



Middleton Place Foundation and Subsidiaries

Consolidated Financial Statements and Supplementary Information

Years Ended June 30, 2021 and 2020



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Independent Auditors' Report

Board of Trustees
Middleton Place Foundation and Subsidiaries
Charleston, South Carolina

We have audited the accompanying consolidated financial statements of Middleton Place Foundation and Subsidiaries (the "Organization"), which comprise the consolidated statement of financial position as of June 30, 2021 and the related consolidated statements of activities and changes in net assets, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Middleton Place Foundation and Subsidiaries as of June 30, 2021, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.



Supplementary Information

The supplementary information included in the accompanying consolidating schedules is presented for purposes of additional analysis and is not a required part of the basic consolidated financial statements. The information is the representation of management. We have not audited or reviewed such information and, accordingly, we do not express an opinion, a conclusion, or provide any assurance on it.

Prior Period Consolidated Financial Statements

The 2020 consolidated financial statements and supplementary schedules were reviewed by us, and our report thereon, dated October 20, 2020, stated we were not aware of any material modifications that should be made to those statements for them to be in conformity with accounting principals generally accepted in the United States of America. However, a review is substantially less in scope than an audit and does not provide a basis for the expression of an opinion of the consolidated financial statements.

Dixon Hughes Goodman LLP

Charleston, South Carolina
February 16, 2022

Middleton Place Foundation and Subsidiaries
Consolidated Statements of Financial Position
June 30, 2021 and 2020

	(Audited) 2021	(Reviewed) 2020
ASSETS		
Cash and cash equivalents	\$ 3,029,425	\$ 1,195,433
Investments	4,846,355	4,566,005
Investments - endowment	1,164,678	892,302
Accounts receivable	317,493	19,013
Inventories	171,057	175,570
Prepaid expenses	33,261	18,470
Due from related parties	926	156,074
Other assets	24,750	20,750
Deferred tax asset	399,347	399,347
Property and equipment, net	22,440,930	13,783,334
Collection items	2,563,604	2,563,604
Conservation easements	1,712,400	1,712,400
	<u>36,704,226</u>	<u>25,502,302</u>
Total assets	<u>\$ 36,704,226</u>	<u>\$ 25,502,302</u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable	\$ 284,263	\$ 115,647
Accrued expenses	353,982	190,306
Deferred membership dues	94,574	72,944
Group deposits	449,766	1,033,832
Notes payable, net of unamortized issuance costs	2,569,637	381,465
Paycheck Protection program notes payable	1,680,160	833,200
Due to related parties	67,460	-
	<u>5,499,842</u>	<u>2,627,394</u>
Total liabilities	<u>5,499,842</u>	<u>2,627,394</u>
Net assets:		
Without donor restrictions	27,972,345	20,258,287
With donor restrictions:		
Program related	354,961	11,919
Endowments and perpetual in nature	2,877,078	2,604,702
	<u>3,232,039</u>	<u>2,616,621</u>
Total net assets	<u>31,204,384</u>	<u>22,874,908</u>
Total liabilities and net assets	<u>\$ 36,704,226</u>	<u>\$ 25,502,302</u>

Middleton Place Foundation and Subsidiaries
Consolidated Statements of Activities and Changes in Net Assets
Year Ended June 30, 2021

	Without Donor Restrictions	With Donor Restrictions	(Audited) 2021 Total
Revenues, gains and other support:			
Garden and stableyard admissions	\$ 1,423,166	\$ -	\$ 1,423,166
Middleton Place House admissions	336,515	-	336,515
Edmondston-Alston House admissions	221,018	-	221,018
Middleton Inn room revenue	614,796	-	614,796
Middleton Inn food service sales	17,787	-	17,787
Carriages	45,319	-	45,319
Middleton Place food service sales	2,215,883	-	2,215,883
Museum shop	239,625	-	239,625
Garden market	187,762	-	187,762
Memberships	149,105	-	149,105
Special events	447,597	-	447,597
Labor/equipment reimbursement	116,857	-	116,857
Organic farm	4,970	-	4,970
Outdoor program	3,025	-	3,025
Grants	25,930	298,638	324,568
Contributions	572,871	133,087	705,958
Gift of the Inn at Middleton Place	6,264,128	-	6,264,128
Interest income	26,513	-	26,513
Investment income	1,020,328	220,288	1,240,616
Other income	82,101	-	82,101
Net assets released from restrictions	36,595	(36,595)	-
Total revenues, gains and other support	14,051,891	615,418	14,667,309
Expenses:			
Program services	2,484,554	-	2,484,554
Management and general	3,853,279	-	3,853,279
Total expenses	6,337,833	-	6,337,833
Increase in net assets before provision for income taxes	7,714,058	615,418	8,329,476
Provision for income taxes	-	-	-
Increase in net assets	7,714,058	615,418	8,329,476
Net assets at beginning of year	20,258,287	2,616,621	22,874,908
Net assets at end of year	\$ 27,972,345	\$ 3,232,039	\$ 31,204,384

Middleton Place Foundation and Subsidiaries
Consolidated Statements of Activities and Changes in Net Assets
Year Ended June 30, 2020

