



MINT MUSEUM OF ART

CONSOLIDATED FINANCIAL STATEMENTS

*As of and for the Years Ended June 30, 2016
and 2015*

And Report of Independent Auditor

MINT MUSEUM OF ART
TABLE OF CONTENTS

REPORT OF INDEPENDENT AUDITOR..... 1

CONSOLIDATED FINANCIAL STATEMENTS

Consolidated Statements of Financial Position2
Consolidated Statements of Activities 3-4
Consolidated Statements of Functional Expenses 5-6
Consolidated Statements of Cash Flows7
Notes to Consolidated Financial Statements..... 8-23

Report of Independent Auditor

Board of Trustees
Mint Museum of Art
Charlotte, North Carolina

Report on the Consolidated Financial Statements

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, 2016 and 2015, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the accompanying 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 accompanying 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 accompanying 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, 2016 and 2015, 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
December 12, 2016

MINT MUSEUM OF ART
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
ASSETS		
Cash and cash equivalents	\$ 2,296,091	\$ 4,173,098
Accounts receivable	205,740	214,073
Pledges Receivable:		
Operating pledges receivable, net	133,965	110,000
Other pledges receivable, net	540,303	-
Endowment pledges receivable, net	34,716	632,003
Inventories	269,273	205,711
Deposits for future exhibitions, prepaid expenses, and other assets	298,863	61,765
Investments:		
Endowment of Foundation for the Mint Museums	13,979,085	15,214,203
Other investments	1,928,707	2,002,000
Beneficial Interests in Trusts:		
Endowment of Foundation for the Mint Museums	20,362,715	20,679,727
Endowment pledges receivable	2,947,428	3,344,526
Nonendowment	2,274,573	2,676,941
Property and equipment, net	53,277,447	55,061,993
Land use rights, net	2,966,961	3,038,761
Total Assets	<u><u>\$ 101,515,867</u></u>	<u><u>\$ 107,414,801</u></u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued liabilities	\$ 383,603	\$ 467,187
Deferred revenue	351,936	276,984
Total Liabilities	<u>735,539</u>	<u>744,171</u>
Net Assets:		
Unrestricted	5,201,739	6,068,096
Temporarily restricted	59,505,237	64,050,092
Permanently restricted	36,073,352	36,552,442
Total Net Assets	<u>100,780,328</u>	<u>106,670,630</u>
Total Liabilities and Net Assets	<u><u>\$ 101,515,867</u></u>	<u><u>\$ 107,414,801</u></u>

MINT MUSEUM OF ART
CONSOLIDATED STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2016

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Operating Support and Revenue:				
Annual use of City facilities	\$ 1,641,852	\$ -	\$ -	\$ 1,641,852
Grants	1,384,168	-	-	1,384,168
Gifts	492,787	588,181	118,197	1,199,165
Memberships	852,634	-	-	852,634
Contributions from Mint Affiliates	684,983	631	-	685,614
Rental income	950,257	-	-	950,257
Museum store sales	346,969	-	-	346,969
Other operating revenues	449,232	-	-	449,232
Operating investment loss	(21,063)	-	-	(21,063)
Allocation of allowable endowment balance for spending	1,832,619	-	-	1,832,619
	<u>8,614,438</u>	<u>588,812</u>	<u>118,197</u>	<u>9,321,447</u>
Net assets released from restriction	<u>2,256,035</u>	<u>(1,658,748)</u>	<u>(597,287)</u>	<u>-</u>
Total Operating Support and Revenue	<u>10,870,473</u>	<u>(1,069,936)</u>	<u>(479,090)</u>	<u>9,321,447</u>
Expenses:				
Program	6,664,124	-	-	6,664,124
Accessions	1,729,998	-	-	1,729,998
Management and general	1,533,315	-	-	1,533,315
Development	877,334	-	-	877,334
Total Expenses	<u>10,804,771</u>	<u>-</u>	<u>-</u>	<u>10,804,771</u>
Change in net assets from operations before depreciation and amortization	<u>65,702</u>	<u>(1,069,936)</u>	<u>(479,090)</u>	<u>(1,483,324)</u>
Depreciation and Amortization:				
Net assets released from restriction	1,527,941	(1,527,941)	-	-
Program	(1,881,595)	-	-	(1,881,595)
Management and general	(29,277)	-	-	(29,277)
Development	(29,003)	-	-	(29,003)
Total Depreciation and Amortization	<u>(411,934)</u>	<u>(1,527,941)</u>	<u>-</u>	<u>(1,939,875)</u>
Change in net assets from operations	(346,232)	(2,597,877)	(479,090)	(3,423,199)
Other Increases (Decreases):				
Change in beneficial interests in trusts	-	(17,868)	-	(17,868)
Endowment investment loss	(520,125)	(96,491)	-	(616,616)
Allocation of allowable endowment balance for spending	<u>-</u>	<u>(1,832,619)</u>	<u>-</u>	<u>(1,832,619)</u>
Change in net assets	(866,357)	(4,544,855)	(479,090)	(5,890,302)
Net Assets:				
Beginning of year	<u>6,068,096</u>	<u>64,050,092</u>	<u>36,552,442</u>	<u>106,670,630</u>
End of year	<u>\$ 5,201,739</u>	<u>\$ 59,505,237</u>	<u>\$ 36,073,352</u>	<u>\$100,780,328</u>

