

**MINT MUSEUM OF ART  
FINANCIAL STATEMENTS**

**June 30, 2012 and 2011**

**And**

**Report of Independent Auditors**

**MINT MUSEUM OF ART**

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## Report of Independent Auditors

Board of Trustees  
Mint Museum of Art and Affiliates  
Charlotte, North Carolina

We have audited the accompanying consolidated statements of financial position of Mint Museum of Art (the "Museum") as of June 30, 2012 and 2011, and the related consolidated statements of activities, functional expenses and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Museum's management. Our responsibility is to express an opinion on these 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Mint Museum of Art as of June 30, 2012 and 2011, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

*Cherry, Bekaert & Holland, L.L.P.*

Charlotte, North Carolina  
November 28, 2012

**MINT MUSEUM OF ART****CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

JUNE 30, 2012 AND 2011

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	<u>2012</u>	<u>2011</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 2,271,408	\$ 2,032,168
Accounts receivable	288,571	123,501
Pledges receivable, net	1,097,760	808,522
Inventories	262,318	217,341
Deposits for future exhibitions, prepaid expenses and other assets	119,025	267,904
Investments:		
Endowment of Foundation for the Mint Museums	13,503,232	14,384,264
Other investments	2,988,074	2,865,133
Beneficial interests in trusts:		
Endowment	16,189,499	17,975,523
Pledges receivable, net	5,938,961	6,350,918
Other	2,349,032	2,459,833
Property and equipment, net	59,110,830	61,080,746
Land use rights, net	3,254,158	3,325,958
	<u>\$ 107,372,868</u>	<u>\$ 111,891,811</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Liabilities</b>		
Accounts payable and accrued liabilities	\$ 562,983	\$ 614,542
Deferred revenue	98,000	123,473
Total liabilities	<u>660,983</u>	<u>738,015</u>
<b>Net assets</b>		
Unrestricted	7,462,320	7,777,850
Temporarily restricted	62,751,408	66,946,072
Permanently restricted	36,498,157	36,429,874
Total net assets	<u>106,711,885</u>	<u>111,153,796</u>
	<u>\$ 107,372,868</u>	<u>\$ 111,891,811</u>

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

**MINT MUSEUM OF ART**

**CONSOLIDATED STATEMENTS OF ACTIVITIES**

YEAR ENDED JUNE 30, 2012

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<b>Operating support and revenue</b>				
Annual use of city facilities	\$ 1,606,960	\$ -	\$ -	\$ 1,606,960
Grants	1,532,700	-	-	1,532,700
Gifts	498,052	723,403	110,000	1,331,455
Cultural Facilities Fund allocation	494,287	-	-	494,287
Memberships	751,143	-	-	751,143
Contributions from Mint Affiliates	142,309	60,401	-	202,710
Other operating revenues	2,295,882	235,210	-	2,531,092
Operating investment loss	(14,244)	-	-	(14,244)
Allocation of allowable endowment balance for spending	2,308,913	-	-	2,308,913
	<u>9,616,002</u>	<u>1,019,014</u>	<u>110,000</u>	<u>10,745,016</u>
Net assets released from restriction	<u>2,422,768</u>	<u>(2,422,768)</u>	<u>-</u>	<u>-</u>
 Total operating support and revenue	 <u>12,038,770</u>	 <u>(1,403,754)</u>	 <u>110,000</u>	 <u>10,745,016</u>
<b>Expenses</b>				
Program	9,717,007	-	-	9,717,007
Management and general	1,054,606	-	-	1,054,606
Development	1,145,500	-	-	1,145,500
Total expenses	<u>11,917,113</u>	<u>-</u>	<u>-</u>	<u>11,917,113</u>
 <b>Change in net assets from operations</b>	 <u>121,657</u>	 <u>(1,403,754)</u>	 <u>110,000</u>	 <u>(1,172,097)</u>
<b>Other changes</b>				
Change in beneficial interests	-	(532,487)	(41,717)	(574,204)
Endowment investment return	(437,187)	50,490	-	(386,697)
Allocation of allowable endowment balance for spending	-	(2,308,913)	-	(2,308,913)
<b>Change in net assets</b>	<u>(315,530)</u>	<u>(4,194,664)</u>	<u>68,283</u>	<u>(4,441,911)</u>
<b>Net assets</b>				
Beginning of year	<u>7,777,850</u>	<u>66,946,072</u>	<u>36,429,874</u>	<u>111,153,796</u>
End of year	<u>\$ 7,462,320</u>	<u>\$ 62,751,408</u>	<u>\$ 36,498,157</u>	<u>\$ 106,711,885</u>

