 104,325,566	\$ 94,832,150
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued liabilities	\$ 896,135	\$ 979,967
Capital lease obligation	146,074	-
Paycheck Protection Program loan	776,145	753,700
Deferred revenue	914,380	424,361
Total Liabilities	2,732,734	2,158,028
Net Assets:		
Without donor restrictions	4,241,130	4,118,493
With donor restrictions	97,351,702	88,555,629
Total Net Assets	101,592,832	92,674,122
Total Liabilities and Net Assets	\$ 104,325,566	\$ 94,832,150

MINT MUSEUM OF ART
CONSOLIDATED STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Operating Support and Revenue:			
Annual use of City facilities	\$ 1,641,852	\$ -	\$ 1,641,852
Grants	1,769,150	-	1,769,150
Gifts	2,111,107	738,897	2,850,004
Memberships	152,068	-	152,068
Contributions from Mint Affiliates	225,500	37,889	263,389
Rental income	227,715	-	227,715
Museum store sales	298,968	-	298,968
Other operating revenues	944,434	-	944,434
Allocation of allowable endowment balance for spending	-	1,594,154	1,594,154
	<u>7,370,794</u>	<u>2,370,940</u>	<u>9,741,734</u>
Endowment spending released from restriction	1,594,154	(1,594,154)	-
Net assets released from restriction	541,637	(541,637)	-
Total Operating Support and Revenue	<u>9,506,585</u>	<u>235,149</u>	<u>9,741,734</u>
Expenses:			
Program	7,256,858	-	7,256,858
Management and general	1,332,314	-	1,332,314
Development	865,561	-	865,561
Total Expenses	<u>9,454,733</u>	<u>-</u>	<u>9,454,733</u>
Change in net assets from operations before depreciation and amortization	<u>51,852</u>	<u>235,149</u>	<u>287,001</u>
Depreciation and Amortization:			
Net assets released from restriction	1,528,057	(1,528,057)	-
Program	(1,795,620)	-	(1,795,620)
Management and general	(29,451)	-	(29,451)
Development	(28,191)	-	(28,191)
Total Depreciation and Amortization	<u>(325,205)</u>	<u>(1,528,057)</u>	<u>(1,853,262)</u>
Change in net assets from operations	(273,353)	(1,292,908)	(1,566,261)
Other Increases (Decreases):			
Change in beneficial interests in trusts	-	7,444,290	7,444,290
Non-endowment investment return	395,990	12,636	408,626
Endowment investment return	-	4,226,209	4,226,209
Allocation of allowable endowment balance for spending	-	(1,594,154)	(1,594,154)
Change in net assets	122,637	8,796,073	8,918,710
Net assets, beginning of year	4,118,493	88,555,629	92,674,122
Net assets, end of year	<u>\$ 4,241,130</u>	<u>\$ 97,351,702</u>	<u>\$ 101,592,832</u>

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

MINT MUSEUM OF ART
CONSOLIDATED STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Operating Support and Revenue:			
Annual use of City facilities	\$ 1,641,852	\$ -	\$ 1,641,852
Grants	1,284,432	250,000	1,534,432
Gifts	1,816,164	398,093	2,214,257
Memberships	194,847	-	194,847
Contributions from Mint Affiliates	356,520	49,425	405,945
Rental income	757,788	-	757,788
Museum store sales	437,413	-	437,413
Other operating revenues	594,120	-	594,120
Allocation of allowable endowment balance for spending	-	1,946,189	1,946,189
	<u>7,083,136</u>	<u>2,643,707</u>	<u>9,726,843</u>
Endowment spending released from restriction	1,946,189	(1,946,189)	-
Net assets released from restriction	534,517	(534,517)	-
Total Operating Support and Revenue	<u>9,563,842</u>	<u>163,001</u>	<u>9,726,843</u>
Expenses:			
Program	8,125,758	-	8,125,758
Management and general	1,248,078	-	1,248,078
Development	934,973	-	934,973
Total Expenses	<u>10,308,809</u>	<u>-</u>	<u>10,308,809</u>
Change in net assets from operations before depreciation and amortization	<u>(744,967)</u>	<u>163,001</u>	<u>(581,966)</u>
Depreciation and Amortization:			
Net assets released from restriction	1,528,057	(1,528,057)	-
Program	(1,842,955)	-	(1,842,955)
Management and general	(30,667)	-	(30,667)
Development	(28,769)	-	(28,769)
Total Depreciation and Amortization	<u>(374,334)</u>	<u>(1,528,057)</u>	<u>(1,902,391)</u>
Change in net assets from operations	(1,119,301)	(1,365,056)	(2,484,357)
Other Increases (Decreases):			
Change in beneficial interests in trusts	-	409,086	409,086
Non-endowment investment return	16,068	6,820	22,888
Endowment investment return	-	(161,629)	(161,629)
Allocation of allowable endowment balance for spending	-	(1,946,189)	(1,946,189)
Change in net assets	(1,103,233)	(3,056,968)	(4,160,201)
Net assets, beginning of year	<u>5,221,726</u>	<u>91,612,597</u>	<u>96,834,323</u>
Net assets, end of year	<u>\$ 4,118,493</u>	<u>\$ 88,555,629</u>	<u>\$ 92,674,122</u>