	Without Donor Restrictions	With Donor Restrictions	(Reviewed) 2020 Total
Revenues, gains and other support:			
Garden and stableyard admissions	\$ 1,128,958	\$ -	\$ 1,128,958
Middleton Place House admissions	282,085	-	282,085
Edmondston-Alston House admissions	218,922	-	218,922
Carriages	81,516	-	81,516
Middleton Place food service sales	1,784,000	-	1,784,000
Museum shop	223,354	-	223,354
Garden market	178,720	-	178,720
Memberships	151,830	-	151,830
Special events	184,435	-	184,435
Labor/equipment reimbursement	120,281	-	120,281
Organic farm	5,101	-	5,101
Outdoor program	3,231	-	3,231
Contributions	467,339	38,015	505,354
Contributed collection items	135,119	-	135,119
Grants	27,150	-	27,150
Interest income	4,964	-	4,964
Investment income	52,628	37,368	89,996
Other income	51,347	-	51,347
Net assets released from restrictions	42,203	(42,203)	-
Total revenues, gains and other support	5,143,183	33,180	5,176,363
Program services	2,588,475	-	2,588,475
Management and general	3,940,783	-	3,940,783
Total expenses	6,529,258	-	6,529,258
(Decrease) increase in net assets before provision for income taxes	(1,386,075)	33,180	(1,352,895)
Provision for income taxes	-	-	-
(Decrease) increase in net assets	(1,386,075)	33,180	(1,352,895)
Net assets at beginning of year	21,644,362	2,583,441	24,227,803
Net assets at end of year	\$ 20,258,287	\$ 2,616,621	\$ 22,874,908

See independent auditors' report.

Middleton Place Foundation and Subsidiaries
Consolidated Statements of Cash Flows
Years Ended June 30, 2021 and 2020

	(Audited) 2021	(Reviewed) 2020
Cash flows from operating activities:		
Change in net assets	\$ 8,329,476	\$ (1,352,895)
Adjustments to reconcile net assets to net cash provided (used) by operating activities:		
Depreciation	393,957	274,625
Amortization of debt issuance costs	5,556	-
Net realized and unrealized (gain) loss on investments	(1,150,115)	16,121
Contributions restricted for long-term investment	(52,088)	(12,750)
Donated collection items	-	(135,119)
Gain on disposal of assets	-	(1,615)
Noncash contributions - Gift of the Inn	(6,264,128)	-
Change in operating assets and liabilities:		
Accounts receivable	(298,480)	40,624
Inventories	4,513	(658)
Prepaid expenses	(14,791)	6,625
Due from related parties	(261,724)	(83,239)
Other assets	(4,000)	-
Accounts payable and accrued expenses	332,292	(157,806)
Deferred membership dues	21,630	(3,340)
Group deposits	(584,066)	609,518
Due to related parties	13,460	(10,932)
Net cash provided (used in) by operating activities	471,492	(810,841)
Cash flows from investing activities:		
Purchases of property and equipment	(2,316,553)	(345,976)
Proceeds from sale of collection items	-	4,200
Proceeds from sales of investments	2,310,280	5,332,714
Purchases of investments	(1,712,891)	(4,978,076)
Net cash (used in) provided by for investing activities	(1,719,164)	12,862
Cash flows from financing activities:		
Contributions restricted for long-term investment	52,088	12,750
Payments on notes payable	(93,132)	(89,688)
Proceeds from notes payable	2,309,083	-
Payment of loan costs	(33,335)	-
Proceeds from Paycheck Protection program notes payable	846,960	833,200
Net cash provided by for financing activities	3,081,664	756,262
Net change in cash	1,833,992	(41,717)
Cash and cash equivalents at beginning of year	1,195,433	1,237,150
Cash and cash equivalents at end of year	\$ 3,029,425	\$ 1,195,433
Supplemental disclosures:		
Property and equipment received in gift of the Inn	\$ 6,735,000	\$ -
Noncash donations of collection items	\$ -	\$ 135,119
Equipment acquired under note payable	\$ -	\$ 40,227
Cash paid for interest	\$ 21,474	\$ 27,030

See independent auditors' report.

Notes to Consolidated Financial Statements

1. Description of Organization and Significant Accounting Policies

Nature of Operations

Middleton Place Foundation (“the Foundation”) is a nonprofit trust created for charitable and educational purposes. The Foundation is the sole owner of Middleton Place Registered National Historic Landmark, Inc. (“Landmark”), Middleton Operating Corporation (“Operating Corp.”), and The Inn at Middleton Place, LLC (“The Inn”). Collectively, the Foundation and its Subsidiaries are referred to herein as the “Organization”.

The Foundation’s mission is to sustain the highest levels of preservation and interpretation for the collections and programs of the Middleton Place National Historic Landmark gardens, house, plantation stableyards and the Edmondston-Alston House Museum. Operating Corp. is primarily engaged in providing kayaking tours to visitors of Middleton Place through a third-party operator. The Inn provides hotel accommodations and a conference space, and guests staying at the Inn receive admission to the gardens, house and plantation stableyards through a joint operating agreement.

Principles of Consolidation

The consolidated financial statements include the accounts of the Foundation and its wholly-owned subsidiaries. All significant inter-organization transactions and balances have been eliminated in consolidation. The operations of Landmark, Operating Corp., and The Inn are presented in the without donor restrictions net asset class.

Use of Estimates

The preparation of the consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities at the date of the consolidated financial statements, the disclosure of contingent assets and liabilities, and the reported amounts of revenues and expenses. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents

For purposes of the consolidated statements of cash flows, the Organization considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents, except for cash held in its long-term investment portfolio.