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

**MINT MUSEUM OF ART**

CONSOLIDATED STATEMENTS OF ACTIVITIES (CONTINUED)

YEAR ENDED JUNE 30, 2011

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<b>Operating support and revenue</b>				
Annual use of city facilities	\$ 1,826,683	\$ -	\$ -	\$ 1,826,683
Grants	1,462,661	-	-	1,462,661
Gifts	903,773	991,316	-	1,895,089
Cultural Facilities Fund allocation	935,000	-	-	935,000
Memberships	570,128	-	-	570,128
Contribution, long-term use of facilities	-	56,841,822	-	56,841,822
Contribution, long-term use of air rights	-	2,840,000	-	2,840,000
Contributions from Mint Affiliates	165,750	57,196	-	222,946
Other operating revenues	2,021,867	174,471	-	2,196,338
Operating investment return	177,218	-	-	177,218
Allocation of allowable endowment balance for spending	666,405	-	-	666,405
	<u>8,729,485</u>	<u>60,904,805</u>	<u>-</u>	<u>69,634,290</u>
Net assets released from restriction	<u>8,424,473</u>	<u>(8,424,473)</u>	<u>-</u>	<u>-</u>
Total operating support and revenue	<u>17,153,958</u>	<u>52,480,332</u>	<u>-</u>	<u>69,634,290</u>
<b>Expenses</b>				
Program	8,272,325	-	-	8,272,325
Management and general	1,442,101	-	-	1,442,101
Development	528,638	-	-	528,638
Total expenses	<u>10,243,064</u>	<u>-</u>	<u>-</u>	<u>10,243,064</u>
<b>Change in net assets from operations</b>	6,910,894	52,480,332	-	59,391,226
<b>Other changes</b>				
Loss on reconveyance of building and land	(7,376,799)	-	-	(7,376,799)
Change in beneficial interests	-	3,492,963	4,119,931	7,612,894
Endowment investment return	1,993,532	616,525	-	2,610,057
Allocation of allowable endowment balance for spending	-	(666,405)	-	(666,405)
<b>Change in net assets</b>	<u>1,527,627</u>	<u>55,923,415</u>	<u>4,119,931</u>	<u>61,570,973</u>
<b>Net assets</b>				
Beginning of year	<u>6,250,223</u>	<u>11,022,657</u>	<u>32,309,943</u>	<u>49,582,823</u>
End of year	<u>\$ 7,777,850</u>	<u>\$ 66,946,072</u>	<u>\$ 36,429,874</u>	<u>\$ 111,153,796</u>

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

# MINT MUSEUM OF ART

## CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2012

	Program	Management and General	Development	Total
<b>Personnel:</b>				
Salaries and benefits	\$ 2,442,675	\$ 334,387	\$ 600,137	\$ 3,377,199
Travel and donor relations	103,630	12,953	12,954	129,537
Employee parking	56,737	7,092	7,092	70,921
	2,603,042	354,432	620,183	3,577,657
<b>Professional services:</b>				
Accounting and professional	-	36,864	-	36,864
Contract services	1,154,396	144,299	144,300	1,442,995
Insurance	100,712	19,693	-	120,405
	1,255,108	200,856	144,300	1,600,264
<b>Utilities:</b>				
Telephone	35,890	4,486	4,486	44,862
Heating, ventilating and air conditioning	459,612	57,451	57,452	574,515
Postage	17,891	8,945	8,945	35,781
	513,393	70,882	70,883	655,158
<b>Maintenance, repair and security</b>	3,174	397	397	3,968
<b>Supplies and materials:</b>				
Office supplies	59,419	57	6,765	66,241
Furniture and equipment	-	-	-	-
	59,419	57	6,765	66,241
<b>Program expenditures:</b>				
Exhibition rental and installation	634,975	-	-	634,975
Education and library	109,325	3,260	-	112,585
Printing and publications	265,380	185	21,122	286,687
Receptions and member services	137,523	2,723	27,155	167,401
Photography	117,883	-	1,077	118,960
Conservation	18,264	23,107	-	41,371
Accessions	126,910	-	-	126,910
Advertising	224,290	250	100	224,640
Board, volunteer and staff support	26,473	1,577	1,577	29,627
	1,661,023	31,102	51,031	1,743,156
<b>Other:</b>				
Building rental	1,006,400	125,800	125,800	1,258,000
Land use rights amortization	57,440	7,180	7,180	71,800
Government appropriations	279,168	34,896	34,896	348,960
Expansion expenses	11,562	-	11,954	23,516
Bank charges and interest	-	42,412	-	42,412
Depreciation and amortization	1,947,612	19,874	19,874	1,987,360
Store cost of sales	231,199	-	-	231,199
Young Affiliates expenses	-	-	47,948	47,948
Special events	-	103,035	-	103,035
Dues and subscriptions	33,692	149	149	33,990
Miscellaneous	54,775	63,534	4,140	122,449
	3,621,848	396,880	251,941	4,270,669
<b>Total expenses</b>	<b>\$ 9,717,007</b>	<b>\$ 1,054,606</b>	<b>\$ 1,145,500</b>	<b>\$ 11,917,113</b>