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, 2015

	<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	1,215,348	-	-	1,215,348
Gifts	973,034	254,775	36,946	1,264,755
Memberships	936,447	-	-	936,447
Contributions from Mint Affiliates	622,653	2,310	-	624,963
Rental income	864,161	-	-	864,161
Museum store sales	344,143	-	-	344,143
Other operating revenues	476,989	(7,816)	-	469,173
Operating investment income	73,696	-	-	73,696
Allocation of allowable endowment balance for spending	1,455,810	-	-	1,455,810
	<u>8,604,133</u>	<u>249,269</u>	<u>36,946</u>	<u>8,890,348</u>
Net assets released from restriction	<u>642,478</u>	<u>(642,478)</u>	<u>-</u>	<u>-</u>
Total Operating Support and Revenue	<u>9,246,611</u>	<u>(393,209)</u>	<u>36,946</u>	<u>8,890,348</u>
Expenses:				
Program	6,171,675	-	-	6,171,675
Accessions	155,210	-	-	155,210
Management and general	1,966,002	-	-	1,966,002
Development	945,983	-	-	945,983
Total Expenses	<u>9,238,870</u>	<u>-</u>	<u>-</u>	<u>9,238,870</u>
Change in net assets from operations before depreciation and amortization	<u>7,741</u>	<u>(393,209)</u>	<u>36,946</u>	<u>(348,522)</u>
Depreciation and Amortization:				
Net assets released from restriction	1,515,413	(1,515,413)	-	-
Program	(1,987,359)	-	-	(1,987,359)
Management and general	(30,701)	-	-	(30,701)
Development	(28,654)	-	-	(28,654)
Total Depreciation and Amortization	<u>(531,301)</u>	<u>(1,515,413)</u>	<u>-</u>	<u>(2,046,714)</u>
Change in net assets from operations	(523,560)	(1,908,622)	36,946	(2,395,236)
Other Increases (Decreases):				
Change in beneficial interests in trusts	-	306,387	-	306,387
Endowment investment income (loss)	(184,082)	231,463	-	47,381
Allocation of allowable endowment balance for spending	<u>-</u>	<u>(1,455,810)</u>	<u>-</u>	<u>(1,455,810)</u>
Change in net assets	(707,642)	(2,826,582)	36,946	(3,497,278)
Net Assets:				
Beginning of year	<u>6,775,738</u>	<u>66,876,674</u>	<u>36,515,496</u>	<u>110,167,908</u>
End of year	<u>\$ 6,068,096</u>	<u>\$ 64,050,092</u>	<u>\$ 36,552,442</u>	<u>\$ 106,670,630</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, 2016