Investments

Investment are recorded at cost when purchased, or if donated, at fair value on the date of donation. Thereafter, investments are reported at their fair values in the consolidated statements of financial position. Investment income or loss (including gains and losses on investments, interest, and dividends) is included in the consolidated statement of activities. Investment income is recorded net of investment expenses. Realized gains or losses on investments are determined by comparison of specific cost of acquisition to proceeds at the time of disposal. Unrealized gains or losses are calculated by comparing cost to market values at the statement of financial position date.

Loan costs

Loan costs related to a recognized debt liability are presented on the accompanying consolidated statement of financial position as a direct deduction from the carrying amount of the note payable. Amortization of loan costs is recognized as interest expense in the accompanying consolidated statements of operations. The Company recorded interest expense related to amortization of loan costs of \$5,556 for the year ended June 30, 2021.

Accounts Receivable

Accounts receivable represent unsecured amounts due from customers and are reported at net realizable value. The Organization determines receivables to be past due based on the contractual terms. The Organization writes off accounts as bad debt when management determines the account will not be collected. Management believes all accounts receivable are collectible and has not established an allowance for doubtful accounts.

Inventories

Inventories consist of printed advertising and visitor materials, restaurant food and beverage items and merchandise sold in the museum shop and garden market. Inventories are carried at the lower of cost or net realizable value using the first-in, first-out method.

Collections

Collection items include antique furnishings, paintings, and historical documents. Such items are carried at cost, if purchased, or at fair market value at the date of donation, if contributed. Depreciation is not recorded for such items. It is the policy of the Organization that proceeds from the sale of any collection items are to be used to purchase additional collection items.

Property and Equipment

Property and equipment are recorded at cost if purchased, donated property and equipment are recorded at their estimated fair values at the time of gift, and depreciated on the straight-line method over the assets' estimated useful lives. Expenditures in excess of \$1,000 for acquisitions of property and equipment and major improvements that extend the useful lives of property and equipment are capitalized. Expenditures for maintenance and repairs are charged to expense as incurred.

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 restrictions.

Net Assets With Donor Restrictions – Net assets subject to donor-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. The Foundation reports contributions restricted by donors as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. 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 consolidated statements of activities as net assets released from restrictions.

Adoption of New Accounting Standard

In May 2014, the FASB issued ASU 2014-09, "Revenue from Contracts with Customers (Topic 606)". The ASU and all subsequently issued clarifying ASUs partially supersede not-for-profit industry specific guidance and substantially all existing revenue recognition guidance in U.S. GAAP. The scope of the new revenue standard applies to all contracts with customers and more specifically requires a not-for-profit to determine whether their transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of Topic 958: Contributions, or as an exchange (reciprocal transaction) within the scope of ASC 606. The ASU also required expanded disclosures relating to the nature, amount, timing, and uncertainty of revenue and cash flows arising from arrangements with customers. The Organization adopted the new standard effective July 1, 2020, the first day of the Organization's fiscal year using the modified retrospective approach. Based on the Organization's evaluation process and review of its arrangements with customers, the timing and amount of revenue recognized previously is consistent with how revenue is recognized under the new standard. No changes were required to previously reported revenues as a result of the adoption.

Revenue from Exchange Transactions

Revenues from exchange transactions includes membership dues, admissions, food and beverage sales, merchandise sales, special events, hotel room rentals, and other operating revenues. Revenues are recognized when control of goods or services are transferred to its customers, in an amount that reflects the consideration the Organization expects to be entitled to in exchange for those products or services. Revenues from admissions, the restaurant, museum shops, special events, hotel room rentals, and other operating revenues are recognized at a point in time when the respective good or service is provided. When payment is received from the customers before the goods have been provided or services have been performed, the amount received is recorded as advance deposits until admission or the event occurs.

Membership dues are recognized as revenue ratably over the respective membership period, which is one year. Membership dues paid to the Organization in advance are recorded as deferred revenue.

The Organization's revenue activities do not generally contain variable consideration. Sales and other taxes the Organization collects concurrent with revenue-producing activities are excluded from revenue. The Organization does not have any significant financing components related to member dues or other revenue producing activities.

Revenue from Non-Exchange Transactions

Revenues from non-exchange transactions includes contributions and grants for which the donor or grantor does not receive commensurate value from the Organization. Non-exchange transactions are recorded as increases to net assets without donor restrictions or net assets with donor restrictions depending upon the existence and/or nature of donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), the restricted net assets are reclassified to net assets without donor restrictions and reported in the consolidated statement of activities as net assets released from restrictions. It is the Organization's policy to record restricted contributions received and expended in the same accounting period as net assets without donor restrictions.

Contributed Services

A substantial number of unpaid volunteers have made significant contributions of their time to develop the Organization's educational programs. The value of this contributed time is not reflected in these consolidated financial statements since they do not meet the criteria for revenue recognition under accounting principles generally accepted in the United States of America.

Contributed Assets and Collection Items

Donations of securities, collection items, conservation easements, property and equipment and other assets are recorded at estimated fair market value when received, provided that the Organization has a clearly measurable and objective basis for determining the value. If values are not reasonably determinable, the donations are not recorded.

Functional Classification of Expenses

Directly identifiable expenses are charged to programs and supporting services and have been summarized on a functional basis in the accompanying consolidated statements of activities and changes in net assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Note 13 presents the natural classification detail of the expenses by function. For the years ended June 30, 2021 and 2020, fundraising expenses that totaled \$90,965 and \$93,546, respectively, are included in management and general expenses.

Advertising Costs

Advertising costs are expensed as incurred. For the years June 30, 2021 and 2020, total advertising, fundraising and development expenses were \$123,383 and \$217,847, respectively.