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

# MINT MUSEUM OF ART

## CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES (CONTINUED)

YEAR ENDED JUNE 30, 2011

	Program	Management and General	Development	Total
<b>Personnel:</b>				
Salaries and benefits	\$ 2,047,476	\$ 839,933	\$ 82,691	\$ 2,970,100
Travel and donor relations	54,259	6,783	6,782	67,824
Employee Parking	51,768	6,471	6,471	64,710
	<u>2,153,503</u>	<u>853,187</u>	<u>95,944</u>	<u>3,102,634</u>
<b>Professional services:</b>				
Accounting and professional	-	67,522	-	67,522
Contract services	1,209,689	99,242	99,242	1,408,173
Insurance	81,357	-	-	81,357
	<u>1,291,046</u>	<u>166,764</u>	<u>99,242</u>	<u>1,557,052</u>
<b>Utilities:</b>				
Telephone	47,777	5,972	5,972	59,721
Heating, ventilating and air conditioning	435,575	54,447	54,447	544,469
Postage	12,414	6,207	6,207	24,828
	<u>495,766</u>	<u>66,626</u>	<u>66,626</u>	<u>629,018</u>
<b>Maintenance, repair and security</b>	<u>23,813</u>	<u>2,976</u>	<u>2,977</u>	<u>29,766</u>
<b>Supplies and materials:</b>				
Office supplies	43,512	-	-	43,512
Furniture and equipment	87,263	10,908	10,908	109,079
	<u>130,775</u>	<u>10,908</u>	<u>10,908</u>	<u>152,591</u>
<b>Program expenditures:</b>				
Exhibition rental and installation	176,077	-	-	176,077
Education and library	47,788	-	-	47,788
Printing and publications	187,079	-	4,731	191,810
Receptions and member services	153,411	-	-	153,411
Photography	59,404	-	-	59,404
Conservation	46,150	-	-	46,150
Accessions	311,277	-	-	311,277
Advertising and promotion	174,357	-	-	174,357
Board, volunteer and staff support	25,288	875	875	27,038
	<u>1,180,831</u>	<u>875</u>	<u>5,606</u>	<u>1,187,312</u>
<b>Other:</b>				
Building rental	1,006,400	125,800	125,800	1,258,000
Land use rights amortization	19,234	2,404	2,404	24,042
Government Appropriations	454,946	56,868	56,869	568,683
Expansion expenses	50,045	-	-	50,045
Bank charges and interest	-	41,146	-	41,146
Depreciation and amortization	1,221,600	12,467	12,465	1,246,532
Store cost of sales	169,767	-	-	169,767
Young Affiliates expenses	-	-	49,797	49,797
Special events	-	102,009	-	102,009
Dues and subscriptions	20,328	-	-	20,328
Miscellaneous	54,271	71	-	54,342
	<u>2,996,591</u>	<u>340,765</u>	<u>247,335</u>	<u>3,584,691</u>
<b>Total expenses</b>	<u>\$ 8,272,325</u>	<u>\$ 1,442,101</u>	<u>\$ 528,638</u>	<u>\$ 10,243,064</u>

