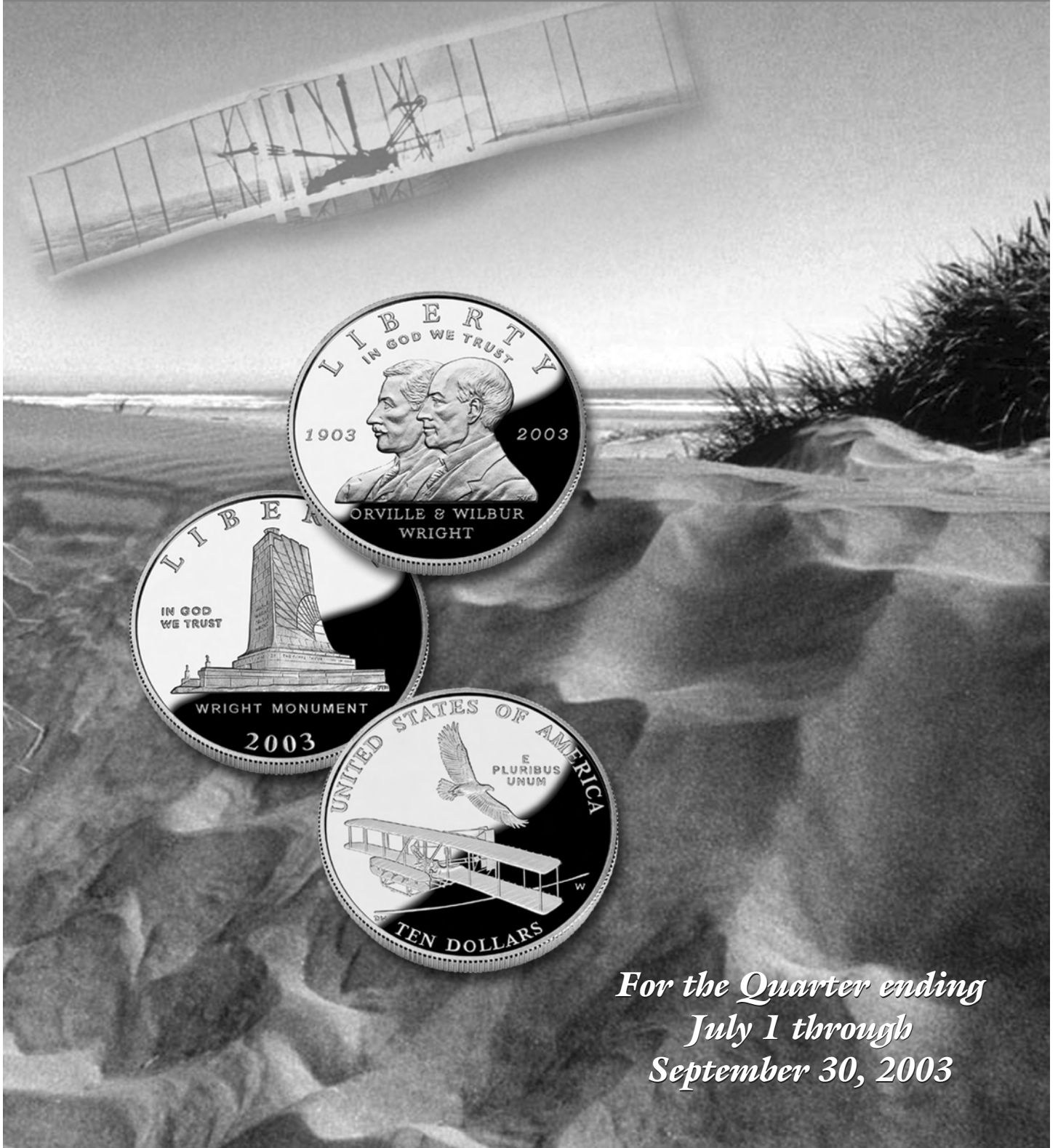




# United States Mint Commemorative Coin FY 2003 4th Quarter Update



*For the Quarter ending  
July 1 through  
September 30, 2003*

## **PROGRAM-WIDE SUMMARY**

Modern commemorative coins authorized by Congress and produced by the United States Mint date from the introduction of the George Washington 250th Anniversary Half Dollar in 1982. Congress authorized a total of 40 commemorative coin programs between 1982 and 2003, honoring American people, places, events, and institutions. Surcharges from the sales of these coins help fund a variety of organizations and projects that benefit the community at large. United States Mint commemorative coin programs have collected approximately \$427.5 million in surcharges over the past 21 years for many worthy recipient organizations.

