

MCCOLL CENTER FOR ART + INNOVATION
FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2021 AND 2020



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**MCCOLL CENTER FOR ART + INNOVATION
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INDEPENDENT AUDITORS' REPORT

Board of Directors
McColl Center for Art + Innovation
Charlotte, North Carolina

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

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these 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 financial statements are free from material misstatement.

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

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

Board of Directors
McColl Center for Art + Innovation

Opinion

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

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Charlotte, North Carolina
October 27, 2021

MCCOLL CENTER FOR ART + INNOVATION
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2021 AND 2020

	2021	2020
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 1,186,501	\$ 1,305,107
Pledges Receivable, Current Portion, Net	27,350	26,000
Grants Receivable, Current Portion, Net	8,334	71,254
Other Receivables	18,816	4,078
Prepaid Expenses and Other Assets	4,707	10,993
Total Current Assets	1,245,708	1,417,432
Pledges Receivable, Noncurrent Portion, Net	46,867	81,579
Grants Receivable, Noncurrent Portion, Net	-	8,333
Beneficial Interests in Charitable Trust	8,423,987	7,227,747
Property and Equipment, Net	5,717,894	5,308,263
Total Assets	\$ 15,434,456	\$ 14,043,354
LIABILITIES AND NET ASSETS		
LIABILITIES		
Current Liabilities		
Current Portion of Capital Lease	\$ 16,786	\$ 15,768
Current Portion of Notes Payable	4,123	60,631
Accounts Payable	188,818	14,926
Accrued Expenses	40,534	38,875
Total Current Liabilities	250,261	130,200
Long-Term Liabilities		
Capital Lease Obligation, Net of Current Portion	27,864	46,129
Notes Payable, Net of Current Portion	268,009	211,501
Total Long-Term Liabilities	295,873	257,630
Total Liabilities	546,134	387,830
NET ASSETS		
Without Donor Restrictions:		
Undesignated	5,657,443	5,289,371
Designated by the Board for Operating Reserve	438,520	861,803
Total Without Donor Restrictions	6,095,963	6,151,174
With Donor Restrictions:		
Perpetual in Nature	6,515,325	6,515,325
Purpose Restrictions	415,948	690,147
Time-Restricted for Future Periods	1,861,086	298,878
Total With Donor Restrictions	8,792,359	7,504,350
Total Net Assets	14,888,322	13,655,524
Total Liabilities and Net Assets	\$ 15,434,456	\$ 14,043,354

See accompanying Notes to Financial Statements.

MCCOLL CENTER FOR ART + INNOVATION
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2021

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
REVENUE AND SUPPORT			
Contributed Revenue:			
Grants and Sponsorships	\$ 322,917	\$ 125,000	\$ 447,917
Contributions	200,427	63,262	263,689
Arts & Science Council	154,880	-	154,880
Special Events, Net of Expenses of \$55,362	57,559	-	57,559
Earned Revenue:			
Tuition and Fees	22,051	-	22,051
Rental Income	19,568	-	19,568
Other Revenue	15,519	-	15,519
	<u>792,921</u>	<u>188,262</u>	<u>981,183</u>
Net Assets Released from Restrictions:			
Satisfaction of Time Restrictions	43,045	(43,045)	-
Satisfaction of Purpose Restrictions	461,113	(461,113)	-
Total Revenue and Support	<u>1,297,079</u>	<u>(315,896)</u>	<u>981,183</u>
EXPENSES AND LOSSES			
Program Services Expenses:			
Artist Residency	273,466	-	273,466
Education	114,839	-	114,839
Exhibitions	110,837	-	110,837
Facility	470,672	-	470,672
Total Program Services	<u>969,814</u>	<u>-</u>	<u>969,814</u>
Supporting Services Expenses:			
Development and Marketing	474,259	-	474,259
Management and General	330,668	-	330,668
Total Supporting Services Expenses	<u>804,927</u>	<u>-</u>	<u>804,927</u>
Total Expenses and Losses	<u>1,774,741</u>	<u>-</u>	<u>1,774,741</u>
Change in Net Assets from Operations	(477,662)	(315,896)	(793,558)
Other Changes			
Investment Income	81	-	81
Gain on Disposal of Fixed Asset	719	-	719
Forgiveness of Debt	123,317	-	123,317
Allocation of Allowable Endowment Balance for Spending	300,000	(300,000)	-
Change in Beneficial Interests in Trust	(1,666)	1,903,905	1,902,239
	<u>(55,211)</u>	<u>1,288,009</u>	<u>1,232,798</u>
CHANGE IN NET ASSETS	<u>(55,211)</u>	<u>1,288,009</u>	<u>1,232,798</u>
Net Assets - Beginning of Year	<u>6,151,174</u>	<u>7,504,350</u>	<u>13,655,524</u>
NET ASSETS - END OF YEAR	<u>\$ 6,095,963</u>	<u>\$ 8,792,359</u>	<u>\$ 14,888,322</u>

See accompanying Notes to Financial Statements.