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



**MINT MUSEUM OF ART**

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED JUNE 30, 2012 AND 2011

	<b>2012</b>	<b>2011</b>
<b>Cash flows from operating activities</b>		
Change in net assets	\$ (4,441,911)	\$ 61,570,973
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation and amortization	2,059,160	1,270,574
Non-cash contribution, long term use of facilities and air rights	-	(59,681,822)
Loss on reconveyance of building	-	7,376,799
Change in provision for uncollectible pledges receivable	(120)	98,088
Realized and unrealized losses (gains) on investments	537,907	(2,615,132)
Payments restricted for permanent investment	(20,000)	(150,944)
Changes in operating assets and liabilities:		
Accounts receivable	(165,070)	(37,626)
Pledges receivable	(289,118)	(57,623)
Inventories	(44,977)	(41,389)
Deposits for future exhibitions, prepaid expenses and other assets	148,879	(15,255)
Accounts payable and accrued liabilities	(51,559)	163,092
Deferred revenue	(25,473)	(18,549)
Net cash (used in) provided by operating activities	(2,292,282)	7,861,186
<b>Cash flows from investing activities</b>		
Net change in beneficial interest in trusts	2,308,782	(7,366,382)
Purchase of property and equipment	(17,444)	(1,454,772)
Proceeds from sale of investments	2,341,267	1,813,271
Purchase of investments	(2,121,083)	(1,827,697)
Net cash provided by (used in) operating activities	2,511,522	(8,835,580)
<b>Cash flows from financing activities</b>		
Payments restricted for permanent investment	20,000	150,944
Net cash provided by financing activities	20,000	150,944
<b>Net increase (decrease) in cash and cash equivalents</b>	239,240	(823,450)
<b>Cash and cash equivalents</b>		
Beginning of year	2,032,168	2,855,618
End of year	\$ 2,271,408	\$ 2,032,168
<b>Supplemental non-cash investing activities</b>		
Contribution of use of facilities	\$ -	\$ 59,681,822

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

# MINT MUSEUM OF ART

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2012 AND 2011

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### **Note 1 – Summary of significant accounting policies**

*Organization and Nature of Activities* - Mint Museum of Art (the "Museum") is a non-stock, non-profit membership corporation organized under the laws of the State of North Carolina for the primary purpose of collecting, displaying and preserving arts 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 Levine Center for the Arts (which opened in November 2010). Prior to November 2010, the Museum's operations included Mint Museum of Craft & Design ("Craft & Design"), also located in uptown Charlotte. All activities of the Museum are controlled by the Board of Trustees and administered by the management of the Museum.

*Financial Statement Presentation* - The 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 ("IRS") as a supporting organization, whose mission is to administer and manage 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 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. 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.

*Temporarily Restricted Net Assets* - Net assets subject to 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 restrictions. If a restriction is fulfilled in the same time period in which the contribution is received, the contribution is reported as unrestricted. Temporarily restricted net assets also include cumulative investment returns from permanently restricted assets until those amounts are appropriated for spending in accordance with donor restrictions.

*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 market value of the assets (see Note 7).

# MINT MUSEUM OF ART

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2012 AND 2011

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### **Note 1 – Summary of significant accounting policies (Continued)**

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.

Expirations of temporary restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets.

Contributions, including unconditional promises, are recognized as revenues in the period made. Conditional promises 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.

*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 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 \$1,552,474 and \$1,230,337 at June 30, 2012 and 2011, 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. At June 30, 2012 and 2011, management determined that no allowance for doubtful accounts was considered necessary. 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.

# MINT MUSEUM OF ART

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2012 AND 2011

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### **Note 1 – Summary of significant accounting policies (Continued)**

*Pledges Receivable, net* - Unconditional promises to give due in the next year are recorded at their net realizable value, including an allowance for uncollectible pledges as determined by management. 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 income as a contribution in subsequent years. At June 30, 2012 and 2011, management determined that no allowance for doubtful accounts was considered necessary. 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.

*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 in the accompanying consolidated statements of activities.

*Beneficial Interests in Trust* - 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, 7 years for furniture, fixtures and office equipment and 3 years for software. 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 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. The museum has evaluated all its tax positions and determined that it has no uncertain income tax positions as of June 30, 2012 and 2011.

# MINT MUSEUM OF ART

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2012 AND 2011

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### Note 1 – Summary of significant accounting policies (Continued)

*Art Collection* - In accordance with GAAP and the practice followed by other 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 including 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.

*Reclassifications* - Certain expenses included in the original 2011 consolidated financial statement presentation have been reclassified, where appropriate, to correspond with the 2012 consolidated financial statement presentation. These reclassifications have no effect on revenues and expenses in total.