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

MINT MUSEUM OF ART
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2021

	<u>Program</u>	<u>Management and General</u>	<u>Development</u>	<u>Total</u>
Personnel:				
Salaries and benefits	\$ 3,301,792	\$ 544,172	\$ 475,664	\$ 4,321,628
Travel and donor relations	12,570	2,010	1,756	16,336
Training and conferences	2,815	3,899	710	7,424
Employee parking	45,352	7,490	6,547	59,389
	<u>3,362,529</u>	<u>557,571</u>	<u>484,677</u>	<u>4,404,777</u>
Professional Services:				
Contract services	880,105	343,899	168,345	1,392,349
Insurance	26,250	48,931	-	75,181
Accounting and professional	5,168	88,705	-	93,873
	<u>911,523</u>	<u>481,535</u>	<u>168,345</u>	<u>1,561,403</u>
Utilities:				
Heating, ventilating, and air conditioning	367,396	6,311	5,464	379,171
Telephone	61,190	1,000	928	63,118
Postage	1,144	9,015	4,233	14,392
	<u>429,730</u>	<u>16,326</u>	<u>10,625</u>	<u>456,681</u>
Maintenance and Repair	<u>157</u>	<u>64,874</u>	<u>130</u>	<u>65,161</u>
Supplies and Materials:				
Office supplies	3,805	23,641	279	27,725
Furniture and equipment	7,313	43,838	-	51,151
	<u>11,118</u>	<u>67,479</u>	<u>279</u>	<u>78,876</u>
Program Expenditures:				
Exhibition rental and installation	83,084	-	-	83,084
Education and library	50,806	215	1,500	52,521
Printing and publications	29,517	1,063	49,810	80,390
Receptions and member services	4,400	-	84,400	88,800
Photography	7,431	-	-	7,431
Conservation	17,086	-	-	17,086
Advertising	83,449	690	-	84,139
Board, volunteer, and staff support	170	2,360	142	2,672
	<u>275,943</u>	<u>4,328</u>	<u>135,852</u>	<u>416,123</u>
Other:				
Store cost of sales	203,905	-	-	203,905
Special events	37,982	3,866	-	41,848
Bank charges and interest	22,017	67,706	24,086	113,809
Dues and subscriptions	23,780	20,509	14,353	58,642
Transportation and freight	126,938	440	-	127,378
Building rental	1,221,458	16,905	19,633	1,257,996
Government appropriations	372,127	6,083	5,646	383,856
Accessions	238,457	-	-	238,457
Miscellaneous	19,193	24,692	1,936	45,821
	<u>2,265,858</u>	<u>140,201</u>	<u>65,653</u>	<u>2,471,712</u>
Total Before Depreciation and Amortization	<u>7,256,858</u>	<u>1,332,314</u>	<u>865,561</u>	<u>9,454,733</u>
Depreciation and Amortization:				
Depreciation	1,725,928	28,450	27,084	1,781,462
Land use rights amortization	69,692	1,001	1,107	71,800
	<u>1,795,620</u>	<u>29,451</u>	<u>28,191</u>	<u>1,853,262</u>
Total Expenses	<u>\$ 9,052,478</u>	<u>\$ 1,361,765</u>	<u>\$ 893,752</u>	<u>\$ 11,307,995</u>

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

MINT MUSEUM OF ART
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2020

	<u>Program</u>	<u>Management and General</u>	<u>Development</u>	<u>Total</u>
Personnel:				
Salaries and benefits	\$ 3,187,939	\$ 602,503	\$ 470,264	\$ 4,260,706
Travel and donor relations	60,961	11,399	8,897	81,257
Training and conferences	6,759	2,041	1,420	10,220
Employee parking	50,528	9,549	7,454	67,531
	<u>3,306,187</u>	<u>625,492</u>	<u>488,035</u>	<u>4,419,714</u>
Professional Services:				
Contract services	1,183,075	301,919	117,896	1,602,890
Insurance	26,250	57,953	-	84,203
Accounting and professional	-	59,960	-	59,960
	<u>1,209,325</u>	<u>419,832</u>	<u>117,896</u>	<u>1,747,053</u>
Utilities:				
Heating, ventilating, and air conditioning	401,642	6,828	5,999	414,469
Telephone	58,907	963	894	60,764
Postage	1,580	10,647	6,207	18,434
	<u>462,129</u>	<u>18,438</u>	<u>13,100</u>	<u>493,667</u>
Maintenance and Repair	94	48,494	-	48,588
Supplies and Materials:				
Office supplies	8,228	23,370	1,533	33,131
Furniture and equipment	5,031	8,612	-	13,643
	<u>13,259</u>	<u>31,982</u>	<u>1,533</u>	<u>46,774</u>
Program Expenditures:				
Exhibition rental and installation	327,587	-	59	327,646
Education and library	80,750	12	2,000	82,762
Printing and publications	1,912	430	45,032	47,374
Receptions and member services	13,806	-	98,568	112,374
Photography	7,315	-	-	7,315
Conservation	3,409	-	-	3,409
Advertising	153,275	1,631	-	154,906
Board, volunteer, and staff support	202	5,068	536	5,806
	<u>588,256</u>	<u>7,141</u>	<u>146,195</u>	<u>741,592</u>
Other:				
Store cost of sales	210,341	-	-	210,341
Special events	145,729	671	202	146,602
Bank charges and interest	38,284	30,396	2,913	71,593
Dues and subscriptions	15,198	27,955	16,474	59,627
Transportation and freight	157,199	-	50	157,249
Building rental	1,221,458	16,905	19,633	1,257,996
Government appropriations	372,127	6,083	5,646	383,856
Accessions	334,836	-	-	334,836
Miscellaneous	51,335	14,689	123,297	189,321
	<u>2,546,508</u>	<u>96,699</u>	<u>168,214</u>	<u>2,811,421</u>
Total Before Depreciation and Amortization	<u>8,125,758</u>	<u>1,248,078</u>	<u>934,973</u>	<u>10,308,809</u>
Depreciation and Amortization:				
Depreciation	1,773,263	29,666	27,662	1,830,591
Land use rights amortization	69,692	1,001	1,107	71,800
	<u>1,842,955</u>	<u>30,667</u>	<u>28,769</u>	<u>1,902,391</u>
Total Expenses	<u>\$ 9,968,713</u>	<u>\$ 1,278,745</u>	<u>\$ 963,742</u>	<u>\$ 12,211,200</u>

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

MINT MUSEUM OF ART
CONSOLIDATED STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
Cash flows from operating activities:		
Change in net assets	\$ 8,918,710	\$ (4,160,201)
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation and amortization	1,853,262	1,902,391
Realized and unrealized gains on investments, net	(4,602,511)	179,311
Change in beneficial interests in trusts	(7,444,290)	(409,086)
Contributions restricted for endowment	(49)	(1,245)
Changes in operating assets and liabilities:		
Accounts receivable	(187,403)	165,551
Government grant receivable	(373,956)	-
Contributions receivable	(191,300)	308,655
Inventories	97,836	(49,049)
Deposits for future exhibitions, prepaid expenses, and other assets	118,900	(135,978)
Accounts payable and accrued liabilities	(83,832)	(72,833)
Paycheck Protection Program loan	22,445	753,700
Deferred revenue	490,019	57,325
Net cash flows from operating activities	<u>(1,382,169)</u>	<u>(1,461,459)</u>
Cash flows from investing activities:		
Purchases of property and equipment	(264,950)	(131,897)
Proceeds from sale of investments	1,233,738	1,398,623
Purchases of investments	(68,024)	(87,214)
Net cash flows from investing activities	<u>900,764</u>	<u>1,179,512</u>
Cash flows from financing activities:		
Contributions restricted for endowment	49	1,245
Payments on capital lease obligation	(29,025)	-
Withdrawals from beneficial interests in trust, net	644,852	910,447
Net cash flows from financing activities	<u>615,876</u>	<u>911,692</u>
Net change in cash and cash equivalents	134,471	629,745
Cash and cash equivalents, beginning of year	<u>1,674,865</u>	<u>1,045,120</u>
Cash and cash equivalents, end of year	<u>\$ 1,809,336</u>	<u>\$ 1,674,865</u>