	Program	Management and General	Development	Total
Personnel:				
Salaries and benefits	\$ 2,305,630	\$ 516,602	\$ 543,242	\$ 3,365,474
Travel and donor relations	53,712	12,034	12,678	78,424
Training and conferences	25,631	18,013	2,997	46,641
Employee parking	52,661	11,799	12,429	76,889
	<u>2,437,634</u>	<u>558,448</u>	<u>571,346</u>	<u>3,567,428</u>
Professional Services:				
Contract services	889,951	382,317	149,973	1,422,241
Insurance	30,282	23,539	-	53,821
Accounting and professional	923	55,116	-	56,039
	<u>921,156</u>	<u>460,972</u>	<u>149,973</u>	<u>1,532,101</u>
Utilities:				
Heating, ventilating, and air conditioning	615,927	9,831	9,430	635,188
Telephone	50,116	817	759	51,692
Postage	3,446	5,721	12,192	21,359
	<u>669,489</u>	<u>16,369</u>	<u>22,381</u>	<u>708,239</u>
Maintenance and repair	-	87,856	-	87,856
Supplies and Materials:				
Office supplies	50,290	16,481	2,343	69,114
Furniture and equipment	28,006	133,513	-	161,519
	<u>78,296</u>	<u>149,994</u>	<u>2,343</u>	<u>230,633</u>
Program Expenditures:				
Exhibition rental and installation	183,584	-	-	183,584
Education and library	97,437	-	-	97,437
Printing and publications	47,218	1,249	12,091	60,558
Receptions and member services	42,143	-	93,172	135,315
Photography	3,200	-	-	3,200
Conservation	12,248	-	-	12,248
Advertising	295,887	2,372	25	298,284
Board, volunteer, and staff support	1,365	5,932	349	7,646
	<u>683,082</u>	<u>9,553</u>	<u>105,637</u>	<u>798,272</u>
Other:				
Store cost of sales	152,152	-	-	152,152
Special events	20,849	134,301	-	155,150
Bank charges and interest	9,455	61,019	-	70,474
Dues and subscriptions	13,751	21,950	375	36,076
Transportation and freight	84,675	1,212	-	85,887
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	-	8,653	-	8,653
	<u>1,874,467</u>	<u>250,123</u>	<u>25,654</u>	<u>2,150,244</u>
Total before Accessions, Depreciation, and Amortization	<u>6,664,124</u>	<u>1,533,315</u>	<u>877,334</u>	<u>9,074,773</u>
Accessions	<u>1,729,998</u>	<u>-</u>	<u>-</u>	<u>1,729,998</u>
Depreciation and Amortization:				
Depreciation and amortization	1,811,877	28,200	27,998	1,868,075
Land use rights amortization	69,718	1,077	1,005	71,800
	<u>1,881,595</u>	<u>29,277</u>	<u>29,003</u>	<u>1,939,875</u>
Total Expenses	<u>\$ 10,275,717</u>	<u>\$ 1,562,592</u>	<u>\$ 906,337</u>	<u>\$ 12,744,646</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, 2015

