

MINT MUSEUM OF ART

CONSOLIDATED FINANCIAL STATEMENTS

As of and for the Years Ended June 30, 2022 and 2021

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

Opinion

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, 2022 and 2021, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Museum as of June 30, 2022 and 2021, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are required to be independent of the Museum and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of 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.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Museum's ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Museum's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Museum's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Cherry Bekaert LLP

Charlotte, North Carolina
December 16, 2022

MINT MUSEUM OF ART
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2022 AND 2021

	2022	2021
ASSETS		
Cash and cash equivalents	\$ 1,967,099	\$ 1,809,336
Accounts receivable	462,462	406,726
Government grant receivable	1,361,463	373,956
Contributions receivable:		
Operating contributions receivable, net	146,529	79,700
Other contributions receivable, net	829,307	302,500
Inventories	310,250	320,508
Deposits for future exhibitions, prepaid expenses, and other assets	244,731	343,625
Investments:		
Endowed investments:		
Foundation for the Mint Museums	17,249,448	17,278,671
Beneficial interest in trusts	26,380,667	29,919,882
Nonendowment beneficial interest in trusts	2,677,581	3,386,404
Other investments	1,277,356	1,482,632
Property and equipment, net	44,396,132	46,013,666
Land use and air rights, net	2,536,160	2,607,960
Total Assets	\$ 99,839,185	\$ 104,325,566
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued liabilities	\$ 1,315,452	\$ 896,135
Capital lease obligation	113,959	146,074
Paycheck Protection Program loan	-	776,145
Deferred revenue	1,378,910	914,380
Total Liabilities	<u>2,808,321</u>	<u>2,732,734</u>
Net Assets:		
Without donor restrictions	4,517,750	4,241,130
With donor restrictions	92,513,114	97,351,702
Total Net Assets	<u>97,030,864</u>	<u>101,592,832</u>
Total Liabilities and Net Assets	\$ 99,839,185	\$ 104,325,566

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, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Operating Support and Revenue:			
Annual use of City facilities	\$ 1,641,852	\$ -	\$ 1,641,852
Grants	3,660,374	-	3,660,374
Gifts	2,545,040	4,212,462	6,757,502
Memberships	142,138	-	142,138
Contributions from Mint Affiliates	37,413	57,088	94,501
Rental income	1,520,781	-	1,520,781
Museum store sales	582,498	-	582,498
Other operating revenues	661,372	-	661,372
Allocation of allowable endowment balance for spending	-	680,922	680,922
	10,791,468	4,950,472	15,741,940
Endowment spending released from restriction	680,922	(680,922)	-
Net assets released from restriction	1,559,441	(1,559,441)	-
Total Operating Support and Revenue	13,031,831	2,710,109	15,741,940
Expenses:			
Program	9,597,078	-	9,597,078
Management and general	1,588,172	-	1,588,172
Development	1,075,762	-	1,075,762
Total Expenses	12,261,012	-	12,261,012
Change in net assets from operations before depreciation and amortization	770,819	2,710,109	3,480,928
Depreciation and Amortization:			
Net assets released from restriction	1,528,057	(1,528,057)	-
Program	(1,766,902)	-	(1,766,902)
Management and general	(29,960)	-	(29,960)
Development	(27,841)	-	(27,841)
Total Depreciation and Amortization	(296,646)	(1,528,057)	(1,824,703)
Change in net assets from operations	474,173	1,182,052	1,656,225
Other Decreases:			
Change in beneficial interests in trusts	-	(3,290,042)	(3,290,042)
Non-endowment investment return	(197,553)	(6,908)	(204,461)
Endowment investment return	-	(2,042,768)	(2,042,768)
Allocation of allowable endowment balance for spending	-	(680,922)	(680,922)
Change in net assets	276,620	(4,838,588)	(4,561,968)
Net assets, beginning of year	4,241,130	97,351,702	101,592,832
Net assets, end of year	\$ 4,517,750	\$ 92,513,114	\$ 97,030,864

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

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	<u>541,637</u>	<u>(541,637)</u>	<u>-</u>
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	<u>865,561</u>	<u>-</u>	<u>865,561</u>
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	<u>(28,191)</u>	<u>-</u>	<u>(28,191)</u>
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	<u>122,637</u>	<u>8,796,073</u>	<u>8,918,710</u>
Net assets, beginning of year	<u>4,118,493</u>	<u>88,555,629</u>	<u>92,674,122</u>
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 this statement.