MINT MUSEUM OF ART

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

Note 1—Nature of operations and summary of significant accounting policies

Organization and Nature of Activities – Mint Museum of Art (the “Museum”) is a nonstock, nonprofit membership corporation organized under the laws of the state of North Carolina for the primary purpose of collecting, displaying, and preserving art and artifacts. The Museum’s operations consist of Mint Museum Randolph (a long-time Charlotte tradition located in the Eastover neighborhood) and Mint Museum Uptown at the Levine Center for the Arts. All activities of the Museum are controlled by the Board of Trustees and administered by the management of the Museum.

Consolidated Financial Statement Presentation – The accompanying consolidated financial statements include the accounts of the Museum and the Foundation for the Mint Museum (the “FFTMM”). FFTMM is a nonprofit corporation and classified by the Internal Revenue Service as a supporting organization, whose mission is to administer and manage a portion of the Museum’s endowed funds. Since FFTMM is organized and operating for the benefit of the Museum, its financial activity has been included in the accompanying consolidated financial statements.

The accompanying consolidated financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”). Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets that are not subject to donor-imposed restrictions and are currently available for use in the day-to-day operations of the Museum and those resources invested in property and equipment. From time to time, the Board of Trustees may designate certain amounts to be utilized or invested to meet specific objectives of the Museum. At June 30, 2021 and 2020, board-designated funds of \$1,418,295 and \$1,295,305, respectively, are intended to provide an internal source of funds for situations such as sudden increase in expenses, one-time unbudgeted expenses, unanticipated loss in revenues, or uninsured losses.

Net Assets With Donor Restrictions – Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Museum or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions and grants are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the consolidated statements of activities.

Recognition of Support and Revenues – Revenue is reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restriction. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law. Expirations of temporary restrictions on net assets are reported as reclassifications from net assets with donor restrictions to net assets without donor restrictions. It is the Museum’s policy to record revenues with donor restrictions and investment returns thereon that are received and expended in the same accounting period in the without donor restrictions net asset category.

Contributions, including grants and sponsorships, are recognized when cash, other assets or an unconditional promise to give is received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return or right of release, are not recognized until the conditions on which they depend have been substantially met. Contributions of assets other than cash are recorded at their estimated fair value.

MINT MUSEUM OF ART

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

Note 1—Nature of operations and summary of significant accounting policies (continued)

Donated Services – Contributions of donated services that create or enhance nonfinancial assets or that require specialized skills are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their fair values in the period received. A substantial number of unpaid volunteers have made significant contributions of their time in the furtherance of the Museum's programs, principally in membership development and educational programs. The value of this contributed time is not reflected in these consolidated financial statements because it is not susceptible to objective measurement or valuation.

Cash and Cash Equivalents – The Museum considers highly liquid investments with a maturity of three months or less when purchased to be cash equivalents, except for those short-term investments managed as part of investment management strategies. Regardless of maturity, all certificates of deposit are considered cash equivalents. Cash and cash equivalents include \$978,845 and \$1,028,751 as of June 30, 2021 and 2020, respectively, of funds held from contributions received and/or payments on contributions receivable that are restricted.

Accounts Receivable – Accounts receivable primarily include receivables for usage of facilities by third parties. Management periodically reviews the receivables to determine if an allowance for doubtful accounts is necessary. Such determination is based on an analysis of historical collection trends, current relations with customers, and current and anticipated economic conditions. Accounts receivable are written off when, in the opinion of management, such receivables are deemed to be uncollectible. As of June 30, 2021 and 2020, management determined that no allowance for doubtful accounts is necessary. While management uses the best information available to make such evaluations, future adjustments to the allowance for doubtful accounts may be necessary if conditions differ substantially from the assumptions used in making the evaluations.

Government Grant Receivable – The Museum determined it was a qualified employer and has claimed \$373,956 in tax credits associated with the Employee Retention Credit Program initially created through the Coronavirus Aid, Relief, and Economic Security Act. The tax credits have been recognized as revenue and are included in grants revenue on the consolidated statement of activities and government grant receivable on the consolidated statement of financial position as of June 30, 2021.

Contributions Receivable – Contributions receivable due in subsequent years are recorded at their net realizable value, including an allowance for uncollectible contributions as determined by management. While management uses the best information available to make such evaluations, future adjustments to the allowance may be necessary if conditions differ substantially from the assumptions used in making the evaluations. Unconditional promises to give due in subsequent years are recorded at the present value of their net realizable value using credit adjusted risk-free interest rates applicable to the years in which the contributions receivable are received. Amortization of the resulting discount is taken into net assets as gifts on the accompanying consolidated statements of activities.

Investments – Investments in marketable securities with readily determinable fair values and all investments in debt securities are valued in the accompanying consolidated statements of financial position at their fair value. Fair value is determined by reference to exchange or dealer-quoted market prices. If a quoted market price is not available, fair value is estimated using quoted market prices for similar investment securities. Changes in the fair value of securities are reflected as investment return on the accompanying consolidated statements of activities.

Beneficial Interests in Trusts – The Museum recognizes contribution revenue from assets held by a recipient organization for the sole benefit of the Museum in accordance with U.S. GAAP.

MINT MUSEUM OF ART

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

Note 1—Nature of operations and summary of significant accounting policies (continued)

Property and Equipment, Net – Property and equipment are stated at cost for purchased items and at estimated fair value at the date received for donated items. Depreciation is computed on the straight-line basis over the estimated useful lives of the assets. Estimated useful lives are 40 years for buildings and improvements; 7 years for furniture, fixtures, and office equipment; and 3 years for computers, software, and other technological equipment. Long-lived assets held and used by the Museum are reviewed for impairment whenever changes in circumstances indicate the carrying value of an asset may not be recoverable.