MCCOLL CENTER FOR ART + INNOVATION
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE and SUPPORT			
Contributed Revenue:			
Grants and Sponsorships	\$ 290,170	\$ 625,000	\$ 915,170
Contributions	513,554	148,587	662,141
Arts & Science Council	291,600	-	291,600
Special Events, Net of Expenses of \$9,301	69,349	-	69,349
Donated Facilities and Services	4,855	-	4,855
Earned Revenue:			
Tuition and Fees	33,473	-	33,473
Rental Income	34,678	-	34,678
Other Revenue	29,717	-	29,717
	1,267,396	773,587	2,040,983
Net Assets Released from Restrictions:			
Satisfaction of Time Restrictions	29,216	(29,216)	-
Uncollectible Pledges	109,439	(109,439)	-
Total Revenue and Support	1,406,051	634,932	2,040,983
EXPENSES AND LOSSES			
Program Services Expenses:			
Artist Residency	309,798	-	309,798
Education	117,560	-	117,560
Exhibitions	101,184	-	101,184
Facility	434,136	-	434,136
Total Program Services	962,678	-	962,678
Supporting Services Expenses:			
Development and Marketing	342,619	-	342,619
Management and General	297,516	-	297,516
Total Supporting Services Expenses	640,135	-	640,135
Total Expenses and Losses	1,602,813	-	1,602,813
Change in Net Assets from Operations	(196,762)	634,932	438,170
Other Changes			
Investment Income	3,216	-	3,216
Gain on Disposal of Fixed Asset	400,043	-	400,043
Allocation of Allowable Endowment Balance for Spending	304,474	(304,474)	-
Change in Beneficial Interests in Trust	1,397	43,629	45,026
	512,368	374,087	886,455
CHANGE IN NET ASSETS	512,368	374,087	886,455
Net Assets - Beginning of Year	5,638,806	7,130,263	12,769,069
NET ASSETS - END OF YEAR	\$ 6,151,174	\$ 7,504,350	\$ 13,655,524

See accompanying Notes to Financial Statements.

**MCCOLL CENTER FOR ART + INNOVATION
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2021**

	Program Services					Supporting Services			Total
	Artist Residency	Education	Exhibitions	Facility	Subtotal	Development and Marketing	Management and General	Fundraising	
Salaries and Benefits	\$ 132,089	\$ 90,404	\$ 72,812	\$ 117,242	\$ 412,547	\$ 295,954	\$ 113,431	\$ -	\$ 821,932
Contracted Services	3,625	12,690	6,129	10,913	33,357	77,757	172,174	-	283,288
Artists Stipends	58,102	2,700	-	-	60,802	-	-	-	60,802
Travel, Entertainment, Receptions, and Catering	2,813	158	-	-	2,971	304	384	-	3,659
Supplies	951	4,389	5,170	8,063	18,573	1,858	4,458	-	24,889
Postage/Shipping	148	1,058	9,319	90	10,615	5,773	3,033	-	19,421
Printing/Design	-	-	843	-	843	9,187	-	-	10,030
Marketing and Advertising	108	39	26	821	994	17,092	29	-	18,115
Telephone and Utilities	5,788	-	-	62,439	68,227	-	-	-	68,227
Repairs and Maintenance	4,863	427	14,158	81,985	101,433	-	-	-	101,433
Depreciation	34,534	-	-	174,470	209,004	-	-	-	209,004
Service Charges	4,775	530	120	448	5,873	2,097	8,947	-	16,917
Meetings	40	-	-	-	40	33	128	-	201
Professional Development/ Dues/Subscriptions	24,026	124	-	-	24,150	1,512	3,693	-	29,355
Insurance	-	-	-	9,349	9,349	-	19,228	-	28,577
Rental Expenses and Allocation of Facility Costs	-	-	-	1,830	1,830	-	-	-	1,830
Curatorial/Honorariums	-	2,200	1,000	-	3,200	-	-	-	3,200
Property Taxes	765	-	-	109	874	-	351	-	1,225
Software Fees	839	70	1,260	30	2,199	31,381	621	-	34,201
Special Events	-	-	-	-	-	-	-	55,362	55,362
Other	-	50	-	2,883	2,933	31,311	4,191	-	38,435
Total Expenses by Function	273,466	114,839	110,837	470,672	969,814	474,259	330,668	55,362	1,830,103
Less - Direct Special Event Costs Deducted from Revenue	-	-	-	-	-	-	-	(55,362)	(55,362)
Net Expenses	\$ 273,466	\$ 114,839	\$ 110,837	\$ 470,672	\$ 969,814	\$ 474,259	\$ 330,668	\$ -	\$ 1,774,741

See accompanying Notes to Financial Statements.

