

MINT MUSEUM OF ART

CONSOLIDATED FINANCIAL STATEMENTS

***As of and for the Years Ended June 30, 2018
and 2017***

And Report of Independent Auditor

MINT MUSEUM OF ART
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Report of Independent Auditor

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, 2018 and 2017, 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 audits 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, 2018 and 2017, and the consolidated changes in its net assets, its functional expenses, and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.



Charlotte, North Carolina
November 16, 2018

MINT MUSEUM OF ART
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
ASSETS		
Cash and cash equivalents	\$ 1,605,311	\$ 1,609,349
Accounts receivable	297,963	210,958
Pledges Receivable:		
Operating pledges receivable, net	263,083	550,190
Other pledges receivable, net	188,553	414,003
Endowment pledges receivable, net	-	34,716
Inventories	310,163	287,600
Deposits for future exhibitions, prepaid expenses, and other assets	199,826	209,677
Investments:		
Endowment at Foundation for the Mint Museums	15,523,577	14,730,403
Other investments	1,744,656	1,906,970
Beneficial Interests in Trusts:		
Endowment at Foundation for the Mint Museums	23,374,582	21,910,801
Endowment pledges receivable	2,214,702	2,630,824
Nonendowment	2,530,580	2,427,985
Property and equipment, net	50,723,161	51,576,306
Land use rights, net	2,823,360	2,895,161
Total Assets	<u><u>\$ 101,799,517</u></u>	<u><u>\$ 101,394,943</u></u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued liabilities	\$ 886,664	\$ 521,588
Deferred revenue	496,380	359,590
Total Liabilities	<u>1,383,044</u>	<u>881,178</u>
Net Assets:		
Unrestricted	5,379,279	5,533,966
Temporarily restricted	58,998,558	58,906,447
Permanently restricted	36,038,636	36,073,352
Total Net Assets	<u>100,416,473</u>	<u>100,513,765</u>
Total Liabilities and Net Assets	<u><u>\$ 101,799,517</u></u>	<u><u>\$ 101,394,943</u></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, 2018

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Operating Support and Revenue:				
Annual use of City facilities	\$ 1,641,852	\$ -	\$ -	\$ 1,641,852
Grants	1,066,852	-	-	1,066,852
Gifts	1,866,608	330,368	-	2,196,976
Memberships	337,202	-	-	337,202
Contributions from Mint Affiliates	326,004	21,982	-	347,986
Rental income	1,209,515	-	-	1,209,515
Museum store sales	432,653	-	-	432,653
Other operating revenues	785,496	10,000	-	795,496
Allocation of allowable endowment balance for spending	1,480,340	-	-	1,480,340
	<u>9,146,522</u>	<u>362,350</u>	<u>-</u>	<u>9,508,872</u>
Net assets released from restriction	<u>663,574</u>	<u>(628,858)</u>	<u>(34,716)</u>	<u>-</u>
Total Operating Support and Revenue	<u>9,810,096</u>	<u>(266,508)</u>	<u>(34,716)</u>	<u>9,508,872</u>
Expenses:				
Program	7,319,370	-	-	7,319,370
Accessions	45,766	-	-	45,766
Management and general	1,291,424	-	-	1,291,424
Development	1,139,232	-	-	1,139,232
Total Expenses	<u>9,795,792</u>	<u>-</u>	<u>-</u>	<u>9,795,792</u>
Change in net assets from operations before depreciation and amortization	<u>14,304</u>	<u>(266,508)</u>	<u>(34,716)</u>	<u>(286,920)</u>
Depreciation and Amortization:				
Net assets released from restriction	1,528,057	(1,528,057)	-	-
Program	(1,759,075)	-	-	(1,759,075)
Management and general	(62,948)	-	-	(62,948)
Development	(27,509)	-	-	(27,509)
Total Depreciation and Amortization	<u>(321,475)</u>	<u>(1,528,057)</u>	<u>-</u>	<u>(1,849,532)</u>
Change in net assets from operations	<u>(307,171)</u>	<u>(1,794,565)</u>	<u>(34,716)</u>	<u>(2,136,452)</u>
Other Increases (Decreases):				
Change in beneficial interests in trusts	-	2,270,010	-	2,270,010
Non-endowment investment return	121,495	3,549	-	125,044
Endowment investment return	30,989	1,093,457	-	1,124,446
Allocation of allowable endowment balance for spending	-	(1,480,340)	-	(1,480,340)
Change in net assets	<u>(154,687)</u>	<u>92,111</u>	<u>(34,716)</u>	<u>(97,292)</u>
Net assets, beginning of year	<u>5,533,966</u>	<u>58,906,447</u>	<u>36,073,352</u>	<u>100,513,765</u>
Net assets, end of year	<u>\$ 5,379,279</u>	<u>\$ 58,998,558</u>	<u>\$ 36,038,636</u>	<u>\$ 100,416,473</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, 2017