MINT MUSEUM OF ART
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2022

	Program	Management and General	Development	Total
Personnel:				
Salaries and benefits	\$ 3,290,284	\$ 618,327	\$ 514,387	\$ 4,422,998
Travel and donor relations	171,270	31,177	26,842	229,289
Training and conferences	8,782	1,769	-	10,551
Employee parking	71,218	12,964	11,162	95,344
	<u>3,541,554</u>	<u>664,237</u>	<u>552,391</u>	<u>4,758,182</u>
Professional Services:				
Contract services	1,279,819	435,835	322,780	2,038,434
Insurance	33,950	63,064	-	97,014
Accounting and professional	-	98,764	-	98,764
	<u>1,313,769</u>	<u>597,663</u>	<u>322,780</u>	<u>2,234,212</u>
Utilities:				
Heating, ventilating, and air conditioning	444,345	7,643	6,605	458,593
Telephone	71,822	1,174	1,090	74,086
Postage	6,334	4,450	3,673	14,457
	<u>522,501</u>	<u>13,267</u>	<u>11,368</u>	<u>547,136</u>
Maintenance and Repair	<u>476</u>	<u>82,440</u>	<u>436</u>	<u>83,352</u>
Supplies and Materials:				
Office supplies	19,681	24,905	1,098	45,684
Furniture and equipment	5,429	97,046	-	102,475
	<u>25,110</u>	<u>121,951</u>	<u>1,098</u>	<u>148,159</u>
Program Expenditures:				
Exhibition rental and installation	255,915	-	-	255,915
Education and library	74,744	1,013	-	75,757
Printing and publications	59,163	1,409	11,494	72,066
Receptions and member services	15,434	-	114,392	129,826
Photography	14,932	-	-	14,932
Conservation	37,029	-	-	37,029
Advertising	105,292	2,302	-	107,594
Board, volunteer, and staff support	4,511	21,605	704	26,820
	<u>567,020</u>	<u>26,329</u>	<u>126,590</u>	<u>719,939</u>
Other:				
Store cost of sales	253,009	-	-	253,009
Special events	303,280	2,377	-	305,657
Bank charges and interest	59,489	17,077	33,385	109,951
Dues and subscriptions	75,924	22,666	1,125	99,715
Transportation and freight	147,328	1,167	-	148,495
Building rental	1,221,458	16,905	19,633	1,257,996
Government appropriations	372,127	6,083	5,646	383,856
Accessions	1,128,411	-	-	1,128,411
Miscellaneous	65,622	16,010	1,310	82,942
	<u>3,626,648</u>	<u>82,285</u>	<u>61,099</u>	<u>3,770,032</u>
Total Before Depreciation and Amortization	<u>9,597,078</u>	<u>1,588,172</u>	<u>1,075,762</u>	<u>12,261,012</u>
Depreciation and Amortization:				
Depreciation	1,697,210	28,959	26,734	1,752,903
Land use rights amortization	69,692	1,001	1,107	71,800
	<u>1,766,902</u>	<u>29,960</u>	<u>27,841</u>	<u>1,824,703</u>
Total Expenses	<u>\$ 11,363,980</u>	<u>\$ 1,618,132</u>	<u>\$ 1,103,603</u>	<u>\$ 14,085,715</u>

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

MINT MUSEUM OF ART
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2021

	Program	Management and General	Development	Total
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	19,194	24,692	1,935	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 this statement.