Inventories – Inventories consist of items available for sale in the Museum shops, such as books, jewelry, pottery, and other exhibit-related items. Inventories are valued at the lower of cost or net realizable value. Cost is determined by the first-in, first-out method.

Income Taxes – The Museum is exempt from federal income tax under the provisions of Section 501(c)(3) of the Internal Revenue Code (“IRC”). In accordance with IRC regulations, the Museum is taxed on unrelated business income, which consists of earnings from activities not related to the exempt purpose of the Museum. The Museum accounts for tax uncertainties based on a more likely than not recognition threshold whereby tax benefits are only recognized when the Museum believes that they have a greater than 50% likelihood of being sustained upon examination by taxing authorities.

Art Collection – In accordance with U.S. GAAP and the practice typically followed by museums, exhibits and art objects purchased and donated are not included in the accompanying consolidated statements of financial position. Even though not reported in the accompanying consolidated financial statements, the Museum’s collection represents one of its most valuable assets.

The Museum’s collections consist of art objects and artifacts of historical significance that are held for curatorial and educational purposes. The collection is kept under curatorial care, which includes conservation practices, and is subject to the Museum’s policy that requires proceeds from the sale of collection items to be used only for acquisition of additional collections. The Museum does not recognize as a contribution any income from donated collection items, as its collections are not capitalized.

Use of Estimates – The preparation of the accompanying consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the accompanying consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Functional Allocation of Expenses – The Museum allocates certain expenses, principally personnel and contract labor, utilities and maintenance, building rental, and depreciation, to program and supporting services based on management’s estimates of the respective service’s personnel requirements and space and equipment utilization. Personnel and contract labor are allocated based on time and effort. Utilities and maintenance, building rental, and depreciation are allocated based on square footage. All other expenses have been allocated directly in the accompanying consolidated statements of functional expenses.

MINT MUSEUM OF ART

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

Note 1—Nature of operations and summary of significant accounting policies (continued)

New Accounting Pronouncements – In March 2019, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2014-09, *Revenue from Contracts with Customers*. This standard, along with all subsequent amendments to the ASU (collectively, ASC 606), creates a single framework for recognizing revenue from contracts with customers that fall within its scope of exchange transactions. There were no material impacts to the consolidated financial statements and underlying accounting as a result of this implementation, which has been applied retrospectively to these consolidated financial statements.

In March 2019, FASB issued ASU 2019-03, *Not-for-Profit Entities (Topic 958): Updating the Definition of Collections*, modifying the definition of the term collections and require that a collection-holding entity disclose its policy for the use of proceeds from when collection items are deaccessioned (that is, removed from a collection). Under the clarified definition, proceeds from the sale of collection items can be used either to acquire new items or directly care for existing items already in possession. Previous guidance required proceeds to be used only for the acquisition of additional collections. There were no material impacts to the consolidated financial statements and underlying accounting as a result of this implementation, which has been applied on a prospective basis.

Future Accounting Pronouncements – In February 2016, FASB issued ASU 2016-02, *Leases (Topic 842)*. The new guidance requires that lessees in a leasing arrangement recognize a right-of use asset and a lease liability for most leases (other than leases that meet the definition of a short-term lease). The liability will be equal to the present value of lease payments. The new standard is effective for fiscal years beginning after December 15, 2021. A modified retrospective transition approach is required for leases for capital and operating leases exiting at, or entered into after, the beginning of the earliest comparative period presented in the consolidated financial statements, with certain practical expedients available. Early adoption is permitted. The Museum has not yet implemented this ASU and is in the process of assessing the effect on the Museum’s consolidated financial statements.

In September 2020, FASB issued ASU 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The standard requires presentation of contributed nonfinancial assets as a separate line item in the statement of activities. It also requires a disclosure of disaggregated contributions of nonfinancial assets by category that depicts the type of contributed nonfinancial assets. This distinction will increase transparency of contributions recognized. This standard will be effective for fiscal years beginning after June 30, 2021. The Museum is currently in the process of evaluating the impact of adoption of this ASU on the consolidated financial statements.

MINT MUSEUM OF ART
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

Note 2—Liquidity and availability of resources

The table below represents financial assets available for general expenditures within one year at June 30:

	2021	2020
Financial assets at year-end:		
Cash and cash equivalents	\$ 1,809,336	\$ 1,674,865
Accounts receivable	406,726	219,323
Contributions receivable	382,200	190,900
Investments	52,067,589	41,831,354
Other endowment appropriations available for current use	1,806,723	1,779,412
Total financial assets	<u>56,472,574</u>	<u>45,695,854</u>
Less amounts not available to be used for general expenditures within one year:		
Net assets subject to purpose restriction	1,365,769	1,142,299
Beneficial interest in trusts restricted for accessions	3,386,404	2,642,257
Endowments	47,198,553	37,842,040
Board-designated net assets limited to use	1,418,295	1,295,305
Financial assets not available to be used within one year	<u>53,369,021</u>	<u>42,921,901</u>
Financial assets available to meet general expenditures within one year	<u>\$ 3,103,553</u>	<u>\$ 2,773,953</u>

The Museum considers general expenditures to include program expenses, supporting services, and any other commitments or liabilities to be paid in the subsequent year. As part of the Museum's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations become due. The Museum invests cash in excess of daily requirements in short-term investments and money market funds.

Board-designated net assets are a portion of net assets without donor restrictions that are available for use at the discretion of the Board of Trustees. The board-designated funds are intended to provide an internal source of funds for situations such as sudden increase in expenses, one-time unbudgeted expenses, unanticipated loss in revenues, or uninsured losses. These amounts could be made available with approval by the Board of Trustees, if necessary.

Endowment funds are subject to appropriation using a board approved annual spending rate of up to a maximum of 5% of the average fair value over the prior 12 quarters through the calendar year preceding the fiscal year in which the distribution is planned.