Income Taxes

Middleton Place Foundation is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code; accordingly, the accompanying consolidated financial statements do not reflect a provision or liability for federal and state income taxes for Middleton Place Foundation.

Landmark, Operating Corp., and The Inn are taxed as C-corporations. As a result, income taxes are provided for the tax effects of transactions reported in the consolidated financial statements. Deferred income taxes are provided for the estimated tax effects of differences between the financial statement carrying amounts and the tax bases of recognized assets and liabilities. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more-likely-than-not that some portion or all of the deferred tax assets will not be realized.

Tax positions must meet a recognition threshold of more-likely-than-not in order for the benefit of those tax positions to be recognized in the Organization's consolidated financial statements. The Organization has determined that it does not have any material unrecognized tax benefits or obligations as of June 30, 2021 and 2020.

Recently Issued Accounting Standards Not Yet Adopted

In February 2016, the FASB issued ASU 2016-02, "Leases". Under the new standard, lessees will need to recognize a right-of-use asset and a lease liability for virtually all their leases (other than leases that meet the definition of a short-term lease). The liability will be equal to the present value of lease payments. For consolidated statement of activity purposes, the FASB continued the dual model, requiring leases to be classified as either operating or finance. Operating leases will result in straight-line expense (similar to current operating leases) while finance leases will result in a front-loaded expense pattern (similar to current capital leases). Classification will be based on criteria that are largely similar to those applied to current lease accounting. This guidance requires enhanced disclosures, must be adopted using a modified retrospective transition model, and provides for certain practical expedients. The new standard is effective for the Organization July 1, 2022. The Organization is currently evaluating the impact on its consolidated financial statements upon the adoption of this new standard.

Subsequent Events

The Organization has evaluated subsequent events through February 16, 2022, the date the consolidated financial statements were available to be issued.

2. Concentration of Credit Risk

The Organization maintains bank accounts at various financial institutions covered by the FDIC. At times, the Organization may maintain bank balances in excess of the FDIC insured limits. It is management's opinion that the Organization is not exposed to any significant credit risk related to cash.

The Organization grants credit to its customers for which no collateral is required. The Organization's exposure to credit loss in the event of nonperformance by its customers is the amount in accounts receivable at the time of default.

3. Liquidity and Availability of Resources

Financial assets available for general expenditure, without donor or other restrictions limiting their use, within one year of June 30, 2021, are comprised of the following:

Cash and cash equivalents	\$ 3,029,425
Investments	<u>4,846,355</u>
Total available for general expenditure within one year	<u>\$ 7,899,900</u>

The Organization funds its operations primarily through admissions and operating revenues but may utilize its investment reserves to fund operations as required from time to time.

Additionally, the Organization maintains a \$300,000 revolving line of credit, as disclosed in more detail in Note 6. As of June 30, 2021, there were no amounts outstanding under the line of credit.

4. Investments

Investments at June 30, 2021 and 2020 are summarized as follows:

	(Audited) 2021		Net Unrealized Gain (Loss)
	Cost	Fair Value	
Cash and cash equivalents	\$ 150,234	\$ 150,234	\$ -
Equities	3,208,571	3,923,424	714,853
Fixed income	1,674,455	1,689,400	14,945
Real estate and other	<u>251,165</u>	<u>247,975</u>	<u>(3,190)</u>
	<u>\$ 5,284,425</u>	<u>\$ 6,011,033</u>	<u>\$ 726,608</u>

	(Reviewed) 2020		Net Unrealized Gain (Loss)
	Cost	Fair Value	
Cash and cash equivalents	\$ 743,433	\$ 743,433	\$ -
Equities	2,786,044	3,059,426	273,382
Fixed income	1,164,913	1,166,473	1,560
Real estate and other	510,329	488,975	(21,353)
	<u>\$ 5,204,719</u>	<u>\$ 5,458,307</u>	<u>\$ 253,589</u>

The following schedule summarizes the investment return and its classification in the consolidated statements of activities and changes in net assets for the years ended June 30, 2021 and 2020:

	(Audited) 2021	(Reviewed) 2020
Interest and dividends	\$ 125,096	\$ 142,069
Less investment fees	(34,595)	(35,952)
Net realized and unrealized gains (losses)	<u>1,150,115</u>	<u>(16,121)</u>
Total investment income	<u>\$ 1,240,616</u>	<u>\$ 89,996</u>

5. Fair Value of Financial Assets and Liabilities

Fair value as defined under accounting principles generally accepted in the United States of America (GAAP) is an exit price, representing the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. GAAP establishes a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value. These tiers include:

- Level 1: Observable inputs such as quoted prices in active markets.
- Level 2: Inputs other than quoted prices in active markets that are either directly or indirectly observable.
- Level 3: Unobservable inputs about which little or no market data exists, therefore requiring an entity to develop its own assumptions.

Assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. The Organization's assessment of the significance of a particular input to the fair value measurement requires judgment, and may affect the valuation of fair value assets and liabilities and their placement within the fair value hierarchy levels. There have been no changes in the methodologies used at June 30, 2021 and 2020.

When quoted prices are available in active markets for identical instruments, investment securities are classified within Level 1 of the fair value hierarchy. The Organization's investments measured at fair value on a recurring basis are classified as Level 1 assets.

6. Line of Credit

The Organization maintains a \$300,000 revolving unsecured line of credit with a financial institution which bears interest at the financial institution's Prime Rate plus 2.0% with a floor of 5.25%, and automatically renews annually. There were no amounts outstanding under the line of credit at June 30, 2021 and 2020.