	Program	Management and General	Development	Total
Personnel:				
Salaries and benefits	\$ 2,297,474	\$ 445,494	\$ 439,129	\$ 3,182,097
Travel and donor relations	39,288	7,618	7,509	54,415
Employee parking	43,745	8,482	8,361	60,588
	<u>2,380,507</u>	<u>461,594</u>	<u>454,999</u>	<u>3,297,100</u>
Professional Services:				
Contract services	832,248	709,387	167,994	1,709,629
Insurance	58,943	58,866	-	117,809
Accounting and professional	-	47,514	-	47,514
	<u>891,191</u>	<u>815,767</u>	<u>167,994</u>	<u>1,874,952</u>
Utilities:				
Heating, ventilating, and air conditioning	625,958	9,690	10,336	645,984
Telephone	47,554	736	785	49,075
Postage	2,070	11,538	18,116	31,724
	<u>675,582</u>	<u>21,964</u>	<u>29,237</u>	<u>726,783</u>
Maintenance and repair				
	<u>55,214</u>	<u>855</u>	<u>911</u>	<u>56,980</u>
Supplies and Materials:				
Office supplies	25,496	26,507	4,354	56,357
Furniture and equipment	25,721	180,392	-	206,113
	<u>51,217</u>	<u>206,899</u>	<u>4,354</u>	<u>262,470</u>
Program Expenditures:				
Exhibition rental and installation	130,058	-	-	130,058
Education and library	114,765	-	-	114,765
Printing and publications	42,127	11,199	34,433	87,759
Receptions and member services	12,424	-	66,712	79,136
Photography	2,239	-	2,100	4,339
Advertising	-	5,183	147,982	153,165
Board, volunteer, and staff support	6,483	18,935	12,895	38,313
	<u>308,096</u>	<u>35,317</u>	<u>264,122</u>	<u>607,535</u>
Other:				
Store cost of sales	190,472	-	-	190,472
Special events	8,940	108,804	-	117,744
Bank charges and interest	-	70,074	-	70,074
Dues and subscriptions	545	34,864	-	35,409
Building rental	1,221,518	20,128	16,354	1,258,000
Government appropriations	371,956	5,758	6,142	383,856
Taxes and other	16,437	183,978	1,870	202,285
	<u>1,809,868</u>	<u>423,606</u>	<u>24,366</u>	<u>2,257,840</u>
Accessions				
	<u>155,210</u>	<u>-</u>	<u>-</u>	<u>155,210</u>
Total before Accessions, Depreciation, and Amortization				
	<u>6,171,675</u>	<u>1,966,002</u>	<u>945,983</u>	<u>9,083,660</u>
Depreciation and Amortization:				
Depreciation and amortization	1,917,644	29,624	27,649	1,974,917
Land use rights amortization	69,715	1,077	1,005	71,797
	<u>1,987,359</u>	<u>30,701</u>	<u>28,654</u>	<u>2,046,714</u>
Total Expenses				
	<u>\$ 8,314,244</u>	<u>\$ 1,996,703</u>	<u>\$ 974,637</u>	<u>\$ 11,285,584</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, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
Cash flows from operating activities:		
Change in net assets	\$ (5,890,302)	\$ (3,497,278)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation and amortization	1,939,875	2,046,714
Change in provision for uncollectible pledges receivable	-	(11,312)
Realized and unrealized (gains) losses on investments, net	906,356	(62,726)
Contributions restricted for permanent investment	(118,197)	(36,946)
Changes in operating assets and liabilities:		
Accounts receivable	8,333	(40,824)
Beneficial interests in trust	(17,868)	306,387
Pledges receivable	33,019	(18,663)
Inventories	(63,562)	14,508
Deposits for future exhibitions, prepaid expenses, and other assets	(237,098)	36,786
Accounts payable and accrued liabilities	(83,584)	(201,254)
Deferred revenue	74,952	179,644
Net cash used in operating activities	<u>(3,448,076)</u>	<u>(1,284,964)</u>
Cash flows from investing activities:		
Withdrawals from beneficial interests in trust, net	1,134,346	135,675
Purchases of property and equipment	(83,529)	(1,881,006)
Proceeds from sale of investments	788,929	2,768,652
Purchases of investments	(386,874)	(94,647)
Net cash provided by investing activities	<u>1,452,872</u>	<u>928,674</u>
Cash flows from financing activities:		
Contributions restricted for permanent investment	118,197	36,946
Net cash provided by financing activities	<u>118,197</u>	<u>36,946</u>
Net decrease in cash and cash equivalents	(1,877,007)	(319,344)
Cash and cash equivalents:		
Beginning of year	4,173,098	4,492,442
End of year	<u>\$ 2,296,091</u>	<u>\$ 4,173,098</u>

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

MINT MUSEUM OF ART

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2016 AND 2015

Note 1—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 Museums (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 and 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, designated net assets (see Note 12).