**MCCOLL CENTER FOR ART + INNOVATION
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2020**

	Program Services					Supporting Services			Total
	Artist Residency	Education	Exhibitions	Facility	Subtotal	Development and Marketing	Management and General	Fundraising	
Salaries and Benefits	\$ 107,405	\$ 63,954	\$ 67,102	\$ 104,566	\$ 343,027	\$ 243,808	\$ 81,547	\$ -	\$ 668,382
Contracted Services	21,537	37,079	10,166	9,156	77,938	10,772	177,967	-	266,677
Artists Stipends	91,000	-	-	-	91,000	-	-	-	91,000
Travel, Entertainment, Receptions, and Catering	3,091	245	2,312	-	5,648	7,746	1,469	-	14,863
Supplies	240	9,343	2,696	5,503	17,782	1,320	3,021	-	22,123
Postage/Shipping	150	230	10,739	45	11,164	4,063	2,419	-	17,646
Printing/Design	179	(811)	862	-	230	20,468	-	-	20,698
Marketing and Advertising	92	18	36	1,590	1,736	12,492	18	-	14,246
Telephone and Utilities	6,873	-	-	54,722	61,595	-	-	-	61,595
Repairs and Maintenance	4,963	3,685	105	57,939	66,692	-	-	-	66,692
Depreciation	41,384	-	-	165,216	206,600	-	-	-	206,600
Service Charges	32	780	425	2,255	3,492	3,209	5,616	-	12,317
Meetings	-	77	-	-	77	2,430	27	-	2,534
Professional Development/ Dues/Subscriptions	27,425	15	-	-	27,440	1,061	5,842	-	34,343
Insurance	-	365	-	22,881	23,246	-	2,466	-	25,712
Rental Expenses and Allocation of Facility Costs	-	-	-	2,217	2,217	-	-	-	2,217
Curatorial/Honorariums	600	2,580	6,000	-	9,180	-	-	-	9,180
Property Taxes	4,277	-	-	-	4,277	-	759	-	5,036
Software Fees	550	-	741	-	1,291	31,597	1,597	-	34,485
Special Events	-	-	-	-	-	-	-	9,301	9,301
Other	-	-	-	8,046	8,046	3,653	14,768	-	26,467
Total Expenses by Function	309,798	117,560	101,184	434,136	962,678	342,619	297,516	9,301	1,612,114
Less - Direct Special Event Costs Deducted from Revenue	-	-	-	-	-	-	-	(9,301)	(9,301)
Net Expenses	\$ 309,798	\$ 117,560	\$ 101,184	\$ 434,136	\$ 962,678	\$ 342,619	\$ 297,516	\$ -	\$ 1,602,813

See accompanying Notes to Financial Statements.

**MCCOLL CENTER FOR ART + INNOVATION
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2021 AND 2020**

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 1,232,798	\$ 886,455
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Depreciation	209,004	206,600
Change in Beneficial Interests in Trust	(1,902,239)	(45,026)
Contributions Restricted in Perpetuity	-	(25,000)
Gain on the Sale of Property and Equipment	(719)	(400,043)
Forgiveness of Debt	(123,317)	-
Changes in Operating Assets and Liabilities:		
Pledges, Grants and Sponsorships, and Other Receivables	89,877	(99,461)
Prepaid Expenses and Other Current Assets	6,286	(696)
Accounts Payable and Accrued Liabilities	168,609	(19,232)
Net Cash Provided (Used) by Operating Activities	(319,701)	503,597
CASH FLOWS FROM INVESTING ACTIVITIES		
Withdrawals from Beneficial Interest in Trust	706,000	304,474
Transfers to Beneficial Interest in Trust	-	(536,395)
Proceeds from Sale of Property and Equipment, Net	7,200	644,909
Purchases of Property and Equipment	(617,090)	(8,230)
Net Cash Provided by Investing Activities	96,110	404,758
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on Line of Credit	-	(100,000)
Proceeds from Note Payable	122,232	272,132
Principal Payments on Capital Leases	(17,247)	(17,506)
Net Cash Provided by Financing Activities	104,985	154,626
NET CHANGE IN CASH AND CASH EQUIVALENTS	(118,606)	1,062,981
Cash and Cash Equivalents - Beginning of Year	1,305,107	242,126
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 1,186,501	\$ 1,305,107
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash Paid During the Year for:		
Interest	\$ 5,214	\$ 5,396
SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING AND FINANCING ACTIVITY		
Property and Equipment Accrued in Accounts Payable and Accrued Expenses	\$ 8,025	\$ 18,575

See accompanying Notes to Financial Statements.