7. Notes Payable

The Organization entered in an installment purchase agreement, on January 1, 2015, for the purchase of a collection item for \$821,229. The balance is to be paid over a ten year term, with the initial payment of \$75,000 paid on July 1, 2015, and subsequent payments, increasing 2% per annum, to be made annually, until the final payment is made on July 1, 2024. At June 30, 2021 and 2020, the outstanding balance on the note payable was \$263,658 and \$348,120, respectively.

The Organization entered in an equipment note agreement with Kubota Credit Corporation on January 24, 2020 for the purchase of certain equipment. The balance is to be paid over a four-year term in monthly payments of \$849 including interest at the rate of 4.9%. The outstanding balance of the note payable at June 30, 2021 and 2020 was \$24,675 and \$33,345, respectively.

On December 31, 2020, the Organization entered into a promissory note with Beacon Community Bank in the amount of \$3,000,000. The requires monthly installment payments of accrued interest only beginning on February 3, 2021 through January 3, 2023. Thereafter, the note requires monthly installment payments of \$15,100 beginning on February 3, 2023 through December 3, 2023 with a final balloon payment of the remaining unpaid principal and interest on December 31, 2023. The note bears interest at 3.5% and is secured by the mortgage of the property at The Inn. The outstanding balance of the promissory note at June 30, 2021 was \$2,309,083. The promissory note is shown net of deferred loan costs of \$27,779.

8. Paycheck Protection Program Notes Payable

In response to the COVID-19 pandemic, the Coronavirus Aid, Relief and Economic Security (CARES) Act provides for the establishment of the Paycheck Protection Program (PPP), a new loan program under the Small Business Administration's 7(a) program providing loans to qualifying businesses. Additionally, loans originated under this program may be forgiven, in whole or in part, if certain criteria are met.

The Organization received PPP loans totaling \$1,687,160. In April and May of 2020, Landmark and Foundation received their first PPP loans totaling \$642,100 and \$191,100, respectively. In February and March of 2021, Landmark and Foundation received their second PPP loans totaling \$642,826 and \$204,134, respectively. In order to be forgiven, funds from these loans may only be used to satisfy payroll costs, costs used to continue health care benefits, mortgage payments, rent, utilities, and interest on certain other debt obligations. The Organization believes it has used the proceeds of the loans for qualifying expenses under the PPP. However, additional steps must be taken to apply for and receive forgiveness. The loans accrue interest at a rate of 1%. The first round of PPP loans has an original maturity date of five years with the second round of PPP loans having an original maturity date of two years. Payments on these loans are deferred during the deferral period, which began on the loan origination date and extends for 10 months beyond the last day of the Organization's covered period. Any unforgiven portion of the PPP loan is payable in equal installments of principal and interest from the end of the deferral period through the scheduled maturity date.

Middleton Place Foundation and Subsidiaries
Notes to Consolidated Financial Statements

In September 2021, the Organization received a notification from the lender and Small Business Administration that the first round of PPP loans, totaling \$833,200, had been forgiven and the Organization had been relieved of its obligation for these liabilities. Management expects that a substantial portion, if not all, of the second round of PPP loans will be forgiven based on current ongoing payroll, rent, and utilities expenses.

9. Property and Equipment

Major classifications of property and equipment consist of the following at June 30:

	Estimated Useful Life in Years	(Audited) 2021	(Reviewed) 2020
Land and land improvements	0 – 15	\$ 11,733,375	\$ 10,715,529
Buildings and improvements	7 – 40	12,553,172	5,531,960
Furniture, fixtures, and equipment	5 – 10	1,878,017	1,248,724
Restoration and conservation costs	12 – 25	14,848	14,848
Animals	5 – 7	20,315	20,315
Carriages	5 – 7	34,957	34,957
Automobiles and trucks	7	48,514	48,514
Website	5	129,755	126,574
Construction in progress	N/A	<u>389,710</u>	<u>10,842</u>
		26,802,663	17,752,263
Less: accumulated depreciation		<u>(4,361,733)</u>	<u>(3,968,929)</u>
Property and equipment, net		<u>\$ 22,440,930</u>	<u>\$ 13,783,334</u>

Depreciation expense charged to operations for the years ended June 30, 2021 and 2020 was \$393,957 and \$274,625, respectively. Construction in progress is stated at cost and no provision for depreciation is made on construction in progress until such time as the relevant assets are completed and placed into service.

10. Endowments

The Organization has interpreted the Uniform Prudent Management of Institutional Funds Act (“UPMIFA”) as requiring the preservation of the fair value of the original gift of the donor-restricted endowment funds absent explicit donor stipulation to the contrary. As a result of this interpretation, the Organization classifies as restricted net assets (a) the original value of gifts donated to the endowment, (b) the original value of subsequent gifts to the endowment, and (c) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

The Organization maintains donor-restricted endowment funds in net assets with donor restrictions until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA.

Middleton Place Foundation and Subsidiaries
Notes to Consolidated Financial Statements

Return Objectives and Risk Parameters

The Organization has adopted an investment policy for endowment assets that attempts to provide predictable earnings 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 allow the endowment assets to grow while assuming a moderate level of investment risk. To satisfy its long-term rate-of-return objectives, the Organization 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 Organization targets a diversified asset allocation that places a greater emphasis on mutual funds with an equity-based focus to achieve its long-term return objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Organization has an adopted policy of accumulating the endowment's investment earnings and not appropriating any amounts for expenditure on an annual basis. It is the Organization's policy to accumulate the investment earnings until the funds are needed for conservation measures that are the result of an unanticipated event such as a major hurricane. At that time, the Organization may appropriate for expenditure an amount up to but not exceeding the real rate of return on the endowment investments.