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 12).

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 CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2016 AND 2015

Note 1—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 \$758,157 and \$1,052,682 as of June 30, 2016 and 2015, 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, 2016 and 2015, 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 income 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 generally range from 40 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 CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2016 AND 2015

Note 1—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>2016</u>	<u>2015</u>
Program	\$ 5,088,678	\$ 5,632,206
Management and general	379,281	203,495
Development	323,575	196,862
	<u>\$ 5,791,534</u>	<u>\$ 6,032,563</u>

MINT MUSEUM OF ART
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2016 AND 2015

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 for the years ended June 30, 2016 and 2015.

In September 2006, the Museum entered into a Development Agreement by and among the City, Wachovia Bank N.A. (now Wells Fargo Bank, N.A.) and RBC Bank, to develop and construct the Mint Museum Uptown as part of a multi-use project. As part of the development, air rights and title to the real property improvements were granted to the City. The title to the land is held by RBC Bank. The uptown building was completed and opened to the public on November 1, 2010, at which time the Museum entered into a long-term lease of the facility with the City that 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 Mint Museum Uptown, 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 under GAAP at an estimated fair value of the building of \$56,841,822 and an estimated fair value of the air rights of \$2,840,000. 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, and the air rights 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 12).

Note 3—Pledges receivable

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

	<u>2016</u>	<u>2015</u>
Receivable in less than one year	\$ 303,425	\$ 269,066
Receivable in one to five years	416,040	500,934
	<u>719,465</u>	<u>770,000</u>
Less discounts to present value	(10,481)	(27,997)
Pledges receivable, net	708,984	742,003
Less operating and temporarily restricted pledges receivable, net	<u>674,268</u>	<u>110,000</u>
Endowment pledges receivable, net	<u>\$ 34,716</u>	<u>\$ 632,003</u>

MINT MUSEUM OF ART

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2016 AND 2015

Note 3—Pledges receivable (continued)

Pledges receivable are recorded at their present value of future cash flows using a credit adjusted risk free rate of 0.71% as of June 30, 2016 and 2015.

During the year ended June 30, 2016, a donor changed the restriction on an approximately \$599,000 pledge receivable from a permanent restriction to a temporary restriction. Accordingly, this pledge was transferred from permanent restricted endowment pledges receivable to temporarily restricted pledges receivable.

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. In 2003, the Museum received conditional promises to give related to the Ford Endowment Campaign, totaling \$1,009,500, which are not recorded in the accompanying consolidated financial statements. There were no other conditional promises to give as of June 30, 2016 and 2015 for which the value was susceptible to estimation.

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 NAV 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.

MINT MUSEUM OF ART
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2016 AND 2015

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

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. Certain shares of common stock that are thinly traded are classified within Level 2 of the valuation hierarchy.

Endowment at Foundation for the Mint Museums and Beneficial Interests in Trusts - The investment portions of the endowment at FFTMM (the “Endowment”) and the beneficial interests in trusts (the “Trusts”) held at Foundation For The Carolinas (“FFTC”) are considered by the Museum to be Level 3 assets because they represent interests held in pooled investment funds, which include private investment funds. The Museum has no ownership interest in those underlying investments. However, the estimated fair value of those investments is used by management of FFTC to determine the fair value of the Museum’s interests in the pooled investments funds. Management of FFTC uses the inputs noted above to estimate the fair value of its investment funds. As discussed in Note 5, FFTC manages the administration of the Trusts and Endowment. Within the Trusts and Endowment, FFTC has determined the following approximate allocation of investments in accordance with GAAP, based on amounts as of June 30, 2016 and 2015:

	Endowment at Foundation for the Mint Museums	Investment Portion of Beneficial Interests in Trusts
Level 1	60%	62%
Level 2	25%	23%
Level 3	15%	15%
	<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, 2016 and 2015, based on the level of input utilized to measure fair value:

June 30, 2016	Level 1	Level 2	Level 3
Investments:			
Money market funds	\$ 58,440	\$ -	\$ -
Bonds	-	983,755	-
Equities, domestic	886,512	-	-
Endowment at Foundation for the Mint Museums	-	-	13,979,085
	<u>\$ 944,952</u>	<u>\$ 983,755</u>	<u>\$ 13,979,085</u>
Beneficial interests in trusts	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 25,584,716</u>

MINT MUSEUM OF ART
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2016 AND 2015

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

June 30, 2015	Level 1	Level 2	Level 3
Investments:			
Money market funds	\$ 80,109	\$ -	\$ -
Bonds	-	1,053,421	-
Equities, domestic	868,470	-	-
Endowment at Foundation for the Mint Museums	-	-	15,214,203
	<u>\$ 948,579</u>	<u>\$ 1,053,421</u>	<u>\$ 15,214,203</u>
Beneficial interests in trusts	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 26,701,194</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, 2016 and 2015:

	Endowment at Foundation for the Mint Museums	Beneficial Interests in Trusts
Balance, June 30, 2014	\$ 15,838,901	\$ 27,143,256
Endowment investment income	47,381	-
Additions	36,295	121,551
Withdrawals	(708,374)	(870,000)
Change in beneficial interests in trusts	-	306,387
Balance, June 30, 2015	15,214,203	26,701,194
Endowment investment loss, net of expenses	(616,616)	-
Additions	15,000	236,525
Withdrawals	(633,502)	(1,335,135)
Change in beneficial interests in trusts	-	(17,868)
Balance, June 30, 2016	<u>\$ 13,979,085</u>	<u>\$ 25,584,716</u>

MINT MUSEUM OF ART
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2016 AND 2015

Note 5—Investments

A summary of the investments follows as of June 30:

	2016	2015
Money market funds	\$ 58,440	\$ 80,109
Bonds	983,755	1,053,421
Equity, domestic	886,512	868,470
Total other investments	<u>\$ 1,928,707</u>	<u>\$ 2,002,000</u>
Endowment at Foundation for the Mint Museums	<u>\$ 13,979,085</u>	<u>\$ 15,214,203</u>

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:

	2016	2015
Interest and dividend income, net of fees	\$ 268,677	\$ 278,560
Realized and unrealized loss on investments, net	(906,356)	(157,483)
Total investment income (loss)	(637,679)	121,077
Less endowment income (loss)	(616,616)	47,381
Operating investment income (loss)	<u>\$ (21,063)</u>	<u>\$ 73,696</u>

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.

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 CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2016 AND 2015

Note 6—Beneficial interests in trusts

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

	2016	2015
Endowment:		
Campaign for the Cultural Facilities	\$ 19,829,705	\$ 20,282,252
Greater Charlotte Cultural Trust	2,348,152	2,555,288
Other	1,132,286	1,186,713
	<u>23,310,143</u>	<u>24,024,253</u>
Nonendowment:		
The Mint Museum Auxiliary	2,083,089	2,456,699
The Founders' Circle	191,484	220,242
	<u>2,274,573</u>	<u>2,676,941</u>
	<u>\$ 25,584,716</u>	<u>\$ 26,701,194</u>

Greater Charlotte Cultural Trust - The Museum has received pledges and contributions through participation in a 1998 endowment fund drive that were restricted by donors to be held and managed by the Arts & Science Council Charlotte/Mecklenburg, Inc. ("ASC"), an organization that provides annual support to the Museum (see Note 16). Terms of the campaign specified that all endowment fund proceeds be held in perpetuity and that earnings be periodically distributed to the Museum. Terms of the campaign also specified that should the Museum dissolve, the Museum could lose the right to receive earnings from the endowment fund proceeds. Should such forfeiture occur, the endowment fund proceeds, along with the future earnings of such proceeds, would become unrestricted support to the ASC. In 2002, ASC transferred these collected funds held for investment to the Greater Charlotte Cultural Trust (the "Trust"), a supporting organization of FFTC. The 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% annual return may be distributed from these funds.