MCCOLL CENTER FOR ART + INNOVATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 1 ORGANIZATION

McColl Center for Art + Innovation (the Center) is a service center formed to nurture the visual arts in Mecklenburg County and build the Charlotte Region into a significant visual arts center in the Southeast. The Center is a cultural partner of the Arts & Science Council of Charlotte/Mecklenburg, Inc. (ASC), which is responsible for a significant portion of the Center's annual support.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board has designated, from net assets without donor restrictions, net assets for an operating reserve and board-designated endowment.

Net Assets With Donor Restrictions – Net assets subject to donor (or certain grantor) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue when the assets are placed in service. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

The Center has adopted a policy to record all donor restricted contributions as without donor restrictions if the funds were received and utilized in the current fiscal year. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

MCCOLL CENTER FOR ART + INNOVATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recent Accounting Pronouncements

In June 2020, the FASB issued ASU 2020-05, *Leases (Topic 842)*. The amendments in the update increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the statements of financial position and disclosing key information about leasing arrangements. The guidance is required to be applied by the Center for the year ended June 30, 2023; however, early application is permitted. The Center is currently evaluating the effect that the standard will have on the financial statements.

Revenue and Support

Unconditional promises to give (pledges receivable) are recorded as received. Unconditional promises to give due in the future years are recorded at their net realizable value. 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 a satisfaction of time restriction in subsequent years. Pledges receivable are written-off when, in the opinion of management, such receivables are deemed to be uncollectible.

Conditional promises to give – that is, those with a measurable performance or other barrier and a right of return – are not recognized until the conditions on which they depend have been met. Conditional contributions whose conditions are met in the same reporting period in which they are received are reported as unconditional contributions.

Grant awards are evaluated by management and determined to either be unconditional contributions, exchange transactions, or conditional contributions. If considered to be an unconditional contribution, revenue from grants is recorded upon notification of the award. If considered to be an exchange transaction, revenue from grants is recorded as expenses are incurred under the terms of the respective grant agreement. If considered to be a conditional contribution, revenue from grants is recorded at the time the conditions on which they depend have been met.

Endowment contributions are permanently restricted by the donor. Endowment investment earnings in excess of original corpus are recorded as net assets with donor restrictions until the earnings are appropriated for expenditure or until certain purpose-related restrictions are met. As the earnings are appropriated for expenditure or after purpose related restrictions are met, the earnings are released into net assets without donor restrictions through allocation of allowable endowment balance for spending on the accompanying statements of activities.

Contributions of donated assets are recorded at their fair values in the period received. Contributions of donated services that create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their fair values in the period received. There were no donated services for the year ended June 30, 2021. Total donated services were \$5,000 during the year ended June 30, 2020.

MCCOLL CENTER FOR ART + INNOVATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue and Support (Continued)

The Center recognizes student tuition and earned revenue within the fiscal year in which services are provided. The Center's tuition and fee revenue is derived from various workshops and classes. Revenue is recognized ratably over the period for which services are provided as the performance obligation of delivering services is simultaneously received and consumed by the students.

Cash and Cash Equivalents

The Center 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.

Grants Receivable

Grants receivable include receivables from foundations and corporations and are presented net of an allowance for doubtful accounts. Management's determination of the allowance for doubtful accounts is based on an analysis of historical collection trends, current relations with grantors and sponsors, and current and anticipated economic conditions. Grants and sponsorships receivable are written-off when, in the opinion of management, such receivables are deemed to be uncollectible.

At June 30, 2021 and 2020, 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.

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 provided on the straight-line basis over the estimated useful lives of the assets, which range from 3 to 15 years for furniture, fixtures and equipment and 28 to 40 years for buildings and condominium units. Long-lived assets held and used by the Center are reviewed for impairment whenever changes in circumstances indicate the carrying value of an asset may not be recoverable.

Deferred Revenue

Income from grants and sponsorships is deferred and recognized over the periods to which the grants and sponsorship expenses relate.

Income Taxes

The Center is a North Carolina nonprofit corporation and is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. The Center is not classified as a private foundation. Additionally, management believes the Center does not have income subject to unrelated business income tax. Accordingly, no provision for income taxes is required in the financial statements.