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Operating Support and Revenue:				
Annual use of City facilities	\$ 1,641,852	\$ -	\$ -	\$ 1,641,852
Grants	1,379,991	-	-	1,379,991
Gifts	1,593,172	445,935	-	2,039,107
Memberships	313,688	-	-	313,688
Contributions from Mint Affiliates	946,609	1,329	-	947,938
Rental income	1,019,979	-	-	1,019,979
Museum store sales	437,195	-	-	437,195
Other operating revenues	477,905	13,000	-	490,905
Allocation of allowable endowment balance for spending	1,710,342	-	-	1,710,342
	<u>9,520,733</u>	<u>460,264</u>	<u>-</u>	<u>9,980,997</u>
Net assets released from restriction	<u>1,072,574</u>	<u>(1,072,574)</u>	<u>-</u>	<u>-</u>
Total Operating Support and Revenue	<u>10,593,307</u>	<u>(612,310)</u>	<u>-</u>	<u>9,980,997</u>
Expenses:				
Program	7,625,219	-	-	7,625,219
Accessions	563,091	-	-	563,091
Management and general	1,425,021	-	-	1,425,021
Development	1,125,033	-	-	1,125,033
Total Expenses	<u>10,738,364</u>	<u>-</u>	<u>-</u>	<u>10,738,364</u>
Change in net assets from operations before depreciation and amortization	<u>(145,057)</u>	<u>(612,310)</u>	<u>-</u>	<u>(757,367)</u>
Depreciation and Amortization:				
Net assets released from restriction	1,527,941	(1,527,941)	-	-
Program	(1,763,610)	-	-	(1,763,610)
Management and general	(26,570)	-	-	(26,570)
Development	(27,568)	-	-	(27,568)
Total Depreciation and Amortization	<u>(289,807)</u>	<u>(1,527,941)</u>	<u>-</u>	<u>(1,817,748)</u>
Change in net assets from operations	(434,864)	(2,140,251)	-	(2,575,115)
Other Increases (Decreases):				
Change in beneficial interests in trusts	-	2,115,339	-	2,115,339
Non-endowment investment return	198,120	-	-	198,120
Endowment investment return	568,971	1,136,464	-	1,705,435
Allocation of allowable endowment balance for spending	-	(1,710,342)	-	(1,710,342)
Change in net assets	<u>332,227</u>	<u>(598,790)</u>	<u>-</u>	<u>(266,563)</u>
Net assets, beginning of year	<u>5,201,739</u>	<u>59,505,237</u>	<u>36,073,352</u>	<u>100,780,328</u>
Net assets, end of year	<u>\$ 5,533,966</u>	<u>\$ 58,906,447</u>	<u>\$ 36,073,352</u>	<u>\$ 100,513,765</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, 2018