Campaign for the Cultural Facilities - In January 2004, ASC's Board of Directors adopted The Cultural Facilities Master Plan, the result of a study completed on facility needs for the cultural organizations in the Charlotte community. The plan recommended the construction or improvement of several cultural facilities, with capital funding to come from the local government. ASC, in conjunction with the Trust, completed the Cultural Organizations Endowment Agreement (the "Agreement") related to the Campaign for Cultural Facilities. The Agreement outlined the campaign to fund facility endowments to support the operation of the 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, the funds were used to create an endowment, with the earnings to be distributed annually to fund operating costs of the new facilities.

As of June 30, 2016, 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, 2016 and 2015, the beneficial interest in trust includes \$2,947,428 and \$3,344,526, respectively, of pledges receivable.

MINT MUSEUM OF ART
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2016 AND 2015

Note 6—Beneficial interests in trusts (continued)

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.

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, 2016 and 2015 is listed below:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
June 30, 2016				
Investment portion of the endowment of FFTMM	\$ (577,015)	\$ 376,983	\$ 14,179,117	\$ 13,979,085
Investment portion of the beneficial interests in trusts	(160,839)	1,617,723	18,912,091	20,368,975
Total donor-restricted endowment funds	<u>\$ (737,854)</u>	<u>\$ 1,994,706</u>	<u>\$ 33,091,208</u>	<u>\$ 34,348,060</u>
June 30, 2015				
Investment portion of the endowment of FFTMM	\$ (164,408)	\$ 1,214,494	\$ 14,164,117	\$ 15,214,203
Investment portion of the beneficial interests in trusts	(53,321)	2,327,513	18,411,797	20,685,989
Total donor-restricted endowment funds	<u>\$ (217,729)</u>	<u>\$ 3,542,007</u>	<u>\$ 32,575,914</u>	<u>\$ 35,900,192</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 CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2016 AND 2015

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 preceding 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, 2016 and 2015 were within the terms of the above policy.

MINT MUSEUM OF ART
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2016 AND 2015

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, 2014	\$ (33,647)	\$ 4,498,844	\$ 31,970,157	\$ 36,435,354
Endowment investment income:				
Investment income, net of expenses	-	47,382	-	47,382
Allocation of net investment income (loss) to				
unrestricted net assets	(184,082)	184,082	-	-
Total endowment investment income (loss)	(184,082)	231,464	-	47,382
Contributions	-	-	63,477	63,477
Change in beneficial interests in trusts	-	267,509	542,280	809,789
Allocation of allowable endowment balance for spending	-	(1,455,810)	-	(1,455,810)
Endowment net assets, June 30, 2015	(217,729)	3,542,007	32,575,914	35,900,192
Endowment investment income:				
Investment loss, net of expenses	-	(616,616)	-	(616,616)
Allocation of net investment income to				
unrestricted net assets	(520,125)	520,125	-	-
Total endowment investment loss	(520,125)	(96,491)	-	(616,616)
Contributions	-	-	15,000	15,000
Change in beneficial interests in trusts	-	381,809	500,294	882,103
Allocation of allowable endowment balance for spending	-	(1,832,619)	-	(1,832,619)
Endowment net assets, June 30, 2016	<u>\$ (737,854)</u>	<u>\$ 1,994,706</u>	<u>\$ 33,091,208</u>	<u>\$ 34,348,060</u>

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, 2016 and 2015 was \$737,854 and \$217,729, 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 CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2016 AND 2015

Note 8—Property and equipment, net

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

	<u>2016</u>	<u>2015</u>
Buildings and improvements, including long-term use of facilities	\$ 63,098,534	\$ 63,015,005
Furniture, fixtures, and office equipment	16,000	16,000
Computers, software, and other technological equipment	1,169,340	1,169,340
	<u>64,283,874</u>	<u>64,200,345</u>
Less accumulated depreciation	<u>(11,006,427)</u>	<u>(9,138,352)</u>
Property and equipment, net	<u>\$ 53,277,447</u>	<u>\$ 55,061,993</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, 2016 and 2015 amounted to \$1,868,074 and \$1,974,917, 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 \$315,000 and \$300,000 as of June 30, 2016 and 2015, respectively.