**MCCOLL CENTER FOR ART + INNOVATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes (Continued)

The Center's income tax returns are subject to review and examination by federal, state, and local authorities. The Center is not aware of any activities that would jeopardize its tax-exempt status. The Center is not aware of any activities that are subject to tax on unrelated business income or excise or other taxes.

U.S. GAAP requires the Center to recognize a tax benefit or expense from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by the tax authorities, based on the technical merits of the position. Management believes the Center had no uncertain tax positions as of June 30, 2021 or 2020.

Functional Allocation of Expenses

The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include depreciation, interest, and office and occupancy, which are allocated on a square-footage basis, as well as salaries and benefits, which are allocated on the basis of estimates of time and effort.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent 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.

Subsequent Events

We have evaluated subsequent events through October 27, 2021, the date the financial statements were available to be issued.

NOTE 3 PLEDGES RECEIVABLE, NET

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

	2021	2020
Within One Year	\$ 27,350	\$ 26,000
In One to Five Years	52,000	78,000
In More than Five Years	-	10,000
Pledges Receivable	79,350	114,000
Less: Allowance for Uncollectible Pledges	(4,154)	(5,881)
Less: Discount to Present Value	(979)	(540)
Pledges Receivable, Net	74,217	107,579
Less: Pledges Receivable, Current Portion	(27,350)	(26,000)
Pledges Receivable, Noncurrent Portion, Net	<u>\$ 46,867</u>	<u>\$ 81,579</u>

MCCOLL CENTER FOR ART + INNOVATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 3 PLEDGES RECEIVABLE, NET (CONTINUED)

Management periodically reviews pledges receivable for collectability and records an allowance for potential uncollectible amounts. Pledges receivable are recorded at their present value of future cash flows using credit adjusted risk-free rates of .42% and .19% for the years ended June 30, 2021 and 2020, respectively. Included in pledges receivable above are balances due from members of the Board of Directors totaling approximately \$1,000 at June 30, 2021. There were no balances due from members of the Board of Directors at June 30, 2020.

NOTE 4 BENEFICIAL INTEREST IN TRUSTS

The Center has three beneficial interests in the Greater Charlotte Cultural Trust (the Trust), a supporting center of the Foundation for the Carolinas (FFTC) under section 509(a)(3) of the Internal Revenue Code (IRC). The Trust is a separate legal entity with its own Board of Directors which oversees endowment administration, evaluates planned giving opportunities, and makes investment decisions. FFTC, a nonprofit center that serves donors, communities, and a broad range of charitable purposes in North and South Carolina, provides investment and administrative services for the Trust. The Center and other cultural partners with beneficial interests in the Trust receive distributions from the Trust in accordance with the spending policies described in Note 6.

The Trust is administered by FFTC, which maintains the Trust's investments with various fund managers. The Trust invests in a variety of investments, which are subject to fluctuations in market values and expose the Trust to a certain degree of interest and credit risk.

As noted previously, the pooled funds include investments in fund managers that invest in private investment funds and alternative investments 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. These investments are not traded on an exchange, and accordingly, may not be as liquid as investments in marketable equity or debt securities. These investment funds may invest in other 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 Trust receives the estimate of fair value of these investments from managers and relies on various factors, processes, and procedures to determine if the estimate of value is reasonable. However, information used by the Trust and by management is subject to change in the near term, and, accordingly, investment values and performance can be affected. The effect of these changes could be material to the financial statements.

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NOTE 5 FAIR VALUE MEASUREMENT OF ASSETS AND LIABILITIES (CONTINUED)

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The beneficial interest in trust is valued using the fair value of the assets in the trust as a practical expedient unless facts and circumstances indicate the fair value of the assets in the trust differs from the fair value of the beneficial interests. The key inputs for the level 3 beneficial interest in beneficial interest in perpetual trusts were determined on the fair value of the assets of the trust. The significant unobservable inputs used in the fair value measurements are allocated based on the portion of the underlying assets. There have been no changes in the methodologies used at June 30, 2021 and 2020.

The changes in net assets without donor restrictions, board-designated net assets in Note 6 presents the activity of the assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) during 2021 and 2020.

NOTE 6 ENDOWMENT FUNDS

The Center's endowment consists of the beneficial interests in the Greater Charlotte Cultural Trust (see Note 4). The endowment consists of three individual donor-restricted endowment funds. As required by GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Directors of the Center 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 restricted in perpetuity: (a) the original value of gifts donated to the endowment in perpetuity, (b) the original value of subsequent gifts to the endowment in perpetuity, and (c) accumulations to the endowment in perpetuity 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 perpetual in nature. The remaining portion of the donor restricted endowment fund that is not classified in perpetual in nature net assets is classified as net assets with donor restrictions until those amounts are appropriated for expenditure by the Center in a manner consistent with the standard of prudence prescribed by UPMIFA or spent in accordance with the purpose restrictions established by the donor.