The table below sets forth the Organization's endowment net assets based on the existence of donor-imposed restrictions endowment net assets.

	<u>(Audited)</u> <u>2021</u>	<u>(Reviewed)</u> <u>2020</u>
Endowment net assets as of June 30, 2020	\$ 892,302	\$ 842,184
Contributions	52,088	12,750
Investment income	<u>220,288</u>	<u>37,368</u>
Endowment net assets as of June 30, 2021	<u>\$ 1,164,678</u>	<u>\$ 892,302</u>

11. Restricted Net Assets

Restricted net assets consist of the following at June 30:

	<u>(Audited)</u> <u>2021</u>	<u>(Reviewed)</u> <u>2020</u>
Endowments	\$ 1,164,678	\$ 892,302
Operations or program related	354,961	11,919
Conservation easements	<u>1,712,400</u>	<u>1,712,400</u>
	<u>\$ 3,232,039</u>	<u>\$ 2,616,621</u>

12. Operating Leases

The Organization makes contingent lease payments to a related party equal to 33 1/3 percent of the gross revenues received by the Organization for admission fees and other charges in connection with the use of the Edmondston-Alston House located at 21 East Battery, Charleston, South Carolina. The lease expires on June 30, 2022, with the option for a five year renewal. The Organization is also responsible for routine repairs and maintenance and for providing contents insurance. Lease expense for the years ended June 30, 2021 and 2020 totaled \$82,355 and \$72,320, respectively.

13. Functional Expenses

Program services include the preservation and interpretation for the collections and programs of the Middleton Place National Historic Landmark gardens, house, plantation stableyards, and the Edmondston-Alston House Museum. Management and general expenses include those expenses that are not identifiable with any other specific function but provide for the overall support and direction of the Organization.

The functional expense allocation for the year ended June 30, 2021 and 2020 is as follows:

	<u>Program Services</u>	<u>Management & General</u>	<u>(Audited) 2021 Total</u>	<u>(Reviewed) 2020 Total</u>
Cost of sales	\$ 855,422	\$ -	\$ 855,422	\$ 739,493
Employee costs	1,167,421	2,240,499	3,407,920	3,960,911
Advertising and printing	13,761	109,622	123,383	217,847
Animals	58,877	-	58,877	83,762
Bank charges	6,607	123,975	130,582	100,154
Depreciation	62,708	331,249	393,957	274,625
Equipment, expendable, and rented	6,613	48,879	55,492	51,042
Gas, oil and kerosene	12,707	5,861	18,568	14,963
Insurance	34,824	49,919	84,743	81,666
Interest	-	27,030	27,030	614
Linen service	-	27,547	27,547	22,184
Meals, mileage and travel	1,814	5,434	7,248	15,788
Edmondston-Alston House lease	82,355	-	82,355	72,320
Outside services	7,389	87,839	95,228	65,827
Plant	28,755	2,631	31,386	37,715
Professional services	-	128,256	128,256	34,611
Repairs and maintenance	44,527	184,081	228,608	198,946
Retirement plan	-	45,988	45,988	50,001
Supplies	28,485	95,454	123,939	123,449
Telephone	8,100	70,270	78,370	51,543
Utilities	30,766	109,556	140,322	110,900
Other operating costs	<u>33,423</u>	<u>159,189</u>	<u>192,612</u>	<u>220,897</u>
Total Functional expenses	<u>\$ 2,484,554</u>	<u>\$ 3,853,279</u>	<u>\$ 6,337,833</u>	<u>\$ 6,529,258</u>

14. Retirement Plan

The Organization sponsors a defined contribution retirement plan covering all eligible employees. Contributions to the plan are made annually as determined on a discretionary basis. Contributions were \$45,988 and \$50,001 for the years ended June 30, 2021 and 2020, respectively.

15. Income Taxes

The Foundation is exempt from taxation under code section 501(c)(3) of the Internal Revenue Code.

The Foundation's wholly owned subsidiaries, Landmark, Operating Corp., and The Inn, are subject to corporate income taxes. The provision for income taxes for these entities consists of the following at June 30:

	(Audited) 2021	(Reviewed) 2020
Deferred federal (benefit)	\$ -	\$ -
Deferred state (benefit)	-	-
Provision for income taxes	<u>\$ -</u>	<u>\$ -</u>

The tax provision differs from the benefit that would result from applying statutory rates to income before income taxes due primarily to nondeductible expenses for tax purposes and a valuation allowance against certain net operating loss carryforwards.

In assessing the realizability of the deferred tax assets, management considers whether it is more likely than not that some, a portion, or all of the deferred tax assets will be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers projected future taxable income and tax planning strategies in making this assessment. The deferred tax asset resulting from the net operating loss carryforwards of Landmark and Operating Corp. have been partially allowed for due to the uncertainty of the realization of the asset from the generation of sufficient future taxable income. During the year ended June 30, 2021, the deferred tax valuation allowance was increased by \$106,152. The remaining amount of deferred tax assets are considered realizable; however, could be reduced in the near term if estimates of future taxable income during the carryforward period are not realized.