MINT MUSEUM OF ART
CONSOLIDATED STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2022 AND 2021

	2022	2021
Cash flows from operating activities:		
Change in net assets	\$ (4,561,968)	\$ 8,918,710
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation and amortization	1,824,703	1,853,262
Realized and unrealized (gains) losses on investments, net	2,139,795	(4,602,511)
Change in beneficial interests in trusts	3,290,042	(7,444,290)
Contributions restricted for endowment	(2,013,546)	(49)
Changes in operating assets and liabilities:		
Accounts receivable	(55,736)	(187,403)
Government grant receivable	(987,507)	(373,956)
Contributions receivable	(593,636)	(191,300)
Inventories	10,258	97,836
Deposits for future exhibitions, prepaid expenses, and other assets	98,894	118,900
Accounts payable and accrued liabilities	419,317	(83,832)
Paycheck Protection Program loan	(776,145)	22,445
Deferred revenue	464,530	490,019
Net cash flows from operating activities	<u>(740,999)</u>	<u>(1,382,169)</u>
Cash flows from investing activities:		
Purchases of property and equipment	(135,369)	(264,950)
Proceeds from sale of investments	130,675	1,233,738
Purchases of investments	(2,035,971)	(68,024)
Net cash flows from investing activities	<u>(2,040,665)</u>	<u>900,764</u>
Cash flows from financing activities:		
Contributions restricted for endowment	2,013,546	49
Payments on capital lease obligation	(32,115)	(29,025)
Withdrawals from beneficial interests in trust, net	957,996	644,852
Net cash flows from financing activities	<u>2,939,427</u>	<u>615,876</u>
Net change in cash and cash equivalents	157,763	134,471
Cash and cash equivalents, beginning of year	1,809,336	1,674,865
Cash and cash equivalents, end of year	<u>\$ 1,967,099</u>	<u>\$ 1,809,336</u>

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

MINT MUSEUM OF ART

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2022 AND 2021

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, 2022 and 2021, board-designated funds of \$1,219,988 and \$1,418,295, 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. Additionally, senior leadership of the Museum has designated \$518,981 for building renovations and infrastructure upgrades as of June 30, 2022.

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, 2022 AND 2021

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 \$1,254,066 and \$978,845 as of June 30, 2022 and 2021, 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, 2022 and 2021, 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 \$1,361,463 and \$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 statements of activities and government grant receivable on the consolidated statements of financial position as of June 30, 2022 and 2021, respectively.

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, 2022 AND 2021

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.

New Accounting Pronouncements – The Museum adopted Accounting Standards Update (“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, apart from contributions of cash and other financial assets. It also requires a disclosure of disaggregated contributions of nonfinancial assets by category that depicts the type of contributed nonfinancial asset. This distinction will increase transparency of contributions recognized. Adoption of this standard did not have a significant impact on the financial statements, with the exception of increased information disclosed. The Museum’s contributions of non-financial assets for the years ended June 30, 2022 and 2021, consisted solely of the annual use of the City facilities as separately stated on the consolidated statements of activities.

MINT MUSEUM OF ART
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2022 AND 2021

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

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.

Note 2—Liquidity and availability of resources

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

	2022	2021
Financial assets at year-end:		
Cash and cash equivalents	\$ 1,967,099	\$ 1,809,336
Accounts receivable	462,462	406,726
Government grant receivable	1,361,463	373,956
Contributions receivable	975,836	382,200
Investments	47,585,052	52,067,589
Total financial assets	<u>52,351,912</u>	<u>55,039,807</u>
Less amounts not available to be used for general expenditures within one year:		
Net assets subject to purpose restriction	2,332,499	1,365,769
Beneficial interest in trusts restricted for accessions	2,677,581	3,386,404
Endowments less appropriations available for current use	41,680,716	45,391,830
Board-designated net assets limited to use	1,219,988	1,418,295
Net assets designated by senior leadership	518,981	-
Financial assets not available to be used within one year	<u>48,429,765</u>	<u>51,562,298</u>
Financial assets available to meet general expenditures within one year	<u>\$ 3,922,147</u>	<u>\$ 3,477,509</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, 2022 AND 2021

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, 2022 and 2021.