*Use of Estimates* - The preparation of 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 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:

	<u>2012</u>	<u>2011</u>
Program	\$ 5,455,060	\$ 5,130,504
Management and general	760,248	770,546
Development	629,716	667,993
	<u>\$ 6,845,024</u>	<u>\$ 6,569,043</u>

## MINT MUSEUM OF ART

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2012 AND 2011

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#### **Note 2 – Relationship with the City of Charlotte and development agreement**

The City of Charlotte (the “City”) owns the museum buildings 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 twenty-five year renewal options under terms similar to the original lease. Under the lease agreement, the City is responsible for maintaining the structural integrity of the building, maintaining the fixed equipment and systems and maintaining the grounds and driveways. Through the year ended June 30, 2012, the City also paid a portion of the cost of utilities for the facility. Effective for the years ending June 30, 2013 and thereafter, the Museum will be responsible for paying the cost of utilities.

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. However, the Museum's management believes any such depreciated value would be immaterial to the consolidated financial statements as whole. Thus, the net depreciated value of the building and improvements has not been recorded as an asset in the accompanying consolidated statements of financial position. 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 \$1,606,960 and \$1,826,683 for the years ended June 30, 2012 and 2011, respectively.

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 R.B.C. Corporation, 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 R.B.C. Corporation. The new museum 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 twenty-five year renewal options under terms similar to the original lease.

The Museum has accounted for the above agreement under GAAP as a contribution from the City, included in the accompanying consolidated statements of activities at the estimated fair value of the building of \$56,841,822 and the estimated fair value of the air rights of \$2,840,000. The building is being depreciated over its estimated useful life of 40 years and the air rights are being amortized to expense 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 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).

# MINT MUSEUM OF ART

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2012 AND 2011

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### Note 2 – Relationship with the City of Charlotte and development agreement (Continued)

As a result of the future occupancy of the new facility, the Museum entered into a reconveyance agreement with Bank of America. Under the agreement terms, the Museum reverted to Bank of America's assignee title to the building occupied by Craft + Design on November 1, 2010. Because the building and land had a time restriction as to its future use, such net book value was classified as temporarily restricted net assets (see Note 12). The remaining net book value of \$7,376,799 was expensed as a loss on reconveyance in the accompanying statements of activities for the year ended June 30, 2011.

### Note 3 – Pledges receivable

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

	2012	2011
Receivable in less than one year	\$ 225,953	\$ 270,953
Receivable in one to five years	890,405	556,167
	<u>1,116,358</u>	<u>827,120</u>
Less: discounts to present value	(10,386)	(7,886)
Less: allowance for uncollectible pledges	(8,212)	(10,712)
Net pledges receivable	<u>\$ 1,097,760</u>	<u>\$ 808,522</u>

Pledges receivable are recorded at their present value of future cash flows using a credit adjusted risk free rate of .72%. Management periodically assesses pledges receivable for collectability and records an allowance for potentially uncollectible amounts.

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 \$972,000, which are not recorded in the consolidated financial statements. There were no other conditional promises to give at June 30, 2012 and 2011 for which the value was susceptible to estimation.

# MINT MUSEUM OF ART

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2012 AND 2011

### 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.

The following table summarizes the valuation of the Museum's investments measured at fair value on a recurring basis as of June 30, 2012 and 2011, based on the level of input utilized to measure fair value:

<u>June 30, 2012:</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Investments:			
Money market funds	\$ 61,227	\$ -	\$ -
Bonds	-	2,237,842	-
Equities, domestic	689,005	-	-
Endowment at Foundation for the Mint Museums	-	-	13,503,232
	<u>\$ 750,232</u>	<u>\$ 2,237,842</u>	<u>\$ 13,503,232</u>
Beneficial interests in trusts	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 24,477,492</u>



**MINT MUSEUM OF ART**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2012 AND 2011

**Note 4 – Fair value measurements of assets and liabilities (Continued)**

<u>June 30, 2011:</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Investments:			
Money market funds	\$ 27,952	\$ -	\$ -
Bonds	-	1,780,000	-
Equities, domestic	1,057,181	-	-
Endowment at Foundation for the Mint Museums	-	-	14,384,264
	<u>\$ 1,085,133</u>	<u>\$ 1,780,000</u>	<u>\$ 14,384,264</u>
 Beneficial interests in trusts	 <u>\$ -</u>	 <u>\$ -</u>	 <u>\$ 26,786,274</u>