The net deferred tax assets in the consolidated statements of financial position consist of the following:

	(Audited) 2021	(Reviewed) 2020
Deferred tax assets (liabilities):		
Net operating loss carryforwards	\$ 979,713	\$ 849,619
Reserves and accruals	(4,702)	(4,634)
Depreciation	<u>(48,137)</u>	<u>(24,263)</u>
	<u>926,874</u>	<u>820,722</u>
Valuation allowance	<u>(527,527)</u>	<u>(421,375)</u>
Net deferred tax assets	<u>\$ 399,347</u>	<u>\$ 399,347</u>

NOL's generated prior to 2018 can generally be carried forward twenty years for federal and state purposes. Beginning in 2018, federal NOL's can be carried forward indefinitely. At June 30, 2021, Landmark, Operating Corp., and The Inn have federal and state net operating loss carryforwards available to offset future taxable income of approximately \$2,990,000 that begin to expire in 2021 and approximately \$3,985,000 of indefinite federal and state net operating loss carryforwards.

16. Related Party Transactions

The following is a summary of transactions and balances with related parties, including trustees and officers, for the years ended June 30, 2021 and 2020:

Charles Duell, member of the Board of Trustees of the Foundation, owns the Edmondston-Alston House at 21 East Battery; the Foundation leases the 1st and 2nd floors of the main building for tours. The total lease payments made during the years ended June 30, 2021 and 2020 were \$82,355 and \$72,320, respectively.

For the years ended June 30, 2021 and 2020, members of the Board of Trustees made charitable contributions to the Middleton Place Foundation totaling \$88,257 and \$219,641, respectively.

As of June 30, 2021, the Organization had amounts due from related parties of \$926 and amounts due to related parties of \$67,460.

17. The Inn at Middleton Place, LLC Gift

On December 19, 2020, the Foundation was gifted all of the membership interest in The Inn at Middleton Place, LLC ("The Inn") from its owner, Charles Duell, the former President and current Trustee. The estimated fair value of the membership interest in The Inn is \$6,735,000, which was based on an independent appraisal of the underlying assets. The Organization recognized the gift as a contribution without donor restrictions in the accompanying consolidated statements of activities and changes in net assets. The contribution recognized from the gift of the Inn was \$6,248,128, which represents the fair value of the gift less the liabilities settled or incurred as part of the transaction that totaled \$468,872. The effective date of the gift was set April 1, 2021, at which point the Organization took over the operations of The Inn and the related assets were placed into service.

18. Contingencies

From time to time, the Organization may be involved in various claims and legal actions arising in the ordinary course of business. In the opinion of management, the ultimate outcome of these matters will not have a material adverse effect on the Organization's financial position or results of operations.



Supplementary Information

Middleton Place Foundation and Subsidiaries
Consolidating Schedule of Financial Position
June 30, 2021

	<u>Foundation</u>	<u>Landmark</u>	<u>Operating Corp</u>	<u>Inn</u>	<u>Consolidating Entries</u>	<u>2021 Consolidated</u>
ASSETS						
Cash and cash equivalents	\$ 1,424,017	\$ 1,296,005	\$ 1,638	\$ 307,765	\$ -	\$ 3,029,425
Investments	4,846,355	-	-	-	-	4,846,355
Investments - endowment	1,164,678	-	-	-	-	1,164,678
Accounts receivable	249,264	47,538	-	20,691	-	317,493
Inventories	9,311	144,969	-	16,777	-	171,057
Prepaid expenses	-	34,429	-	(1,168)	-	33,261
Due from related parties	922	4	-	-	-	926
Other assets	-	20,750	-	4,000	-	24,750
Deferred tax asset	-	399,347	-	-	-	399,347
Property and equipment, net	3,972,416	914,585	-	8,900,262	8,653,667	22,440,930
Collection items	2,555,765	7,839	-	-	-	2,563,604
Conservation easements	1,712,400	-	-	-	-	1,712,400
Investment in Middleton Place Landmark	9,450,000	-	-	-	(9,450,000)	-
Investment in The Inn at Middleton Place	6,735,000	-	-	-	(6,735,000)	-
Investment in Middleton Operating Corporation	11,500	-	-	-	(11,500)	-
Due from Landmark	4,549,212	-	-	-	(4,549,212)	-
Due from Middleton Operating Corporation	73,531	-	-	-	(73,531)	-
Due from The Inn	2,193,076	125,375	-	-	(2,318,451)	-
Total assets	<u>\$ 38,947,447</u>	<u>\$ 2,990,841</u>	<u>\$ 1,638</u>	<u>\$ 9,248,327</u>	<u>\$ (14,484,027)</u>	<u>\$ 36,704,226</u>

Middleton Place Foundation and Subsidiaries
Consolidating Schedule of Financial Position
June 30, 2021