	<u>Program</u>	<u>Management and General</u>	<u>Development</u>	<u>Total</u>
Personnel:				
Salaries and benefits	\$ 2,703,814	\$ 448,019	\$ 354,554	\$ 3,506,387
Travel and donor relations	103,750	17,224	13,630	134,604
Training and conferences	14,944	4,442	4,423	23,809
Employee parking	71,429	11,858	9,385	92,672
	<u>2,893,937</u>	<u>481,543</u>	<u>381,992</u>	<u>3,757,472</u>
Professional Services:				
Contract services	1,101,906	488,722	405,295	1,995,923
Insurance	32,792	50,298	-	83,090
Accounting and professional	-	31,927	-	31,927
	<u>1,134,698</u>	<u>570,947</u>	<u>405,295</u>	<u>2,110,940</u>
Utilities:				
Heating, ventilating, and air conditioning	411,943	6,990	6,157	425,090
Telephone	62,475	1,021	948	64,444
Postage	1,780	8,712	2,110	12,602
	<u>476,198</u>	<u>16,723</u>	<u>9,215</u>	<u>502,136</u>
Maintenance and Repair	1,138	55,870	-	57,008
Supplies and Materials:				
Office supplies	39,550	19,382	3,281	62,213
Furniture and equipment	8,111	19,910	-	28,021
	<u>47,661</u>	<u>39,292</u>	<u>3,281</u>	<u>90,234</u>
Program Expenditures:				
Exhibition rental and installation	161,063	-	47	161,110
Education and library	34,705	675	3,513	38,893
Printing and publications	40,236	1,651	54,914	96,801
Receptions and member services	34,668	-	123,268	157,936
Photography	6,823	-	-	6,823
Conservation	37,338	-	-	37,338
Advertising	142,123	485	-	142,608
Board, volunteer, and staff support	990	4,709	753	6,452
	<u>457,946</u>	<u>7,520</u>	<u>182,495</u>	<u>647,961</u>
Other:				
Store cost of sales	254,167	-	-	254,167
Special events	261,680	683	35,967	298,330
Bank charges and interest	1,823	68,322	3,735	73,880
Dues and subscriptions	19,357	12,439	9,176	40,972
Transportation and freight	61,422	21	-	61,443
Building rental	1,221,458	16,905	19,633	1,257,996
Government appropriations	372,127	6,083	5,646	383,856
Taxes and other	115,758	15,076	82,797	213,631
	<u>2,307,792</u>	<u>119,529</u>	<u>156,954</u>	<u>2,584,275</u>
Total before Accessions, Depreciation, and Amortization	<u>7,319,370</u>	<u>1,291,424</u>	<u>1,139,232</u>	<u>9,750,026</u>
Accessions	45,766	-	-	45,766
Depreciation and Amortization:				
Depreciation	1,689,360	61,983	26,389	1,777,732
Land use rights amortization	69,715	965	1,120	71,800
	<u>1,759,075</u>	<u>62,948</u>	<u>27,509</u>	<u>1,849,532</u>
Total Expenses	<u>\$ 9,124,211</u>	<u>\$ 1,354,372</u>	<u>\$ 1,166,741</u>	<u>\$ 11,645,324</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, 2017