The investment portions of the beneficial interests in trust (the “Trusts”) and the endowment at FFTMM are considered by the Museum to be Level 3 assets because they represent interests held in pooled investment funds, which include private investment funds. As discussed in Note 5, Foundation For The Carolinas (“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 at June 30, 2012 and 2011:

	<u>Endowment at Foundation for the Mint Museums</u>	<u>Investment portion of beneficial interests in trusts</u>
Level 1	60%	62%
Level 2	25%	23%
Level 3	15%	15%
	<u>100%</u>	<u>100%</u>

**MINT MUSEUM OF ART**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2012 AND 2011

**Note 4 – Fair value measurements of assets and liabilities (Continued)**

For the assets measured at fair value on a recurring basis using Level 3 valuations during the period, the following table provides a reconciliation of beginning and ending balances for the years ended June 30, 2012 and 2011:

	Endowment at Foundation for the Mint Museums	Beneficial interests in trusts
Balance, July 1, 2010	\$ 12,222,553	\$ 19,419,892
Investment return:		
Investment income, net of expenses	145,587	-
Realized and unrealized gains	2,464,470	-
	<u>2,610,057</u>	<u>-</u>
Additions	50,945	-
Withdrawals	(499,291)	(246,512)
Change in beneficial interests in trust	-	7,612,894
Balance, June 30, 2011	<u>\$ 14,384,264</u>	<u>\$ 26,786,274</u>

	Endowment at Foundation for the Mint Museums	Beneficial interests in trusts
Balance, June 30, 2011	\$ 14,384,264	\$ 26,786,274
Investment return:		
Investment income, net of expenses	104,132	-
Realized and unrealized losses	(490,829)	-
	<u>(386,697)</u>	<u>26,786,274</u>
Additions	130,000	-
Withdrawals	(624,335)	(1,734,578)
Change in beneficial interests in trust	-	(574,204)
Balance, June 30, 2012	<u>\$ 13,503,232</u>	<u>\$ 24,477,492</u>

# MINT MUSEUM OF ART

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2012 AND 2011

### Note 5 – Investments

A summary of the investments at June 30 follows:

	2012	2011
Money market	\$ 61,227	\$ 27,952
Bonds	2,237,842	1,780,000
Fixed income funds, endowment	3,375,809	3,596,067
Equity funds, domestic	689,005	1,057,181
Equity funds, endowment	8,101,942	8,630,562
Private investment funds, endowment	2,025,481	2,157,635
	<u>16,491,306</u>	<u>17,249,397</u>
Less: Endowment at Foundation for the Mint Museums	13,503,232	14,384,264
Other investments	<u>\$ 2,988,074</u>	<u>\$ 2,865,133</u>

A summary of investment return (loss) for the years ended June 30 follows:

	2012	2011
Interest and dividend income, net of fees	\$ 136,966	\$ 172,143
Net (loss) gain on investments	<u>(537,907)</u>	<u>2,615,132</u>
Total investment (loss) return	(400,941)	2,787,275
Less: endowment investment loss (return)	386,697	(2,610,057)
Operating investment (loss) return	<u>\$ (14,244)</u>	<u>\$ 177,218</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.

# MINT MUSEUM OF ART

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2012 AND 2011

### Note 5 – Investments (Continued)

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

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

### Note 6 – Beneficial interests in trusts

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

	2012	2011
Greater Charlotte Cultural Trust	\$ 2,384,567	\$ 2,303,394
Campaign for the Cultural Facilities	18,718,587	20,972,579
The Mint Museum Auxiliary	2,092,664	2,203,465
The Founders' Circle	256,368	256,368
Charles Beam Endowment Fund	931,281	927,316
Other	94,025	123,152
	<u>\$ 24,477,492</u>	<u>\$ 26,786,274</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 affiliated organization that provides annual support to the Museum (see Note 176). Terms of the campaign specified that all endowment fund proceeds be held in perpetuity and that earnings be periodically distributed to the Museum to a maximum of a 5% total annual return. 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.

## MINT MUSEUM OF ART

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2012 AND 2011

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#### **Note 6 – Beneficial interests in trusts (Continued)**

*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 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 pledged. If actual campaign collections are less than the pledged amount, the Museum will receive a prorated share of its budgeted allocation. In accordance with the agreement, the funds will be used to create an endowment, with the earnings to be distributed annually to fund operating costs of the new facilities.

As of June 30, 2012, approximately \$62 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. At June 30, 2012 and 2011, the beneficial interest in trust includes \$5,938,961 and \$6,350,918, respectively, of pledges receivable. Because the amounts held at the Trust are being accounted for as an endowment for the benefit of the Museum, the Museum has accounted for these assets in a manner similar to the endowment funds (See Note 7).