The Commemorative Coin Reform Act of 1996 (CCRA), as amended by Title II of Public Law 108-15 (Apr. 23, 2003), requires the commemorative coin program to link public funding of special projects to demonstrated private support by requiring recipient organizations to show receipts of donations from private sources “in an amount that is equal to or greater than the total amount of the proceeds of surcharges derived from the sale of the respective commemorative coins. In addition, the CCRA makes commemorative coin program beneficiaries partners in bearing the risks of commemorative coin programs, and it assures that the United States Mint recovers its cost of operating such coin programs.

Commemorative coins are a benefit, not only to numismatic enthusiast and the recipient organizations, but also by reaffirming our history to the Nation as a whole. To ensure that commemorative coin programs reap the benefits of the reforms of 1996, the United States Mint must continue to execute and oversee these coin programs in a conscientious, prudent and business like manner.

## **FINANCIAL REPORTING**

The attached financial statements provide quarterly and cumulative active program data.

### **The Black Revolutionary War Patriots Commemorative Coin Program**

The original CCRA required recipient organizations to demonstrate strong and broad public support for their projects through private fundraising “in an amount that is equal to or greater than the maximum amount the organization may receive from the proceeds of program surcharges.” The Black Patriots Foundation, the designated recipient organization for the Black Revolutionary War Patriots Commemorative Coin Program, failed to meet this private funds raising requirement. As noted above, the amendment to the CCRA included in Public Law 108-15, “The American Five Cent Coin Continuity Act of 2003,” eased the private fund raising requirement that commemorative coin recipient organizations must meet prior to their receiving any surcharges, allowing them to qualify for surcharge proceeds if they have raised funds “in a amount that is equal to or greater than the total amount of the proceeds of such surcharge derived from the sale of such numismatic item.” This amendment, which was made retroactive, effectively qualified the Black Patriots Foundation to receive its surcharge payment, less any outstanding cost to the program.

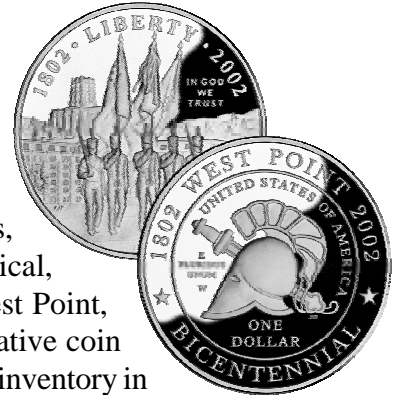


As a result of this modification, the total amount of the proceeds to the Black Revolutionary War Patriots Commemorative Silver Dollar has been released to the recipient organization in the fourth quarter. The coin was available for purchase during the periods of February 13, 1998, through December 31, 1998. A surcharge payment of \$902,758 was made to the recipient organization on August 13, 2003.

## **UNITED STATES MILITARY ACADEMY BICENTENNIAL**

### ***Program Highlights***

The United States Military Academy Bicentennial Commemorative Coin Act, Public Law 103-328, authorizes the production of 500,000 silver dollar coins. Surcharges from the sale of the coins will go to the Association of Graduates, USMA, to assist efforts to provide direct support to the academic, military, physical, moral, and ethical development programs of the Corps of Cadets, USMA, West Point, New York. As authorized by the law, this will be the last modern commemorative coin comprising silver from the Nation's Strategic and Critical Materials Stockpile, as inventory in that stockpile has reached a level that precludes its use in future United States Mint commemorative coin programs. The U.S. Bullion Depository at West Point is the minting facility where production began in the last weeks of the first quarter of 2002, and issuance of the coin began on March 16, 2002. Consistent with the enabling legislation, the coins were struck at the United States Mint at West Point Mint.



### ***Analysis of Financial Position***

The USMA Bicentennial Commemorative Coin Program formally ended on March 16, 2003. A final surcharge payment of \$1,038,720 was paid to the recipient organization in the fourth quarter. Total sales from this program generated approximately \$3.9 million in surcharges.