	<u>Program</u>	<u>Management and General</u>	<u>Development</u>	<u>Total</u>
Personnel:				
Salaries and benefits	\$ 2,772,575	\$ 532,110	\$ 536,139	\$ 3,840,824
Travel and donor relations	92,735	17,800	17,932	128,467
Training and conferences	20,192	15,272	16,654	52,118
Employee parking	66,950	12,849	12,946	92,745
	<u>2,952,452</u>	<u>578,031</u>	<u>583,671</u>	<u>4,114,154</u>
Professional Services:				
Contract services	1,358,827	468,385	338,185	2,165,397
Insurance	30,282	59,248	-	89,530
Accounting and professional	-	48,436	-	48,436
	<u>1,389,109</u>	<u>576,069</u>	<u>338,185</u>	<u>2,303,363</u>
Utilities:				
Heating, ventilating, and air conditioning	522,680	8,637	7,896	539,213
Telephone	47,000	768	713	48,481
Postage	1,081	15,597	4,081	20,759
	<u>570,761</u>	<u>25,002</u>	<u>12,690</u>	<u>608,453</u>
Maintenance and Repair	<u>2,632</u>	<u>73,863</u>	<u>-</u>	<u>76,495</u>
Supplies and Materials:				
Office supplies	47,779	21,139	3,910	72,828
Furniture and equipment	6,981	9,369	-	16,350
	<u>54,760</u>	<u>30,508</u>	<u>3,910</u>	<u>89,178</u>
Program Expenditures:				
Exhibition rental and installation	188,709	-	3,202	191,911
Education and library	62,243	-	297	62,540
Printing and publications	17,470	1,948	35,217	54,635
Receptions and member services	30,624	-	116,274	146,898
Photography	6,532	-	-	6,532
Conservation	3,382	-	-	3,382
Advertising	264,349	571	-	264,920
Board, volunteer, and staff support	339	11,060	1,265	12,664
	<u>573,648</u>	<u>13,579</u>	<u>156,255</u>	<u>743,482</u>
Other:				
Store cost of sales	233,540	-	-	233,540
Special events	195,275	413	-	195,688
Bank charges and interest	430	68,543	21	68,994
Dues and subscriptions	15,604	21,379	5,022	42,005
Transportation and freight	43,423	122	-	43,545
Building rental	1,221,458	16,905	19,633	1,257,996
Government appropriations	372,127	6,083	5,646	383,856
Taxes and other	-	14,524	-	14,524
	<u>2,081,857</u>	<u>127,969</u>	<u>30,322</u>	<u>2,240,148</u>
Total before Accessions, Depreciation and Amortization	<u>7,625,219</u>	<u>1,425,021</u>	<u>1,125,033</u>	<u>10,175,273</u>
Accessions	<u>563,091</u>	<u>-</u>	<u>-</u>	<u>563,091</u>
Depreciation and Amortization:				
Depreciation	1,693,895	25,605	26,448	1,745,948
Land use rights amortization	69,715	965	1,120	71,800
	<u>1,763,610</u>	<u>26,570</u>	<u>27,568</u>	<u>1,817,748</u>
Total Expenses	<u>\$ 9,951,920</u>	<u>\$ 1,451,591</u>	<u>\$ 1,152,601</u>	<u>\$ 12,556,112</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, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
Cash flows from operating activities:		
Change in net assets	\$ (97,292)	\$ (266,563)
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation and amortization	1,849,532	1,817,748
Realized and unrealized gains on investments, net	(119,244)	(290,415)
Change in beneficial interests in trusts	(2,270,010)	(2,115,339)
Changes in operating assets and liabilities:		
Accounts receivable	(87,005)	(5,218)
Pledges receivable	547,273	(289,925)
Inventories	(22,563)	(18,327)
Deposits for future exhibitions, prepaid expenses, and other assets	9,851	89,186
Accounts payable and accrued liabilities	365,076	137,985
Deferred revenue	136,790	7,654
Net cash flows from operating activities	<u>312,408</u>	<u>(933,214)</u>
Cash flows from investing activities:		
Purchases of property and equipment	(924,586)	(44,807)
Proceeds from sale of investments	618,630	1,173,974
Purchases of investments	(1,130,246)	(1,613,140)
Net cash flows from investing activities	<u>(1,436,202)</u>	<u>(483,973)</u>
Cash flows from financing activities:		
Withdrawals from beneficial interests in trust, net	<u>1,119,756</u>	<u>730,445</u>
Net decrease in cash and cash equivalents	(4,038)	(686,742)
Cash and cash equivalents, beginning of year	<u>1,609,349</u>	<u>2,296,091</u>
Cash and cash equivalents, end of year	<u>\$ 1,605,311</u>	<u>\$ 1,609,349</u>

MINT MUSEUM OF ART

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2018 AND 2017

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 (“GAAP”). Net assets, revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions or relevant law. Accordingly, net assets and changes therein are classified and reported as follows:

Unrestricted Net Assets – Net assets that are both undesignated and designated in nature. Undesignated, unrestricted net assets are those currently available for use in the day-to-day operation of the Museum and those resources invested in property and equipment which have no time restrictions as to use. From time to time, the Board of Trustees may designate certain amounts to be utilized/invested to meet specific objectives of the Museum. Such amounts are reflected as unrestricted, board designated net assets (see Note 11).

Temporarily Restricted Net Assets – Net assets subject to donor imposed stipulations that may or will be met, either by actions of the Museum and/or the passage of time. When a restriction expires, that is when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the accompanying consolidated statements of activities as net assets released from restriction. Temporarily restricted net assets also include cumulative investment returns from permanently restricted net assets until those amounts are appropriated for spending in accordance with donor restrictions or relevant law (see Note 11).

Permanently Restricted Net Assets – Net assets subject to donor-imposed stipulations that they be maintained permanently by the Museum. Generally, the donors of these assets permit the Museum to appropriate for expenditure a percentage of the fair value of the assets (see Note 7).

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets.

Contributions, including unconditional promises to give (“pledges receivable”), are recognized as revenues in the period made. Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met. Contributions of donated assets are recorded at their fair values in the period received.

MINT MUSEUM OF ART

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2018 AND 2017

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

Donated Services – Contributions of donated services that create or enhance non-financial 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 \$1,143,703 and \$930,017 as of June 30, 2018 and 2017, respectively, of funds held from contributions received and/or payments on pledges receivable that are temporarily 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, 2018 and 2017, 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.

Pledges Receivable – Pledges receivable due in subsequent years are recorded at their net realizable value, including an allowance for uncollectible pledges 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 pledges 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 GAAP.