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 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).

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 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.

MINT MUSEUM OF ART

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2022 AND 2021

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

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 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.

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, 2022 and 2021, based on the level of input utilized to measure fair value.

<u>June 30, 2022</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments:				
Money market funds	\$ 164	\$ -	\$ -	\$ 164
Bonds	-	56,038	-	56,038
Equities, domestic	1,221,154	-	-	1,221,154
Endowment at Foundation for the Mint Museums	-	-	17,249,448	17,249,448
	<u>\$ 1,221,318</u>	<u>\$ 56,038</u>	<u>\$ 17,249,448</u>	<u>\$ 18,526,804</u>
Beneficial interests in trusts	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 29,058,248</u>	<u>\$ 29,058,248</u>

MINT MUSEUM OF ART
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2022 AND 2021

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>

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, 2022 and 2021:

	<u>Endowment at Foundation for the Mint Museums</u>	<u>Beneficial Interests in Trusts</u>
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	17,278,671	33,306,286
Endowment investment return	(2,042,768)	-
Additions	2,013,545	15,100
Withdrawals	-	(973,096)
Change in beneficial interests in trusts	-	(3,290,042)
Balance, June 30, 2022	<u>\$ 17,249,448</u>	<u>\$ 29,058,248</u>

Investment and administrative fees for investments held at FFTC amounted to \$147,430 and \$149,376 for the years ended June 30, 2022 and 2021, respectively.

MINT MUSEUM OF ART
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2022 AND 2021

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:

	2022	2021
Interest and dividend income, net of fees	\$ (119,646)	\$ 32,324
Realized and unrealized gain on investments, net	<u>(2,139,795)</u>	<u>4,602,511</u>
Total investment return	(2,259,441)	4,634,835
Less endowment return	<u>2,054,980</u>	<u>(4,226,209)</u>
Non-endowment investment return	<u><u>\$ (204,461)</u></u>	<u><u>\$ 408,626</u></u>

Interest and dividend income is offset by investment fees amounting to \$7,210 and \$12,592 for the years ended June 30, 2022 and 2021, 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, 2022 AND 2021

Note 6—Beneficial interests in trusts

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

	2022	2021
Endowment:		
Campaign for the Cultural Facilities	\$ 22,572,527	\$ 25,506,670
Greater Charlotte Cultural Trust	2,603,079	2,943,740
Other	1,205,061	1,469,472
	<u>26,380,667</u>	<u>29,919,882</u>
Non-endowment:		
The Mint Museum Auxiliary	2,677,581	3,386,404
	<u>2,677,581</u>	<u>3,386,404</u>
	<u>\$ 29,058,248</u>	<u>\$ 33,306,286</u>

Campaign for the Cultural Facilities – Campaign for the Cultural Facilities (the “Campaign”) was a collaborative initiative, adopted in 2004, between local government and several cultural organizations. 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, 2022, approximately \$82 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, 2022 and 2021, the beneficial interest in trusts includes \$686,344 and \$972,183, 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. 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, 2022 AND 2021

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
<u>June 30, 2022</u>			
FTTMM original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	\$ -	\$ 16,193,965	\$ 16,193,965
Beneficial interests in trusts, original donor-restricted gift amount, and amounts required to be maintained in perpetuity by donor	-	22,267,139	22,267,139
Accumulated investment gains	-	4,482,667	4,482,667
Total donor-restricted endowment funds	<u>\$ -</u>	<u>\$ 42,943,771</u>	<u>\$ 42,943,771</u>
	Without Donor Restrictions	With Donor Restrictions	Total
<u>June 30, 2021</u>			
FTTMM original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	\$ -	\$ 14,180,419	\$ 14,180,419
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	-	10,067,476	10,067,476
Total donor-restricted endowment funds	<u>\$ -</u>	<u>\$ 46,226,370</u>	<u>\$ 46,226,370</u>

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, 2022 AND 2021

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 for the Mint Museums			Beneficial Interest in Trusts		
	0%	—	10%	0%	—	10%
Cash						
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, 2022 and 2021, were within the terms of the above policy.