## **2003 First Flight Centennial Commemorative Coins Program**

### ***Program Highlights***

The 2003 First Flight Centennial Commemorative Coins Program, Public Law 105-124, authorizes the production of 100,000 gold ten-dollar, 500,000 silver one-dollar and 750,000 clad half-dollar coins. This gold, silver and clad coin series will commemorate the 100<sup>th</sup> anniversary of the Wright brothers' first flight on December 17, 1903, near Kitty Hawk, North Carolina.



Program surcharges will go to the First Flight Centennial Foundation for the purposes of repairing, refurbishing, and maintaining the Wright Brothers Monument in the Outer Banks of North Carolina and expanding or, if necessary, replacing and maintaining the visitor center and other facilities at the Wright Brothers National Memorial Park.

The 2003 First Flight Centennial Commemorative Coin launch on the United States Mint website was preceded by a targeted direct mail campaign to approximately 1.2 million customers. The program's direct mail campaign was released with four-color and black and white, direct response print advertisements. The take-one flyers were printed and distributed to the First Flight Centennial Foundation for its direct mailings, and for distribution to visitors at the National Park Service at the Wright Monument in Kill Devil Hills, North Carolina. These advertisements appeared in major coin publications such as *CoinWorld* and *Numismatic News*, as well as several affinity publications recommended by First Flight Centennial Foundation. The First Flight Coin Program was also given a prominent back cover position in the United States Mint's annual catalog. The travel related costs expended for the promotion of the commemorative coin program amounted to \$23.76 in the fourth quarter.

## Analysis of Financial Position

As of September 30, 2003, the United States Mint shipped over 19,000 coins, generating total program revenues of more than \$6.63 million and surcharges of \$0.67 million. Total sales recorded in the fourth quarter were reduced due to delays in the product availability. These revenues will be recovered in the first quarter 2004. The total cost of goods sold is \$3.98 million. Selling, general and administrative expenses are \$1.26 million. The program's estimated profits of \$724,052 exceed the potential unrecovered expenses of \$269,144.

## ***Future Commemorative Coin Programs***

### **2004 Thomas Alva Edison Commemorative Coins Program (Silver)**

#### ***Program Highlights***

The 2004 Thomas Alva Edison Commemorative Coin Act, Public Law 105-331, authorizes the production of 500,000 silver dollar coins. This commemorative silver dollar will commemorate the 125<sup>th</sup> anniversary of the invention of the light bulb by Thomas Alva Edison.

Program surcharges is authorized to be shared as follows:

1. MUSEUM OF ARTS AND HISTORY- Up to one-eighth to the Museum of Arts and History, in the city of Port Huron, Michigan, for the endowment and construction of a special museum on the life of Thomas A. Edison in Port Huron.
2. EDISON BIRTHPLACE ASSOCIATION- Up to one-eighth to the Edison Birthplace Association, Inc. in Milan, Ohio, to assist in the efforts of the association to raise an endowment as a permanent source of support for the repair and maintenance of the Thomas A. Edison birthplace, a national historic landmark.
3. NATIONAL PARK SERVICE- Up to one-eighth to the National Park Service, for use in protecting, restoring, and cataloguing historic documents and objects at the "Invention Factory" of Thomas A. Edison in West Orange, New Jersey.
4. EDISON PLAZA MUSEUM- Up to one-eighth to the Edison Plaza Museum in Beaumont, Texas, for expanding educational programs on Thomas A. Edison and for the repair and maintenance of the museum.
5. EDISON WINTER HOME AND MUSEUM- Up to one-eighth to the Edison Winter Home and Museum in Fort Myers, Florida, for historic preservation, restoration, and maintenance of the historic home and chemical laboratory of Thomas A. Edison.
6. EDISON INSTITUTE- Up to one-eighth to the Edison Institute, otherwise known as "Greenfield Village" in Dearborn, Michigan, for use in maintaining and expanding displays and educational programs associated with Thomas A. Edison.

7. EDISON MEMORIAL TOWER- Up to one-eighth to the Edison Memorial Tower in Edison, New Jersey, for the preservation, restoration, and expansion of the tower and museum.
8. HALL OF ELECTRICAL HISTORY- Up to one-eighth to the Schenectady Museum Association in Schenectady, New York, for the historic preservation of materials of Thomas A. Edison and for the development of educational programs associated with Thomas A. Edison.