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 forty years for buildings and improvements; seven years for furniture, fixtures, and office equipment; and three 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.

MINT MUSEUM OF ART
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2018 AND 2017

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

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 market. Cost is determined by the first-in, first-out (FIFO) 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 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 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 costs of providing the various programs and activities have been summarized on a functional basis. Accordingly, certain costs such as personnel and contract labor, utilities and maintenance, supplies, building rental, and depreciation, have been allocated among the program and supporting services as follows for the years ended June 30:

	<u>2018</u>	<u>2017</u>
Program	\$ 6,655,878	\$ 5,135,042
Management and general	570,293	446,315
Development	<u>436,787</u>	<u>353,130</u>
	<u>\$ 7,662,958</u>	<u>\$ 5,934,487</u>

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

MINT MUSEUM OF ART

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2018 AND 2017

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

Future Pronouncements – In August 2016, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. This standard changes presentation and disclosure requirements of not-for-profit entities. The primary changes are a decrease in the number of net asset classes from three to two, reporting of the underwater amounts of donor-restricted endowment funds in net assets with donor restrictions, requiring disclosures of qualitative and quantitative information on how the not-for-profit entity manages its liquid available resources and liquidity risks, and requires reporting of expenses by function and nature, as well as enhanced endowment disclosures. This standard is effective for all fiscal years beginning after December 15, 2017.

In May 2014, the FASB issued ASU 2014-09. The amendments in this update create (Topic 606): *Revenue from Contracts with Customers*, and supersede the revenue recognition requirements in (Topic 605): *Revenue Recognition*, including most industry-specific revenue recognition guidance throughout the Industry Topics of the Codification. In addition, the amendments supersede the cost guidance in (Subtopic 605-35): *Revenue Recognition – Construction-Type and Production-Type Contracts*, and create new (Subtopic 340-40): *Other Assets and Deferred Costs – Contracts with Customers*. The core principle of Topic 606 is that an entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. In August 2015, the FASB issued ASU 2015-14, which defers the effective date of the ASU 2014-09 one year, making it effective for annual reporting periods beginning after December 15, 2018. The amendments in this update will be effective for the Museum’s fiscal year 2020 with early adoption permitted in certain circumstances.

Management is currently evaluating the impact of these standards on the Museum’s consolidated financial statements.

Note 2—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-1930’s, 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 and \$1,641,852 for the years ended June 30, 2018 and 2017.

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.

MINT MUSEUM OF ART
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2018 AND 2017

Note 2—Relationship with the City of Charlotte and development agreement (continued)

The Museum initially recorded the uptown building agreement as an asset under GAAP at the present value of the expected below-market lease payments, with such present value not to exceed to 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 temporarily restricted net assets (see Note 11).

Note 3—Pledges receivable

The Museum has the following unconditional pledges receivable as of June 30:

	2018	2017
Receivable in less than one year	\$ 314,833	\$ 783,022
Receivable in one to five years	147,000	226,368
	461,833	1,009,390
Less discounts to present value	(10,197)	(10,481)
Pledges receivable, net	451,636	998,909
Less operating and temporarily restricted pledges receivable, net	(451,636)	(964,193)
Endowment pledges receivable, net	\$ -	\$ 34,716

Pledges receivable are recorded at their present value of future cash flows using a credit adjusted risk free rate of 2.52% and 1.72% as of June 30, 2018 and 2017, respectively.

During the year ended June 30, 2018, management determined the remaining endowment pledges receivable balance was uncollectible. As such, \$34,716 in endowment pledges receivable was written off and released from permanently restricted net assets.

From time to time, the Museum may be named as a beneficiary in certain wills, trusts, and/or estates. Generally, these agreements are considered conditional promises to give. As such, no receivables or revenues are recognized until the underlying condition has been satisfied.

MINT MUSEUM OF ART

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2018 AND 2017

Note 4—Fair value measurements of assets and liabilities

In accordance with guidance on fair value measurements for financial instruments measured at fair value, fair value is defined as the price that 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.
- 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 is a description 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.

MINT MUSEUM OF ART
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2018 AND 2017

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

Within the Trusts and Endowment, FFTC has determined the following approximate allocation of investments in accordance with GAAP, based on amounts as of June 30, 2018 and 2017:

	Endowment at Foundation for the Mint Museums	Investment Portion of Beneficial Interests in Trusts
Level 1	60%	60%
Level 2	35%	35%
Level 3	5%	5%
	<u>100%</u>	<u>100%</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, 2018 and 2017, based on the level of input utilized to measure fair value.