MINT MUSEUM OF ART

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

Note 3—Relationship with the City of Charlotte and development agreement

The City of Charlotte (the “City”) owns the museum building and grounds at the Randolph Road location. The Museum uses the facility under a lease agreement that provides for annual rental of \$1 and expires in 2047, subject to two 25-year renewal options under terms similar to the original lease. Under the lease agreement, the City is responsible for utilities, maintaining the structural integrity of the building, maintaining the fixed equipment and systems, and maintaining the grounds and driveways.

Because the Museum has been using this facility since the mid-1930s, it is not able to accurately establish the estimated fair value of the facility and various improvements at the dates they were placed in service. The net depreciated value of the building and improvements has not been recorded as an asset in the accompanying consolidated statements of financial position; however, the Museum’s management believes any such depreciated value would be immaterial to the consolidated financial statements as whole. Consistent with the practice that has been followed during the periods the facility has been leased, the Museum records the estimated rental value of the facility owned and services paid or provided by the City and used by the Museum as both revenue and expense in the accompanying consolidated statements of activities. This value is \$1,641,852 for each of the years ended June 30, 2021 and 2020.

In November 2010, the Museum entered into a long-term lease with the City for its uptown facility, Mint Museum Uptown, which provides for annual rentals of \$1. The lease agreement expires in 2039 and contains two 25-year renewal options under terms similar to the original lease. During the year ended June 30, 2015, the fifth floor of the facility, which previously was not leased or available for use by the Museum, was purchased by the Museum for approximately \$1,800,000, granted to the City, and added to the existing lease.

The Museum initially recorded the uptown building agreement as an asset under U.S. GAAP at the present value of the expected below-market lease payments, with such present value not to exceed the estimated fair value of the building and all associated rights held by the City. It was determined that the total fair value of \$59,681,822 was less than the calculated present value, thus the fair value amount was recorded. The fifth floor acquisition had an estimated fair value of \$1,800,000, which was added to the building fair value previously recognized. The building, including the fifth floor, is being depreciated over its estimated useful life of 40 years. Air rights held by the City are being amortized over the lease term, including renewal options. The net depreciated value of the building is included as part of net property and equipment and the net amortized value of the air rights is included in net land use rights in the accompanying consolidated statements of financial position. Because both assets have time restrictions as to use, they are included as part of net assets with donor restrictions (see Note 11).

In accordance with guidance on fair value measurements for financial instruments measured at fair value, fair value is defined as the price the Museum would receive to sell an investment or pay to transfer a liability in a timely transaction with an independent buyer in the principal market, or in the absence of a principal market, the most advantageous market for the investment or liability. The fair value guidance establishes a three-tier hierarchy to distinguish between (1) inputs that reflect the assumptions that market participants would use in pricing an asset or liability developed based on market data obtained from sources independent of the reporting entity (observable inputs) and (2) inputs that reflect the reporting entity’s own assumptions about the assumptions that market participants would use in pricing an asset or liability developed based on the best information available in the circumstances (unobservable inputs) and to establish classification of fair value measurements for disclosure purposes. Various inputs are used in determining the fair value of the Museum’s financial instruments. The inputs are summarized in the three broad levels listed below:

Level 1 – Quoted prices in active markets that are accessible at the measurement date for identical securities.

Level 2 – Quoted prices in markets that are not considered to be active or financial instruments for which all significant inputs are observable, either directly or indirectly.

MINT MUSEUM OF ART
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

Note 4—Fair value measurements of assets and liabilities (continued)

Level 3 – Prices or valuations that require using significant unobservable inputs in determining fair value. The inputs into the determination of fair value require significant judgment or estimation by the investment manager.

A financial instrument’s classification within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The following are descriptions of the valuation methodologies used for instruments measured at fair value, including the general classification of such instruments pursuant to the valuation hierarchy:

Money Market Funds – This investment is valued at the daily closing price as reported by the fund. The money market fund is an open-end mutual fund that is registered with the Securities and Exchange Commission. This fund is required to publish its daily net asset value and to transact at that price and is deemed to be actively traded. Investments in money market funds are classified within Level 1 of the valuation hierarchy.

Bonds – These investments are valued using pricing models maximizing the use of observable inputs for similar securities. This includes basing value on yields currently available on comparable securities of issuers with similar credit ratings. Investments in bonds are classified within Level 2 of the valuation hierarchy.

Equities, Domestic – These investments are common stock of U.S. companies valued at the closing price reported on the active market on which the individual securities are traded and are generally classified within Level 1 of the valuation hierarchy.

Endowment at Foundation for the Mint Museums and Beneficial Interests in Trusts – The investment portions of the endowment at FFTMM (the “Endowment”) and the beneficial interests in trusts (the “Trusts”) held at Foundation for the Carolinas (“FFTC”) are considered by the Museum to be Level 3 assets because they represent interests held in pooled investment funds, which include private investment funds. The Museum has no ownership interest in those underlying investments. However, the estimated fair value of those investments is used by management of FFTC to determine the fair value of the Museum’s interests in the pooled investments funds. Management of FFTC uses the inputs noted above to estimate the fair value of its investment funds. As discussed in Note 5, FFTC manages the administration of the Trusts and Endowment.

Within the Trusts and Endowment, FFTC has determined the following approximate allocation of investments in accordance with U.S. GAAP, based on amounts as of June 30, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Interest and dividend income, net of fees	\$ 32,324	\$ 40,570
Realized and unrealized gain (loss) on investments, net	4,602,511	(179,311)
Total investment return	4,634,835	(138,741)
Less endowment return	(4,226,209)	161,629
Non-endowment investment return	<u>\$ 408,626</u>	<u>\$ 22,888</u>

The Museum believes its valuation methods are appropriate and consistent with other market participants; however, the use of methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date. The following tables summarize the valuation of the Museum’s investments measured at fair value on a recurring basis as of June 30, 2021 and 2020, based on the level of input utilized to measure fair value.