MINT MUSEUM OF ART
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2022 AND 2021

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, 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	-	46,226,370	46,226,370
Endowment investment return	-	(2,042,768)	(2,042,768)
Contributions and collection of pledges	-	2,302,210	2,302,210
Change in endowed beneficial interests in trusts	-	(2,861,119)	(2,861,119)
Allocation of allowable endowment balance for spending	-	(680,922)	(680,922)
Endowment net assets, June 30, 2022	\$ -	\$ 42,943,771	\$ 42,943,771

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, 2022 and 2021, funds with deficiencies of \$339,947 and \$-0-, respectively, were reported in net assets with donor restrictions.

	2022	2021
Fair value of underwater endowment funds	\$ 5,511,483	\$ -
Original endowment gift amount	5,851,430	-
Deficiencies of underwater endowment funds	\$ (339,947)	\$ -

Note 8—Property and equipment, net

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

	2022	2021
Buildings and improvements, including long-term use of facilities	\$ 64,393,048	\$ 64,328,357
Furniture, fixtures, and office equipment	44,404	44,404
Computers, software, and other technological equipment	1,598,607	1,527,929
Construction in progress	70,050	70,050
	66,106,109	65,970,740
Less accumulated depreciation	(21,709,977)	(19,957,074)
Property and equipment, net	\$ 44,396,132	\$ 46,013,666

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, 2022 and 2021 amounted to \$1,752,903 and \$1,781,462, respectively.

MINT MUSEUM OF ART
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2022 AND 2021

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 \$405,001 and \$390,001 as of June 30, 2022 and 2021, 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 \$648,839 and \$592,039 as of June 30, 2022 and 2021, 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, 2022 and 2021.

Note 11—Net assets with donor restrictions

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

	2022	2021
Restricted for specified purpose:		
Uptown building, net of accumulated depreciation	\$ 41,681,758	\$ 43,153,015
Land use and air rights, net	2,191,161	2,247,961
Restricted funds for accessions of artwork	2,264,465	1,244,812
Young Affiliates of the Mint Museum of Art	68,034	120,957
Total restricted for specified purpose	<u>46,205,418</u>	<u>46,766,745</u>
Endowments:		
Foundation for the Mint Museums	17,580,777	17,278,671
Beneficial interests in trust - endowment portion	25,702,941	28,947,699
Beneficial interest in trust - receivable portion	686,344	972,183
Underwater endowments	(339,947)	-
Total endowments	<u>43,630,115</u>	<u>47,198,553</u>
Beneficial interest in trusts restricted for accessions	<u>2,677,581</u>	<u>3,386,404</u>
	<u><u>\$ 92,513,114</u></u>	<u><u>\$ 97,351,702</u></u>

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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 \$52,553 and \$42,533 for the years ended June 30, 2022 and 2021, respectively. Under terms of the agreements, the Museum will receive the following future minimum rental income as of June 30:

Fiscal Years:

2023	\$	66,060
2024		66,060
2025		66,060
2026		16,515
	\$	<u>214,695</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, 2022 and 2021, the Museum recognized a total employee benefit plan expense of approximately \$111,000 and \$116,000, 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, from the Cultural Organizations, a partnership between the City and private donors that is administered by FFTC. Operating grants from the Cultural Organizations are included in gifts revenue in the accompanying consolidated statements of activities. During the years ended June 30, 2022 and 2021, the Museum recognized direct support totaling \$934,652 and \$514,494 respectively.

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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. On April 1, 2022, the Museum received forgiveness of the second loan from the SBA and recognized grant revenue of \$776,145 for the year ended June 30, 2022.

Note 17—Subsequent events

The Museum has evaluated subsequent events through December 16, 2022, in connection with the preparation of these consolidated financial statements, which is the date the consolidated financial statements were available to be issued.