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

**MINT MUSEUM OF ART**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2012 AND 2011

**Note 7 – Endowment funds**

The Museum’s endowment consists of 49 individual, donor-restricted funds established for a variety of purposes that are invested at 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, 2012 and 2011 is listed below:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<u>June 30, 2012:</u>				
Donor-restricted endowments:				
Investments of the Foundation	\$ (754,417)	\$ 309,762	\$ 13,947,887	\$ 13,503,232
Investment portion of beneficial interests in trusts	<u>(81,475)</u>	<u>550,430</u>	<u>15,720,544</u>	<u>16,189,499</u>
Total donor-restricted endowment funds	<u>\$ (835,892)</u>	<u>\$ 860,192</u>	<u>\$ 29,668,431</u>	<u>\$ 29,692,731</u>
 <u>June 30, 2011:</u>				
Donor-restricted endowments:				
Investments of the Foundation	\$ (334,573)	\$ 900,950	\$ 13,817,887	\$ 14,384,264
Investment portion of beneficial interests in trusts	<u>(64,132)</u>	<u>2,689,368</u>	<u>15,350,287</u>	<u>17,975,523</u>
Total donor-restricted endowment funds	<u>\$ (398,705)</u>	<u>\$ 3,590,318</u>	<u>\$ 29,168,174</u>	<u>\$ 32,359,787</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

YEARS ENDED JUNE 30, 2012 AND 2011

### 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 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%

**MINT MUSEUM OF ART**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2012 AND 2011

**Note 7 – Endowment funds (Continued)**

The Trust and Foundation have a policy of appropriating for distribution each year 4.5% of the average fair value over the prior twelve 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, 2012 and 2011 were within the terms of the above policy.

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

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, July 1, 2010	\$ (2,392,237)	\$ 467,491	\$ 27,503,474	\$ 25,578,728
Investment return:				
Investment income, net of expenses	-	145,587	-	145,587
Realized and unrealized losses	-	2,464,470	-	2,464,470
Allocation of net investment return to unrestricted	1,993,532	(1,993,532)	-	-
Total investment return	<u>1,993,532</u>	<u>616,525</u>	<u>-</u>	<u>2,610,057</u>
Contributions	-	-	50,945	50,945
Change in beneficial interests in trusts	-	3,036,436	1,829,424	4,865,860
Amounts appropriated for expenditure	-	(530,134)	(215,669)	(745,803)
Endowment net assets, June 30, 2011	<u>(398,705)</u>	<u>3,590,318</u>	<u>29,168,174</u>	<u>32,359,787</u>
Investment return (loss):				
Investment income, net of expenses	-	104,132	-	104,132
Realized and unrealized losses	-	(490,829)	-	(490,829)
Allocation of net investment return to unrestricted	(437,187)	437,187	-	-
Total investment return	<u>(437,187)</u>	<u>50,490</u>	<u>-</u>	<u>(386,697)</u>
Contributions	-	-	130,000	130,000
Change in beneficial interests in trusts	-	(421,705)	370,257	(51,448)
Amounts appropriated for expenditure	-	(2,358,911)	-	(2,358,911)
Endowment net assets, June 30, 2012	<u>\$ (835,892)</u>	<u>\$ 860,192</u>	<u>\$ 29,668,431</u>	<u>\$ 29,692,731</u>



# MINT MUSEUM OF ART

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2012 AND 2011

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### Note 7 – Endowment funds (Continued)

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 at June 30, 2012 and 2011 was \$835,892 and \$398,705. 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.

### Note 8 – Property and equipment

A summary of property and equipment at June 30 follows:

	<u>2012</u>	<u>2011</u>
Buildings and improvements, including long-term use of facilities	\$ 61,207,382	\$ 61,197,926
Furniture, fixtures and office equipment	16,855	8,868
Computers, software and other technological equipment	<u>1,095,957</u>	<u>1,095,956</u>
	62,320,194	62,302,750
Less: accumulated depreciation	<u>(3,209,364)</u>	<u>(1,222,004)</u>
Property and equipment, net	<u>\$ 59,110,830</u>	<u>\$ 61,080,746</u>

See Note 2 regarding the contribution of the use of the Mint Museum Uptown by the City and the reconveyance agreement related to the Craft + Design building.