June 30, 2018	Level 1	Level 2	Level 3	Total
Investments:				
Money market funds	\$ 24,628	\$ -	\$ -	\$ 24,628
Bonds	-	726,349	-	726,349
Equities, domestic	993,679	-	-	993,679
Endowment at Foundation for the Mint Museums	-	-	15,523,577	15,523,577
	<u>\$ 1,018,307</u>	<u>\$ 726,349</u>	<u>\$ 15,523,577</u>	<u>\$ 17,268,233</u>
Beneficial interests in trusts	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 28,119,864</u>	<u>\$ 28,119,864</u>
June 30, 2017	Level 1	Level 2	Level 3	Total
Investments:				
Money market funds	\$ 35,674	\$ -	\$ -	\$ 35,674
Bonds	-	796,440	-	796,440
Equities, domestic	1,074,856	-	-	1,074,856
Endowment at Foundation for the Mint Museums	-	-	14,730,403	14,730,403
	<u>\$ 1,110,530</u>	<u>\$ 796,440</u>	<u>\$ 14,730,403</u>	<u>\$ 16,637,373</u>
Beneficial interests in trusts	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 26,969,610</u>	<u>\$ 26,969,610</u>

MINT MUSEUM OF ART
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2018 AND 2017

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

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, 2018 and 2017:

	Endowment at Foundation for the Mint Museums	Beneficial Interests in Trusts
Balance, June 30, 2016	\$ 13,979,085	\$ 25,584,716
Endowment investment income, net of expenses	1,705,435	-
Additions	-	25,780
Withdrawals	(461,363)	(756,225)
Change in beneficial interests in trusts	-	2,115,339
Appropriation of endowment assets for expenditures	(492,754)	-
Balance, June 30, 2017	<u>14,730,403</u>	<u>26,969,610</u>
Endowment investment income, net of expenses	1,124,446	-
Additions	-	29,312
Withdrawals	(331,272)	(1,149,068)
Change in beneficial interests in trusts	-	2,270,010
Balance, June 30, 2018	<u><u>\$ 15,523,577</u></u>	<u><u>\$ 28,119,864</u></u>

Investment and administrative fees for investments held at FFTC amounted to \$131,629 and \$128,187 for the years ended June 30, 2018 and 2017, respectively.

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 income follows for the years ended June 30:

	2018	2017
Interest and dividend income, net of fees	\$ 1,130,246	\$ 1,614,468
Realized and unrealized gain on investments, net	119,244	290,416
Total investment income	<u>1,249,490</u>	<u>1,904,884</u>
Less endowment income	<u>1,124,446</u>	<u>1,705,435</u>
Operating investment income	<u><u>\$ 125,044</u></u>	<u><u>\$ 199,449</u></u>

Interest and dividend income is offset by investment fees amounting to \$9,177 and \$8,375 for the years ended June 30, 2018 and 2017, respectively.

In 2007, the Museum transferred all of 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.

MINT MUSEUM OF ART
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2018 AND 2017

Note 5—Investments (continued)

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.

Note 6—Beneficial interests in trusts

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

	<u>2018</u>	<u>2017</u>
Endowment:		
Campaign for the Cultural Facilities	\$ 21,702,654	\$ 20,711,854
Greater Charlotte Cultural Trust	2,519,845	2,558,382
Other	<u>1,366,785</u>	<u>1,271,389</u>
	<u>25,589,284</u>	<u>24,541,625</u>
Nonendowment:		
The Mint Museum Auxiliary	2,451,127	2,326,260
The Founders' Circle	<u>79,453</u>	<u>101,725</u>
	<u>2,530,580</u>	<u>2,427,985</u>
	<u>\$ 28,119,864</u>	<u>\$ 26,969,610</u>

MINT MUSEUM OF ART

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2018 AND 2017

Note 6—Beneficial interests in trusts (continued)

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 Trust, 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, 2018, approximately \$71 million has been collected by the campaign and is being held in the Cultural Facilities Fund at the Trust. 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, 2018 and 2017, the beneficial interest in trust includes \$2,214,702 and \$2,630,824, respectively, of pledges 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 pledges received during a 1998 cultural arts endowment fund drive, managed by ASC. The Museum has recorded as a beneficial interest in trust the contributions and pledges 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 a 5.0% 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 GAAP.