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

1. The duration and preservation of the fund
2. The purposes of the Center 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 Center
7. The investment policies of the Center

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NOTE 6 ENDOWMENT FUNDS (CONTINUED)

FFTC administers the endowed funds of the Trust. The Board of Directors of the Trust and ultimately the Center 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 this policy, 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 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).

The Trust has a policy of appropriating for distribution each year up to a maximum of 5% of the average fair value over the prior 12 quarters through the calendar year preceding the fiscal year in which the distribution is planned. 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.

The Center's Board of Directors determines on an annual basis how much, if any, of the amount available for distribution will be withdrawn from the Trust. Once an amount is actually appropriated by the Center's Board of Directors for distribution, the funds to be distributed are reclassified from net assets with donor restrictions to net assets without donor restrictions.

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NOTE 6 ENDOWMENT FUNDS (CONTINUED)

Changes in the endowment net assets for the years ended June 30, 2021 and 2020 are as follows:

June 30, 2021	Without Donor Restriction	With Donor Restrictions	Total
Endowment Net Assets - Beginning of Year	\$ 537,792	\$ 6,689,955	\$ 7,227,747
Transfer from Board Designated Funds	(406,000)	-	(406,000)
Change in Beneficial Interests (see Note 4)	(1,666)	1,903,905	1,902,239
Allocation of Allowable Endowment for Spending		(300,000)	(300,000)
Endowment Net Assets - End of Year	<u>\$ 130,126</u>	<u>\$ 8,293,860</u>	<u>\$ 8,423,986</u>
June 30, 2020	Without Donor Restriction	With Donor Restrictions	Total
Endowment Net Assets - Beginning of Year	\$ -	\$ 6,925,800	\$ 6,925,800
Contribution	-	25,000	25,000
Transfer to Board Designated Funds	536,395	-	536,395
Change in Beneficial Interests (see Note 4)	1,397	43,629	45,026
Allocation of Allowable Endowment for Spending	-	(304,474)	(304,474)
Endowment Net Assets - End of Year	<u>\$ 537,792</u>	<u>\$ 6,689,955</u>	<u>\$ 7,227,747</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 Center perpetual in nature net assets (corpus). At June 30, 2021 and 2020, the fair value of all individual funds exceeded corpus.

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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 7 NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist of the following as of June 30:

	<u>2021</u>	<u>2020</u>
Restricted for Purpose:		
Windgate Foundation	\$ 125,000	\$ 125,000
Reimprise FY20	-	12,227
THRIVE	225,168	500,000
COVID Response	3,866	30,000
Knight Foundation	-	22,920
Scholarships	14,240	-
Internships	10,057	-
Art Master Class	6,000	-
Artists of Color Workshop	30,000	-
Rent Subsidies	1,617	-
Restricted for Time:		
Endowment Investment Earnings	1,778,535	174,630
Grants Receivable	8,334	16,667
Pledges Receivable	74,217	107,581
Restricted in Perpetuity:		
Corpus of Beneficial Interests	<u>6,515,325</u>	<u>6,515,325</u>
Total Net Assets	<u>\$ 8,792,359</u>	<u>\$ 7,504,350</u>

Net assets released from restrictions by incurring expenses satisfying the restricted purposes, by occurrence of events specified by donors, or the passage of time during the years ended June 30 were as follows:

	<u>2021</u>	<u>2020</u>
Restricted for Purpose:		
Windgate Foundation Receivable	\$ 125,000	\$ 100,000
Reimprise FY20	12,227	2,773
Blumenthal Foundation	-	6,666
THRIVE	274,832	-
Knight Foundation	22,920	-
COVID Response	26,134	-
Restricted for Time:		
Endowment Spending Allocation	300,000	304,474
Grants Receivable	8,333	-
Pledge Receivables	<u>34,712</u>	<u>29,216</u>
Total Net Assets Released from Restrictions	<u>\$ 804,158</u>	<u>\$ 443,129</u>

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NOTES TO FINANCIAL STATEMENTS
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NOTE 8 PROPERTY AND EQUIPMENT

Property and equipment consists of the following at June 30, 2021 and 2020:

	2021	2020
Buildings	\$ 5,988,821	\$ 5,468,817
Furniture, Fixtures, and Equipment	415,831	724,368
Condominium Units	937,719	937,719
Total Depreciable Assets	7,342,371	7,130,904
Less: Accumulated Depreciation	(3,863,615)	(4,051,385)
Depreciable Assets, Net	3,478,756	3,079,519
Land	2,208,439	2,208,439
Construction In Progress	30,699	20,305
Property and Equipment, Net	\$ 5,717,894	\$ 5,308,263

At June 30, 2021 and 2020, the amounts in construction in progress were related to costs for an interior renovation project.