MINT MUSEUM OF ART
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

Note 4—Fair value measurements of assets and liabilities (continued)

<u>June 30, 2021</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments:				
Money market funds	\$ 28,966	\$ -	\$ -	\$ 28,966
Bonds	-	317,540	-	317,540
Equities, domestic	1,136,126	-	-	1,136,126
Endowment at Foundation for the Mint Museums	-	-	17,278,671	17,278,671
	<u>\$ 1,165,092</u>	<u>\$ 317,540</u>	<u>\$ 17,278,671</u>	<u>\$ 18,761,303</u>
Beneficial interests in trusts	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 33,306,286</u>	<u>\$ 33,306,286</u>
<u>June 30, 2020</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments:				
Money market funds	\$ 35,700	\$ -	\$ -	\$ 35,700
Bonds	-	309,357	-	309,357
Equities, domestic	1,002,000	-	-	1,002,000
Endowment at Foundation for the Mint Museums	-	-	13,977,449	13,977,449
	<u>\$ 1,037,700</u>	<u>\$ 309,357</u>	<u>\$ 13,977,449</u>	<u>\$ 15,324,506</u>
Beneficial interests in trusts	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 26,506,848</u>	<u>\$ 26,506,848</u>

For the assets measured at fair value on a recurring basis using Level 3 valuations, the following table provides a reconciliation of beginning and ending balances for the years ended June 30, 2021 and 2020:

	<u>Endowment at Foundation for the Mint Museums</u>	<u>Beneficial Interests in Trusts</u>
Balance, June 30, 2019	\$ 15,140,478	\$ 27,008,209
Endowment investment return	(161,629)	-
Additions	1,245	33,097
Withdrawals	(1,002,645)	(943,544)
Change in beneficial interests in trusts	-	409,086
Balance, June 30, 2020	13,977,449	26,506,848
Endowment investment return	4,226,209	-
Additions	49	24,266
Withdrawals	(925,036)	(669,118)
Change in beneficial interests in trusts	-	7,444,290
Balance, June 30, 2021	<u>\$ 17,278,671</u>	<u>\$ 33,306,286</u>

Investment and administrative fees for investments held at FFTC amounted to \$149,376 and \$141,522 for the years ended June 30, 2021 and 2020, respectively.

MINT MUSEUM OF ART
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

Note 5—Investments

The underlying pooled investments of the Endowment at Foundation for the Mint Museums are summarized at Note 4. A summary of investment return follows for the years ended June 30:

	<u>2021</u>	<u>2020</u>
Interest and dividend income, net of fees	\$ 32,324	\$ 40,570
Realized and unrealized gain (loss) on investments, net	<u>4,602,511</u>	<u>(179,311)</u>
Total investment return	4,634,835	(138,741)
Less endowment return	<u>(4,226,209)</u>	<u>161,629</u>
Non-endowment investment return	<u>\$ 408,626</u>	<u>\$ 22,888</u>

Interest and dividend income is offset by investment fees amounting to \$12,592 and \$11,147 for the years ended June 30, 2021 and 2020, respectively.

In 2007, the Museum transferred all its endowment investments held in FFTMM to FFTC, at which time FFTMM became a supporting organization of FFTC under Section 509(a)(3) of the IRC. FFTC, a nonprofit organization that serves donors, communities, and a broad range of charitable purposes in North and South Carolina, provides investment and administrative services for FFTMM.

FFTMM's investments are maintained with various broker-dealers and are invested in pooled funds of primarily common stock equities, bonds, fixed income investments, and, as discussed below, private investment funds, which are subject to fluctuations in market values and expose FFTMM to a certain degree of interest and credit risk. Due to the current and potential future volatility in financial markets, it is possible that changes in the investment values and liquidity could occur in the near term and could materially affect the reported investment values in the accompanying consolidated statements of financial position.

Investments include accounts managed by fund managers that invest in private investment funds as part of the asset allocation, as an alternative investment strategy with the purpose of increasing the diversity of the holdings and being consistent with the overall investment objectives. The private investment funds are not traded on an exchange and, accordingly, investments in such funds may not be as liquid as investments in marketable equity or debt securities. The private investment funds may invest in other private investment funds, equity or debt securities, which may or may not have readily available fair values, and foreign exchange or commodity forward contracts.

Management of the FFTMM relies on various factors to estimate the fair value of these investments and believes its processes and procedures for valuing investments are effective and that its estimate of fair value is reasonable. However, the factors used by management are subject to change in the near term and, accordingly, investment fair values and performance can be affected. The effect of these changes could be material to the consolidated financial statements.

MINT MUSEUM OF ART
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

Note 6—Beneficial interests in trusts

A summary of beneficial interests in trusts as of June 30 follows:

	<u>2021</u>	<u>2020</u>
Endowment:		
Campaign for the Cultural Facilities	\$ 25,506,670	\$ 20,480,646
Greater Charlotte Cultural Trust	2,943,740	2,371,046
Other	1,469,472	1,012,899
	<u>29,919,882</u>	<u>23,864,591</u>
Non-endowment:		
The Mint Museum Auxiliary	3,386,404	2,598,657
The Founders' Circle	-	43,600
	<u>3,386,404</u>	<u>2,642,257</u>
	<u>\$ 33,306,286</u>	<u>\$ 26,506,848</u>

Campaign for the Cultural Facilities – Campaign for the Cultural Facilities (the “Campaign”) is a collaborative initiative, adopted in 2004, between local government and the Arts & Science Council Charlotte/Mecklenburg, Inc. (“ASC”) to address the facility needs of several cultural organizations. ASC, in conjunction with the Trusts, completed the Cultural Organizations Endowment Agreement (the “Agreement”) related to the Campaign. The Agreement outlined the plan to fund an endowment to support the operation of new or remodeled facilities, as well as other endowment and capital needs in the cultural community. The Museum is party to this Agreement and is budgeted to be allocated \$22 million of the approximately \$83 million raised. If actual Campaign collections are less than the total raised, the Museum will receive a prorated share of its budgeted allocation. In accordance with the Agreement, earnings are to be distributed annually to fund operating costs of the new facilities.

As of June 30, 2021, approximately \$80 million has been collected by the Campaign and is being held in the Cultural Facilities Fund at the Trusts. Although the Museum has no control over the disbursement of these funds, the Museum is a named beneficiary of a portion of these funds. Accordingly, a beneficial interest has been included in the Museum’s assets representing the Museum’s interest in funds raised to date. As of June 30, 2021 and 2020, the beneficial interest in trusts includes \$972,183 and \$1,403,943, respectively, of contributions receivable.