MINT MUSEUM OF ART
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2018 AND 2017

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 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:

June 30, 2018	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Investment portion of the endowment of FFTMM	\$ (100,998)	\$ 1,445,458	\$ 14,179,117	\$ 15,523,577
Investment portion of the beneficial interests in trusts	(36,896)	3,772,923	19,644,817	23,380,844
Total donor-restricted endowment funds	<u>\$ (137,894)</u>	<u>\$ 5,218,381</u>	<u>\$ 33,823,934</u>	<u>\$ 38,904,421</u>
June 30, 2017	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Investment portion of the endowment of FFTMM	\$ (94,068)	\$ 645,354	\$ 14,179,117	\$ 14,730,403
Investment portion of the beneficial interests in trusts	(74,815)	2,763,183	19,228,695	21,917,063
Total donor-restricted endowment funds	<u>\$ (168,883)</u>	<u>\$ 3,408,537</u>	<u>\$ 33,407,812</u>	<u>\$ 36,647,466</u>

The Board of Trustees of the Museum has interpreted the Uniform Prudent Management of Institutional Funds Act (“UPMIFA”) as requiring, absent explicit donor stipulations to the contrary, that the following amounts included in the endowment be classified as permanently restricted: (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund be classified as permanently restricted. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Museum in a manner consistent with the standard of prudence prescribed by UPMIFA or spent in accordance with the purpose restrictions established by the donor.

MINT MUSEUM OF ART
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2018 AND 2017

Note 7—Endowment funds (continued)

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

FFTC administers the endowed funds of the Trust and endowment of FFTMM. The Board of Trustees of the Trust 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 Trust and Foundation relies 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 Trust 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%

The Trust and Foundation have a policy of appropriating for distribution each year 5.0% 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, 2018 and 2017, were within the terms of the above policy.

MINT MUSEUM OF ART
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2018 AND 2017

Note 7—Endowment funds (continued)

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

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, July 1, 2016	\$ (737,854)	\$ 1,994,706	\$ 33,091,208	\$ 34,348,060
Endowment investment return:				
Investment return, net of expenses	-	1,705,435	-	1,705,435
Allocation of net investment return to unrestricted net assets	568,971	(568,971)	-	-
Total endowment investment return	568,971	1,136,464	-	1,705,435
Contributions and collection of pledges	-	-	316,604	316,604
Change in beneficial interests in trusts	-	1,987,709	-	1,987,709
Allocation of allowable endowment balance for spending	-	(1,710,342)	-	(1,710,342)
Endowment net assets, June 30, 2017	(168,883)	3,408,537	33,407,812	36,647,466
Endowment investment return:				
Investment return, net of expenses	-	1,124,446	-	1,124,446
Allocation of net investment return to unrestricted net assets	30,989	(30,989)	-	-
Total endowment investment return	30,989	1,093,457	-	1,124,446
Contributions and collection of pledges	-	-	416,122	416,122
Change in beneficial interests in trusts	-	2,196,727	-	2,196,727
Allocation of allowable endowment balance for spending	-	(1,480,340)	-	(1,480,340)
Endowment net assets, June 30, 2018	\$ (137,894)	\$ 5,218,381	\$ 33,823,934	\$ 38,904,421

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the amount recorded by the Museum as permanently restricted net assets (“corpus”). The amount by which fair value was below corpus as of June 30, 2018 and 2017, was \$137,894 and \$168,883, respectively. This resulted from unfavorable market fluctuations in prior years and continued appropriation for certain programs that was deemed prudent by the Board of Trustees. Subsequent gains that restore the fair value of the assets of the endowment fund to the required level will be classified as an increase in unrestricted net assets.

MINT MUSEUM OF ART
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2018 AND 2017

Note 8—Property and equipment, net

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

	<u>2018</u>	<u>2017</u>
Buildings and improvements, including long-term use of facilities	\$ 63,865,107	\$ 63,098,534
Furniture, fixtures, and office equipment	26,833	20,934
Computers, software, and other technological equipment	1,276,330	1,209,214
Construction in progress	85,000	-
	<u>65,253,270</u>	<u>64,328,682</u>
Less accumulated depreciation	<u>(14,530,109)</u>	<u>(12,752,376)</u>
Property and equipment, net	<u>\$ 50,723,161</u>	<u>\$ 51,576,306</u>

See Note 2 regarding the contribution of the use of the Mint Museum Uptown by the City. Depreciation expense for the years ended June 30, 2018 and 2017, amounted to \$1,777,732 and \$1,745,948, respectively.