NOTE 9 NOTES PAYABLE

In April 2020, the Center entered into a new unsecured promissory note (the PPP Loan One) with a lender in the amount of \$122,232 under the Paycheck Protection Program (PPP) established by section 1102 of the CARES Act and as implemented and administered by the Small Business Administration (SBA). Under the terms of the agreement, the PPP Loan One bears an interest rate of 1.0% and will be repaid in 18 monthly installments of \$6,873 beginning in October 2020. The outstanding balance on the PPP Loan One at June 30, 2020 was approximately \$122,000. As of June 30, 2021, the SBA had formally forgiven the Center's obligation under PPP Loan One, and as such, has recognized approximately \$123,000, comprised of approximately \$122,000 of principal and \$1,000 of accrued interest, as forgiveness of debt on the accompanying statement of activities for the year ended June 30, 2021.

In February 2021, the Center entered into a new unsecured promissory note (the PPP Loan Two) with a lender in the amount of \$122,232 under the PPP established by section 1102 of the CARES Act and as implemented and administered by the SBA. Under the terms of the agreement, the PPP Loan Two bears an interest rate of 1.0% and will mature on the fifth anniversary of the date of the PPP Loan Two in February 2026. Ten months after the covered period of twenty-four weeks, the first monthly installment of approximately \$2,741 will be due. The outstanding balance of the PPP Loan Two at June 30, 2021 was \$122,000.

Under the PPP, all or a portion of the loan may be forgiven. The actual amount of the loan forgiveness will depend, in part, on the total amount of payroll costs, rent payments, and utility payments paid by the Center during the twenty-four week period following the PPP Loan Two. The SBA may review funding eligibility and usage of funds in compliance with the program based on dollar thresholds and other factors. The amount of liability, if any, from potential noncompliance cannot be determined with certainty, however management is of the opinion that any review will not have a material adverse impact on the Center's financial position. Subsequent to year end, management applied for full forgiveness of the PPP Loan

**MCCOLL CENTER FOR ART + INNOVATION
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NOTE 9 NOTES PAYABLE (CONTINUED)

Two. On August 25, 2021, full forgiveness of the PPP Loan Two of approximately \$122,000 was approved by the SBA.

In May 2020, the Center entered into a SBA Note Payable with a lender in the amount of \$150,000. Under the terms of the agreement, the SBA Note Payable is collateralized by all the Center's tangible and intangible personal property. The SBA Note Payable is payable in monthly installments of \$641, including interest at 2.75%, beginning in May 2021, being applied first to interest accrued to the date of the payment. In 2021 the SBA extended the deferment period to twenty-four months; payments of principal and interest will now begin in June 2022. The outstanding balance on the SBA Note Payable at June 30, 2021 was approximately \$150,000.

Scheduled principal payments on the Note for the years subsequent to June 30, 2021 are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2022	\$ 4,123
2023	35,242
2024	35,657
2025	36,077
2026	25,524
Thereafter	135,509
Total Note Payable	<u><u>\$ 272,132</u></u>

NOTE 10 LINE OF CREDIT

The Center has a \$250,000 secured line of credit at an interest rate of bank's prime rate plus 1.5%, which was 4.75% at June 30, 2021. The line is secured by certain fixed assets of the Center. This agreement was originally dated September 8, 2014 and during the year ended June 30, 2021 was extended to expire on September 30, 2021. There was no outstanding balance on this line of credit at June 30, 2021 and 2020.

NOTE 11 CAPITAL LEASE PAYABLE

The Corporation leases equipment under long-term lease agreements. A schedule of leased equipment under capital leases are as follows:

	<u>2021</u>	<u>2020</u>
Moveable Equipment	\$ 92,085	\$ 92,085
Less: Accumulated Amortization	(55,251)	(36,834)
	<u><u>\$ 36,834</u></u>	<u><u>\$ 55,251</u></u>

Amortization costs associated with capital leases is included in depreciation and amortization expense. For the years ended June 30, 2021 and 2020, amortization costs were approximately \$18,000.