Greater Charlotte Cultural Trust – Established in 2002 as a supporting organization of FFTC, Greater Charlotte Cultural Trust (the “Trust”), was formed to manage funds and promises to give received during a 1998 cultural arts endowment fund drive, managed by ASC. The Museum has recorded as a beneficial interest in trusts the contributions and promises to give designated for the Museum. FFTC distributes endowed funds based on an income approach, which utilizes both income and capital appreciation in determining amounts to be withdrawn for spending. This approach is approved by the FFTC Board of Directors and uses an average of endowed fund’s market value for the previous three years. Currently, a maximum of 5% of the average, as calculated, may be distributed from these funds.

Affiliated Organizations – The Mint Museum Auxiliary (the “Auxiliary”) and The Founders’ Circle (the “Circle”) are separate legal entities from the Museum and are not controlled by the Museum. However, the Auxiliary was established for the purpose of furthering the Museum’s literary, artistic, and educational purposes including programs and exhibitions and the Circle was established to advance scholarship about, education and appreciation for, the craft arts by supporting the Museum. As such, the Museum and these two organizations are financially interrelated organizations, and the Museum recognizes its interest in the net assets of these organizations in accordance with U.S. GAAP.

MINT MUSEUM OF ART
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

Note 7—Endowment funds

The Museum’s Endowment consists of 49 individual, donor-restricted funds established for a variety of purposes that are held by FFTC. The Endowment includes certain beneficial interests in trusts (see Note 6). As required by U.S. GAAP, net assets associated with Endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Endowment investment fund composition by type as of June 30 is listed below:

	Without Donor Restrictions	With Donor Restrictions	Total
June 30, 2021			
FFTMM original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	\$ -	\$ 13,991,691	\$ 13,991,691
Beneficial interests in trusts, original donor-restricted gift amount, and amounts required to be maintained in perpetuity by donor	-	21,978,475	21,978,475
Accumulated investment gains	-	10,256,204	10,256,204
Total donor-restricted endowment funds	\$ -	\$ 46,226,370	\$ 46,226,370
June 30, 2020			
FFTMM original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	\$ -	\$ 14,180,371	\$ 14,180,371
Beneficial interests in trusts, original donor-restricted gift amount, and amounts required to be maintained in perpetuity by donor	-	21,546,715	21,546,715
Accumulated investment gains	-	711,011	711,011
Total donor-restricted endowment funds	\$ -	\$ 36,438,097	\$ 36,438,097

Interpretation of Relevant Law - The Board of Trustees of the Museum has interpreted the Uniform Prudent Management of Institutional Funds Act (“UPMIFA”) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulation to the contrary. As a result of this interpretation, the Museum classifies as restricted net assets (a) the original value of gifts donated to the Endowment, (b) the original value of subsequent gifts to the Endowment, and (c) accumulations to the Endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

In accordance with UPMIFA, the Museum considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the fund
2. The purposes of the Museum and the donor-restricted endowment fund
3. General economic conditions
4. The possible effect of inflation and deflation
5. The expected total return from income and the appreciation of investments
6. Other resources of the Museum
7. The investment policies of the Museum

MINT MUSEUM OF ART

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

Note 7—Endowment funds (continued)

Return Objectives and Risk Parameters - FFTC administers the endowed funds of the Trusts and endowment of FFTMM. The Board of Trustees of the Trusts and Foundation and ultimately the Museum have adopted investment and spending policies for endowment assets that attempt to provide for a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Under these policies, the endowment assets are invested in a manner that is intended to produce results that provide an average annual real rate of return, net of fees, equal to or greater than spending, administrative fees, and inflation (Consumer Price Index). Actual returns in any given year may vary from this amount. To satisfy its long-term rate-of-return objectives, the Trusts and Foundation rely on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). Accordingly, the Trusts and Foundation have adopted the following investment allocation guidelines:

	Endowment at Foundation			Beneficial Interest in Trusts		
	for the Mint Museums					
Cash	0%	–	10%	0%	–	10%
Equities:						
Large cap	30%	–	50%	40%	–	80%
Small cap	5%	–	15%	10%	–	30%
Emerging market	-	–	-	7.5%	–	22.5%
International	10%	–	30%	2.5%	–	7.5%
Fixed income	20%	–	30%	20%	–	30%
Private investment funds	8%	–	12%	8%	–	32%

Spending Policy and How the Investment Objectives Relate to Spending Policy – The Trusts and Foundation have a policy of appropriating for distribution each year 5% of the average fair value over the prior 12 quarters through the calendar year proceeding the fiscal year in which the distribution is planned. The policy will be evaluated on an annual basis for prudence. In establishing the spending policy, the expected return on the Endowment was taken into consideration. Accordingly, the spending policy is expected to allow the Endowment to maintain its purchasing power by growing at a rate equal to planned payouts. Additional real growth will be provided through new gifts and any excess investment return. Distributions for the years ended June 30, 2021 and 2020, were within the terms of the above policy.

MINT MUSEUM OF ART
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

Note 7—Endowment funds (continued)

Changes in the endowment net assets for the year ended June 30 are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, June 30, 2019	\$ -	\$ 37,697,329	\$ 37,697,329
Endowment investment return	-	(161,629)	(161,629)
Contributions and collection of pledges	-	306,921	306,921
Change in endowed beneficial interests in trusts	-	541,665	541,665
Allocation of allowable endowment balance for spending	-	(1,946,189)	(1,946,189)
Endowment net assets, June 30, 2020	-	36,438,097	36,438,097
Endowment investment return	-	4,226,209	4,226,209
Contributions and collection of pledges	-	431,805	431,805
Change in endowed beneficial interests in trusts	-	6,724,413	6,724,413
Allocation of allowable endowment balance for spending	-	(1,594,154)	(1,594,154)
Endowment net assets, June 30, 2021	<u>\$ -</u>	<u>\$ 46,226,370</u>	<u>\$ 46,226,370</u>

Funds with Deficiencies – From time to time, the fair value of assets associated with individual donor-restricted endowment funds may have fair values less than the amount required to be maintained by donors or by law (underwater endowments). The Museum has interpreted UPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law.

At June 30, 2021 and 2020, funds with deficiencies of \$-0- and \$603,609, respectively, were reported in net assets with donor restrictions.