Note 9—Land use rights, net

During fiscal year 1995, the Museum and the City of Charlotte 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 2) 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 \$345,001 and \$330,000 as of June 30, 2018 and 2017, respectively.

As discussed in Note 2, land use 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 \$421,639 and \$364,839 as of June 30, 2018 and 2017, 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 temporarily 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, 2018 and 2017.

MINT MUSEUM OF ART
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2018 AND 2017

Note 11—Net assets

Unrestricted net assets are comprised of the following as of June 30:

	<u>2018</u>	<u>2017</u>
Undesignated	\$ 4,281,936	\$ 4,310,753
Fair value of endowment funds below corpus	(137,894)	(168,883)
Unrestricted-Designated by the Board of Trustees	1,235,237	1,392,096
	<u>\$ 5,379,279</u>	<u>\$ 5,533,966</u>

Temporarily restricted net assets are available for the following purposes as of June 30:

	<u>2018</u>	<u>2017</u>
Uptown building, net of accumulated depreciation	\$ 47,566,787	\$ 49,038,044
Land use rights, net	2,418,361	2,475,161
Uptown facility funds	364,585	422,813
Beneficial interests in trusts:		
Mint Museum Auxiliary	2,451,127	2,326,260
The Founders' Circle	79,453	101,725
Cumulative earnings on endowment funds	5,218,381	3,408,537
Restricted funds for accessions of artwork	793,830	837,207
Restricted funds for other purposes	-	190,000
Young Affiliates of the Mint Museum of Art	106,034	106,700
	<u>\$ 58,998,558</u>	<u>\$ 58,906,447</u>

Permanently restricted net assets are available for the following purposes as of June 30:

	<u>2018</u>	<u>2017</u>
Investment portion of the endowment of FFTMM:		
Ford Foundation endowment	\$ 5,343,347	\$ 5,343,347
Mr. & Mrs. Mason Wallace endowment	5,178,122	5,178,122
ASC special endowment campaign	3,307,648	3,307,648
Mary Goddard Pickens endowment	350,000	350,000
	<u>14,179,117</u>	<u>14,179,117</u>
Investment portion of the beneficial interests in trusts:		
Campaign for the Cultural Facilities	16,436,342	16,020,220
Endowment for Visual Arts and Center City Charlotte	1,940,000	1,940,000
Other beneficial interests in trusts	1,268,475	1,268,475
	<u>19,644,817</u>	<u>19,228,695</u>
Endowment pledges receivable:		
Beneficial interest in trust	2,214,702	2,630,824
Ford Foundation	-	34,716
	<u>2,214,702</u>	<u>2,665,540</u>
	<u>\$ 36,038,636</u>	<u>\$ 36,073,352</u>

MINT MUSEUM OF ART

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2018 AND 2017

Note 12—Lease revenue

The Museum is the lessor of space under a lease expiring 2020, with two remaining five-year renewal options. The annual rent increases approximately 10% at each renewal date. Rental income totaled \$75,057 and \$84,945 for the years ended June 30, 2018 and 2017, respectively. Under terms of the agreements, the Museum will receive the following future minimum rental income as of June 30:

Fiscal Years:

2019	\$ 60,060
2020	<u>60,060</u>
	<u>\$ 120,120</u>

Note 13—Employee benefit plan

The Museum has a defined contribution plan (the “Plan”) under Section 403(b) of the Internal Revenue Code. The provisions of the Plan previously required the Museum to contribute to participant accounts 1.8% of gross earnings of each employee and provide for discretionary employee deferrals as allowed under current law. During the year ended June 30, 2014, the Plan was amended to provide for all Museum contributions as 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, 2018 and 2017, the Museum recognized a total employee benefit plan expense of approximately \$55,000 and \$56,000, respectively.

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, 2018 and 2017, the Museum recognized direct support totaling \$946,852 and \$1,265,411 respectively, from ASC which is reported as grant revenue in the accompanying Statements of Activities.

Note 16—Subsequent events

The Museum has evaluated subsequent events through November 16, 2018, in connection with the preparation of these consolidated financial statements, which is the date the consolidated financial statements were available to be issued.