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NOTES TO FINANCIAL STATEMENTS
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NOTE 11 CAPITAL LEASE PAYABLE (CONTINUED)

Future minimum lease payments and present values of the net minimum lease payments are as follows:

Year Ending June 30,	Capital Leases
2022	\$ 19,159
2023	20,638
2024	8,553
Total Minimum Lease Payments	48,350
Less: Amount Representing Interest	(3,700)
Capital Lease Obligation	\$ 44,650

NOTE 12 EMPLOYEE BENEFITS PLANS

The Center has a defined contribution retirement savings plan (the Plan) under Section 403(b) of the IRC. The Center makes a 50% match of the employee's contribution up to 5% of an employee's salary. An employee becomes eligible to participate in the Plan after one year of service, and the employer match vests 25% per year, fully vesting after the fifth year of service. During the years ended June 30, 2021 and 2020, the Center contributed a total of approximately \$4,000 and \$3,000, respectively, to the Plan.

NOTE 13 MANAGEMENT SERVICES AGREEMENT

During the year ended June 30, 2018, the Center entered into a services agreement with an unrelated third-party, who performs the finance and human resources functions for the Center. This agreement provides that the monthly payments are to be determined annually. The amount of the monthly totals were \$9,086 for the years ended June 30, 2021 and 2020. In addition, the Center is responsible for the implementation costs, of which approximately \$2,500 was included in accrued liabilities in the accompanying statements of financial position at June 30, 2020.

NOTE 14 OPERATING LEASES

The Center leases the Center's condominium units not being used by resident artists. Total lease income for the years ended June 30, 2021 and 2020 was approximately \$3,000 and \$35,000, respectively. The leases typically do not extend beyond one-year terms.

**MCCOLL CENTER FOR ART + INNOVATION
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NOTE 15 SPECIAL EVENTS

Special events revenue and expenses consist of the following at June 30:

	<u>2021</u>	<u>2020</u>
Revenue	\$ 112,921	\$ 78,650
Expense	<u>(55,362)</u>	<u>(9,301)</u>
Net Revenue	<u>\$ 57,559</u>	<u>\$ 69,349</u>

NOTE 16 CONCENTRATION OF CREDIT RISK

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

The Center has recognized unconditional promises to give from donors in future years. Ultimately, realization of these amounts is influenced by economic conditions in areas which these donors reside, as well as other events/conditions which may affect the donors' intention or ability to give.

NOTE 17 RISKS AND UNCERTAINTIES

The Center participates in a number of federal and state grant programs, the expenditures for which are subject to audit from the respective funding agencies and/or the General Accounting Office. Upon examination, expenditures could be disallowed and refunds required. Management has not been notified that any such audits are forthcoming, and is not aware of any expenditures for which such disallowances and refunds would be required by funding agencies.

The Center invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and such changes could materially affect the amounts reported on the statement of financial position.

In March 2020, the World Health Organization declared Coronavirus (COVID-19) a pandemic. The continued spread of COVID-19, or any similar outbreaks in the future, may adversely impact the local, regional, national, and global economies. The extent to which COVID-19 impacts the Center's results are dependent on the breadth and duration of the pandemic and could be affected by other factors currently unable to be predicted. These impacts may include, but are not limited to additional costs for emergency preparedness or loss of revenue due to reductions in certain revenue streams. Management believes the Center is taking appropriate actions to mitigate the negative impact. However, the full impact is unknown and cannot be reasonably estimated at this time.

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NOTE 18 LIQUIDITY

The Center strives to maintain liquid assets sufficient to cover 30 days of general expenditures. The Center receives significant grants and contributions for services that are ongoing and central to its annual operations to be available to meet cash needs. Additionally, the Center relies on allocation of allowable endowment balance for spending to meet operating expenses. Occasionally, the Center receives contributions and grants restricted by donors and subject to expenditures for specific purposes or within a specific timeframe. Those contributions are considered to be available to meet cash needs for general operations if the restrictions are anticipated to be met within one year.

The following table reflects the Center's financial assets available within one year of the statements of financial position for general expenditures as of June 30, 2021 and 2020:

	2021	2020
Cash and Cash Equivalents	\$ 1,186,501	\$ 1,305,107
Pledges Receivable, Current Portion, Net	27,350	26,000
Grants Receivable	8,334	71,254
Other Receivables	18,816	4,078
Total	<u>1,241,001</u>	<u>1,406,439</u>
Less: Net Assets with Donor Restrictions Subject to Expenditure for Specific Purpose	<u>(415,948)</u>	<u>(690,147)</u>
Total Net Financial Assets Available to Meet Liquidity Needs	<u><u>\$ 825,053</u></u>	<u><u>\$ 716,292</u></u>

The Center also has a line of credit available to meet short-term needs. See Note 10 for information about the arrangement.