	<u>Foundation</u>	<u>Landmark</u>	<u>Operating Corp</u>	<u>Inn</u>	<u>Consolidating Entries</u>	<u>2021 Consolidated</u>
LIABILITIES AND NET ASSETS						
Liabilities:						
Accounts payable	\$ 29,946	\$ 157,855	\$ -	\$ 96,462	\$ -	\$ 284,263
Accrued expenses	75,911	222,818	22,610	59,378	(26,735)	353,982
Deferred membership dues	94,574	-	-	-	-	94,574
Group deposits	-	481,500	-	(31,734)	-	449,766
Deferred tax liability	-	-	-	-	-	-
Notes payable	2,544,962	24,675	-	-	-	2,569,637
Paycheck Protection program notes payable	395,234	1,284,926	-	-	-	1,680,160
Due to related parties	13,460	-	-	54,000	-	67,460
Due to Middleton Place Foundation	-	4,545,086	50,922	2,193,076	(6,789,084)	-
Due to Middleton Place Landmark	-	-	-	125,375	(125,375)	-
Total liabilities	<u>3,154,087</u>	<u>6,716,860</u>	<u>73,532</u>	<u>2,496,557</u>	<u>(6,941,194)</u>	<u>5,499,842</u>
Net assets:						
Without donor restrictions	32,561,321	(3,726,019)	(71,894)	6,751,770	(7,542,833)	27,972,345
With donor restrictions	<u>3,232,039</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,232,039</u>
Total net assets	<u>35,793,360</u>	<u>(3,726,019)</u>	<u>(71,894)</u>	<u>6,751,770</u>	<u>(7,542,833)</u>	<u>31,204,384</u>
Total liabilities and net assets	<u>\$ 38,947,447</u>	<u>\$ 2,990,841</u>	<u>\$ 1,638</u>	<u>\$ 9,248,327</u>	<u>\$ (14,484,027)</u>	<u>\$ 36,704,226</u>

Middleton Place Foundation and Subsidiaries
Consolidating Schedule of Activities and Changes in Net Assets
Year Ended June 30, 2021

	Foundation	Landmark	Operating Corp	Inn	Consolidating Entries	2021 Consolidated
Revenues, gains and other support:						
Garden and stableyard admissions	\$ 596,647	\$ 864,579	\$ -	\$ -	\$ (38,060)	\$ 1,423,166
Middleton Place House admissions	336,515	-	-	-	-	336,515
Edmondston-Alston House admissions	221,018	-	-	-	-	221,018
Middleton Inn room revenue	-	-	-	614,796	-	614,796
Middleton Inn food service sales	-	-	-	17,787	-	17,787
Carriages	45,319	-	-	-	-	45,319
Middleton Place food service sales	-	2,215,883	-	-	-	2,215,883
Museum shop	-	237,378	-	2,247	-	239,625
Garden market	-	187,762	-	-	-	187,762
Memberships	149,105	-	-	-	-	149,105
Special events	279,830	167,767	-	-	-	447,597
Labor/equipment reimbursement - related party	-	166,698	-	465	(50,306)	116,857
Organic farm	-	4,970	-	-	-	4,970
Outdoor program	-	-	3,025	-	-	3,025
Contributions	705,958	-	-	-	-	705,958
Gift of the Inn at Middleton Place	6,264,128	-	-	-	-	6,264,128
Interest income	132,212	22,580	-	-	(128,279)	26,513
Investment income	1,240,616	-	-	-	-	1,240,616
Other income	64,738	67,083	-	816	(50,536)	82,101
Grants	324,568	-	-	-	-	324,568
Total revenues, gains and other support	10,360,654	3,934,700	3,025	636,111	(267,181)	14,667,309
Expenses:						
Cost of sales	1,643	781,195	-	72,584	-	855,422
Employee cost	897,819	2,363,568	-	146,533	-	3,407,920
Advertising and printing	19,812	96,239	-	7,332	-	123,383
Animals	58,877	-	-	-	-	58,877
Bank charges	8,664	92,316	168	29,434	-	130,582

See independent auditors' report.

Middleton Place Foundation and Subsidiaries
Consolidating Schedule of Activities and Changes in Net Assets
Year Ended June 30, 2021

	Foundation	Landmark	Operating Corp	Inn	Consolidating Entries	2021 Consolidated
Depreciation	140,083	129,277	-	108,103	16,494	393,957
Equipment, expendable, and rented	1,870	49,190	-	4,432	-	55,492
Gas, oil and kerosene	1,393	13,342	-	3,833	-	18,568
Insurance	31,314	35,478	9	17,942	-	84,743
Interest	5,556	128,109	1,647	19,997	(128,279)	27,030
Linen service	-	25,523	-	2,024	-	27,547
Meals, mileage and travel	2,547	4,021	-	680	-	7,248
Edmondston-Alston House lease	82,355	-	-	-	-	82,355
Middleton Place House lease	50,536	-	-	-	(50,536)	-
Outside services	2,961	67,068	-	25,199	-	95,228
Plant	4,482	24,075	-	2,829	-	31,386
Professional services	57,766	16,155	750	53,585	-	128,256
Repairs and maintenance	26,636	232,175	-	20,103	(50,306)	228,608
Retirement plan	11,261	34,727	-	-	-	45,988
Supplies	11,656	79,336	-	32,947	-	123,939
Telephone	17,828	55,696	-	4,846	-	78,370
Utilities	30,616	88,308	-	21,398	-	140,322
Other operating costs	129,259	55,846	27	45,540	(38,060)	192,612
Total expenses	1,594,934	4,371,644	2,601	619,341	(250,687)	6,337,833
Increase (decrease) in net assets before provision for income taxes	8,765,720	(436,944)	424	16,770	(16,494)	8,329,476
Provision for income taxes	-	-	-	-	-	-
Increase (decrease) in net assets	8,765,720	(436,944)	424	16,770	(16,494)	8,329,476
Net assets at beginning of year	27,027,640	(3,289,075)	(72,318)	-	(791,339)	22,874,908
Transfer of net assets related to Inn gift	-	-	-	6,735,000	(6,735,000)	-
Net assets at end of year	\$ 35,793,360	\$ (3,726,019)	\$ (71,894)	\$ 6,751,770	\$ (7,542,833)	\$ 31,204,384

See independent auditors' report.