	2021	2020
Fair value of underwater endowment funds	\$ -	\$ 4,300,679
Original endowment gift amount	-	4,904,288
Deficiencies of underwater endowment funds	<u>\$ -</u>	<u>\$ (603,609)</u>

MINT MUSEUM OF ART
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

Note 8—Property and equipment, net

A summary of property and equipment follows as of June 30:

	<u>2021</u>	<u>2020</u>
Buildings and improvements, including long-term use of facilities	\$ 64,328,357	\$ 64,080,979
Furniture, fixtures, and office equipment	44,404	26,833
Computers, software, and other technological equipment	1,527,929	1,352,830
Construction in progress	70,050	70,050
	<u>65,970,740</u>	<u>65,530,692</u>
Less accumulated depreciation	<u>(19,957,074)</u>	<u>(18,175,613)</u>
Property and equipment, net	<u>\$ 46,013,666</u>	<u>\$ 47,355,079</u>

See Note 3 regarding the contribution of the use of the Mint Museum Uptown by the City. Depreciation expense for the years ended June 30, 2021 and 2020 amounted to \$1,781,462 and \$1,830,591, respectively.

Note 9—Land use and air rights, net

During fiscal year 1995, the Museum and the City entered into an arrangement to acquire land for the future benefit of the Museum. The land, which is adjacent to the Museum facility on Randolph Road, was acquired by the City through a condemnation proceeding with \$750,000 cash provided by the Museum. Concurrent with the land purchase, the City extended its current lease arrangement, covering the Museum and the adjacent land, through fiscal year 2047 (see Note 3) plus two 25-year renewal options under terms similar to the original lease.

As of June 30, 1995, the Museum recorded an asset in an amount equivalent to the \$750,000 purchase price. This asset is being amortized over 50 years, which is the original extension period of the amended lease agreement. Accumulated amortization totaled \$390,001 and \$375,001 as of June 30, 2021 and 2020, respectively.

As discussed in Note 3, air rights also include the fair value of air rights that were granted to the City as part of the Mint Museum Uptown construction. As part of the lease with the City, the Museum has recorded the value of the air rights as an asset of \$2,840,000, which is being amortized over the life of the lease, including renewal options. Accumulated amortization totaled \$592,039 and \$535,239 as of June 30, 2021 and 2020, respectively.

Note 10—Art collection

As discussed in Note 1, purchased and donated art objects are not included in the accompanying consolidated statements of financial position. Sales and purchases of art objects are classified as restricted revenues and net assets released from restrictions, respectively, in the accompanying consolidated statements of activities. The Museum did not sell any art objects during the years ended June 30, 2021 and 2020.

MINT MUSEUM OF ART
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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Note 11—Net assets with donor restrictions

Net assets with donor restrictions were restricted for the following purposes at June 30:

	<u>2021</u>	<u>2020</u>
Restricted for specified purpose:		
Uptown building, net of accumulated depreciation	\$ 43,153,015	\$ 44,624,272
Land use and air rights, net	2,247,961	2,304,761
Restricted funds for accessions of artwork	1,244,812	1,041,455
Young Affiliates of the Mint Museum of Art	120,957	100,844
Total restricted for specified purpose	<u>46,766,745</u>	<u>48,071,332</u>
Endowments:		
Foundation for the Mint Museums	17,278,671	14,450,567
Beneficial interests in trust - endowment portion	28,947,699	22,591,139
Beneficial interest in trust - receivable portion	972,183	1,403,943
Underwater endowments	-	(603,609)
Total endowments	<u>47,198,553</u>	<u>37,842,040</u>
Beneficial interest in trusts restricted for accessions	<u>3,386,404</u>	<u>2,642,257</u>
	<u>\$ 97,351,702</u>	<u>\$ 88,555,629</u>

Note 12—Commitments and contingencies

The Museum is the lessor of space under a lease expiring 2025, with one remaining five-year renewal option. The annual rent increases approximately 10% at each renewal date. For the period from March 2020 until September 2021, the lessee received a 50% reduction in lease payments. Rental income totaled \$42,533 and \$68,383 for the years ended June 30, 2021 and 2020, respectively. Under terms of the agreements, the Museum will receive the following future minimum rental income as of June 30:

Fiscal Years:

2022	\$ 60,060
2023	66,060
2024	66,060
2025	66,060
2026	16,515
	<u>\$ 274,755</u>

Note 13—Employee benefit plan

The Museum has a defined contribution plan (the “Plan”) under Section 403(b) of the IRC. Contributions to the Plan are discretionary. All full-time Museum employees are eligible to participate in the Plan after completing six months of service. During the years ended June 30, 2021 and 2020, the Museum recognized a total employee benefit plan expense of approximately \$116,000 and \$106,000, respectively.

MINT MUSEUM OF ART

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

Note 14—Concentrations of credit risk

The Museum places its cash and cash equivalents on deposit with financial institutions in the United States of America. The Federal Deposit Insurance Corporation covers \$250,000 for substantially all depository accounts. The Museum from time to time may have amounts on deposit in excess of the insured limits.

The Museum has recognized unconditional promises to give from donors in future years. Ultimately, realization of these amounts is influenced by economic conditions in the geographic area in which these residents reside.

Note 15—Concentration of operating support

A significant portion of the Museum's annual support has historically been attributed to one source, ASC. During the years ended June 30, 2021 and 2020, the Museum recognized direct support totaling \$514,494 and \$941,132 respectively, from ASC which is reported as grant revenue in the accompanying consolidated statements of activities.

Note 16—Deferred grant revenue

The Museum received a Paycheck Protection Program loan ("PPP loan") in the amount of \$753,700 in April 2020 and a second PPP loan of \$776,145 in January 2021. The PPP loan is granted by the Small Business Administration under the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act"). PPP loans are considered conditional contributions under ASC 958-605, *Not-for-Profit Entities—Revenue Recognition*. The loan must be repaid if the Museum does not overcome certain barriers within the CARES Act. The barriers under the program include the requirement to maintain employee headcount, spend up to 60% of the loan proceeds on certain payroll and employee benefits, and restricts other loan proceeds to be used for other qualifying expenses such as mortgage interest, rent and utilities. The first loan was forgiven on December 23, 2020 and the Museum recognized grant revenue of \$753,700 during the year ended June 30, 2021. The Museum has deferred recognition of grant revenue for the second loan because the conditions for forgiveness have not yet been substantially met, however, the Museum believes it will substantially meet the conditions required for forgiveness in the following year.

Note 17—Subsequent events

The Museum has evaluated subsequent events through December 17, 2021, in connection with the preparation of these consolidated financial statements, which is the date the consolidated financial statements were available to be issued.