### Note 9 – Land use rights

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 (also see Note 2) plus two 25 year renewal options under terms similar to the original lease.

At June 30, 1995, the Museum recorded an asset (land use rights) 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 \$255,000 and \$240,000 at June 30, 2012 and 2011, respectively.

# MINT MUSEUM OF ART

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2012 AND 2011

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### Note 9 – Land use rights (Continued)

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 \$80,842 and \$24,042 at June 30, 2012 and 2011, 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 statements of activities. The Museum sold art objects during the year ended June 30, 2012 totaling approximately \$31,000. The museum did not sell art objects during 2011.

### Note 11 – Line of credit

The Museum has an unsecured \$1,000,000 line of credit with a financial institution at an interest rate of LIBOR plus 2.5%. The Museum had no outstanding balance either at June 30, 2012 or 2011. The agreement must be renewed annually.

### Note 12 – Net assets

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

	2012	2011
Undesignated	\$ 8,023,128	\$ 6,799,009
Fair value of endowment funds below corpus	(835,892)	(398,705)
Designated by the Board of Trustees	275,084	1,377,546
	<u>\$ 7,462,320</u>	<u>\$ 7,777,850</u>

**MINT MUSEUM OF ART**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2012 AND 2011

**Note 12 – Net assets (Continued)**

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

	2012	2011
Auxiliary funds for accessions	\$ 2,092,664	\$ 2,230,465
Uptown building, net of accumulated depreciation	54,473,412	55,894,458
Uptown building air rights, net of accumulated amortization	2,759,158	2,815,958
New facility funds	1,160,249	1,050,342
Founders' Circle funds for Craft + Design	231,413	256,368
Restricted funds for accessions of artwork	297,201	415,293
Restricted funds for other purposes	583,357	636,565
Young Affiliates of the Mint Museum of Art activities	68,762	56,305
Cumulative earnings on endowment funds	1,085,192	3,590,318
	<u>\$ 62,751,408</u>	<u>\$ 66,946,072</u>

Permanently restricted net assets are categorized as follows at June 30:

	2012	2011
ASC Special Endowment Campaign	\$ 3,723,612	\$ 3,606,562
Endowment for Visual Arts and Center City Charlotte	1,940,000	1,940,000
Mary Goddard Pickens Endowment	350,000	350,000
Ford Foundation Endowment	5,094,485	5,094,485
Charles Beam Endowment beneficial interest	991,448	991,448
Campaign for the Cultural Facilities (see Note 6)	18,432,543	18,479,371
Mr. & Mrs. Mason Wallace Endowment	5,178,122	5,178,122
Mr. & Mrs. Alfred Brand General Endowment	700,000	700,000
Other beneficial interests in trusts	87,947	89,886
	<u>\$ 36,498,157</u>	<u>\$ 36,429,874</u>

# MINT MUSEUM OF ART

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2012 AND 2011

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### Note 13 – Lease revenue

The Museum is the lessor of space under various operating leases expiring through 2031. Rental income totaled \$82,100 and \$102,129 in 2012 and 2011, respectively. Under terms of the agreements, the Museum will receive the following future minimum rental income as of June 30:

2013 - 2017	\$ 246,610
2018 - 2022	306,300
2023 - 2027	337,044
2028 - 2031	290,616
	<u>\$ 1,180,570</u>

### 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 require 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. The Museum matches 50% of the first 6% of employee deferrals. All full-time Museum employees are eligible to participate in the Plan after completing one year of service. During the years ended June 30, 2012 and 2011, the Museum contributed a total of approximately \$84,900 and \$91,700, respectively, to the Plan.

### Note 15 – Concentrations of credit risk

The Museum places its cash and cash equivalents on deposit with financial institutions in the United States. The Federal Deposit Insurance Corporation (“FDIC”) covers \$250,000 for substantially all depository accounts and temporarily provides unlimited coverage through December 31, 2012 for certain qualifying and participating non-interest bearing transaction 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, 2012 and 2011, the Museum recognized direct support totaling \$1,287,430 and \$1,232,716, respectively from ASC. For fiscal year 2013, ASC has approved approximately \$1,200,000 in funding to the Museum.

**MINT MUSEUM OF ART**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**YEARS ENDED JUNE 30, 2012 AND 2011**

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**Note 17 – Subsequent events**

The Museum has evaluated subsequent events through November 29, 2012 in connection with the preparation of these financial statements which is the date the financial statements were available to be issued.