As discussed in Note 2, the City was granted air rights to the property upon which the Mint Museum Uptown facility was constructed. 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 included as part of land use rights and is being amortized over the life of the lease, including renewal options. Accumulated amortization totaled \$308,039 and \$251,239 as of June 30, 2016 and 2015, respectively.

Note 10—Art collection

As discussed in Note 1, purchased and donated art objects are not included in the accompanying 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 art objects during the years ended June 30, 2016 and 2015.

MINT MUSEUM OF ART
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2016 AND 2015

Note 11—Line of credit

The Museum had an unsecured \$1,000,000 line of credit with a financial institution at an interest rate of Prime plus .75%, with a floor of 4%, that matured in March 2016. The line of credit was not renewed. The Museum had no outstanding balance on the line of credit as of June 30, 2016 or 2015.

Note 12—Net assets

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

	<u>2016</u>	<u>2015</u>
Undesignated	\$ 4,736,226	\$ 5,058,451
Fair value of endowment funds below corpus	(737,854)	(217,729)
Designated by the Board of Trustees	1,203,367	1,227,374
	<u>\$ 5,201,739</u>	<u>\$ 6,068,096</u>

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

	<u>2016</u>	<u>2015</u>
Uptown building, net of accumulated depreciation	\$ 50,509,185	\$ 51,980,327
Land use rights, net	2,531,961	2,588,761
Uptown facility funds	467,681	688,127
Beneficial interests in trusts:		
Mint Museum Auxiliary	2,083,089	2,456,699
The Founders' Circle	191,484	220,242
Cumulative earnings on endowment funds	1,994,706	3,542,007
Restricted funds for accessions of artwork	1,457,401	2,086,513
Restricted funds for other purposes	195,000	392,377
Young Affiliates of the Mint Museum of Art	74,730	95,039
	<u>\$ 59,505,237</u>	<u>\$ 64,050,092</u>

MINT MUSEUM OF ART
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2016 AND 2015

Note 12—Net assets (continued)

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

	2016	2015
Investment portion of the endowment of FFTMM:		
Ford Foundation endowment	\$ 5,343,347	\$ 5,328,346
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>14,164,116</u>
Investment portion of the beneficial interests in trusts:		
Campaign for the Cultural Facilities	15,703,616	15,203,322
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>18,912,091</u>	<u>18,411,797</u>
Endowment pledges receivable:		
Beneficial interest in trust	2,947,428	3,344,526
Ford Foundation	34,716	32,799
Mr. and Mrs. Alfred Brand general endowment	-	599,204
	<u>2,982,144</u>	<u>3,976,529</u>
	<u><u>\$ 36,073,352</u></u>	<u><u>\$ 36,552,442</u></u>

Note 13—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 \$82,285 and \$82,100 for the years ended June 30, 2016 and 2015, respectively. Under terms of the agreements, the Museum will receive the following future minimum rental income as of June 30:

Fiscal Years:

2017	\$ 60,060
2018	60,060
2019	60,060
2020	60,060
	<u>\$ 240,240</u>

MINT MUSEUM OF ART
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2016 AND 2015

Note 14—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 one year of service. During the years ended June 30, 2016 and 2015, the Museum recognized a total employee benefit plan expense of approximately \$51,000 and \$2,500, respectively.

Note 15—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 16—Concentration of operation support

A significant portion of the Museum's annual support has historically been attributed to one source, ASC. During the years ended June 30, 2016 and 2015, the Museum recognized direct support totaling \$1,079,280 and \$1,080,895 respectively, from ASC.

Note 17—Subsequent events

The Museum has evaluated subsequent events through December 12, 2016, in connection with the preparation of these consolidated financial statements, which is the date the consolidated financial statements were available to be issued.