The United States Mint's engraving staff in Philadelphia finalized candidate designs. The designs were reviewed by the Citizens Coinage Advisory Committee (CCAC), Commission of Fine Arts (CFA) and approved by the Secretary of the U.S. Treasury in the fourth quarter. The program is scheduled to launch on February 11, 2004.

### **2004 Lewis and Clark Commemorative Coin Program (Silver)**

#### ***Program Highlights***

The 2004 Lewis and Clark Commemorative Coin Act, Public Law 106-126, authorizes the production of 500,000 silver dollar coins. The silver dollar will commemorate the bicentennial of the historic expedition conducted by the Corps of Discovery. The expedition left from St. Louis, Missouri, on May 14, 1804. United States Mint engravers were provided with source materials and began the initial design process in December 2001.

Program surcharges will go to the Lewis and Clark Bicentennial Council (2/3) and the National Park Service (1/3) for activities associated with commemorating the bicentennial of the Lewis and Clark Expedition.

The United States Mint has begun preparations for the launch of the Lewis and Clark Expedition Bicentennial Commemorative Coin Program, which is scheduled for May 2004. The program will feature two special products as a part of this program, a Coin & Currency Set and a Limited-Edition Set that includes a handmade Native American pouch.

## **MARKET-BASED RESEARCH FOR ALL COMMEMORATIVE COIN PROGRAMS**

As part of our overall Marketing Research Program, during the 3<sup>rd</sup> Quarter of Calendar Year 2003, focus groups were conducted with active United States Mint customers to provide customer input regarding the 2003 –2004 commemorative coin programs. Information collected in this research helps the United States Mint to gauge the level of customer appeal for current and future coin designs.

## **EFFORTS OF THE UNITED STATES MINT IN KEEPING THE SALE PRICE OF NUMISMATIC ITEMS AS LOW AS PRACTICABLE**

Commemorative coin pricing entails estimating consumer demand and costs associated with producing and selling the item. The Mint also continually strives to achieve the greatest efficiencies in the production of commemorative coins to keep the price as low as practicable. As an additional cost cutting effort, we have recently brought our graphic arts and promotion work in-house.

## ***CONCLUSION***

The United States Mint released a final surcharge payment to the Black Patriots Foundation on August 13, 2003, for \$902,758. On July 28, 2003, a final surcharge payment was transferred to the Association of Graduates, USMA in the amount of \$1,038,720. As of September 30, 2003, total surcharges paid to United States Military Academy totaled \$3.9 million. The 2003 First Flight Centennial Commemorative Coins Program launched on August 1, 2003, and total revenue received in the first quarter sales totaled \$6.63 million.

As of SEPTEMBER 30, 2003

2003 First Flight										
Option Code	Description	Sets	Coins Gold Proof	Coins Gold Uncirculated	Coins Silver Proof	Coins Silver Uncirculated	Coins Clad Proof	Coins Clad Uncirculated	Revenue	Surcharges at \$35,\$10&\$1
2E1	Gold Proof	14,149	14,149						\$ 4,952,200.00	\$495,215
2E2	Gold Uncirculated	4,942		4,942					\$ 1,680,430.00	\$172,970
2E3	Silver Proof	0			0				\$ -	\$0
2E4	Silver Uncirculated	0				0			\$ -	\$0
2E5	Clad Proof	0					0		\$ -	\$0
2E6	Clad Uncirculated	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	\$ -	<u>\$0</u>
	Total	19,091	14,149	4,942	0	0	0	0	\$6,632,630	\$668,185
			tot gold	19,091	tot silver	0	tot clad	0		
						total coins		19,091		

# COMMEMORATIVE COIN PROGRAMS

## FINANCIAL SUMMARY

JULY 1, 2003 THROUGH SEPTEMBER 30, 2003

	FIRST FLIGHT CENTENNIAL	Description
REVENUE	<b>\$6,632,630</b>	Receipts
COST OF GOODS SOLD		
Proceeds on Silver	\$2,291	<i>Market Value of Mint-obtained silver, less statutory value of silver</i>
Proceeds on Gold	\$2,805,805	<i>Payments to Treasury's General Fund for profit on gold</i>
Manufacturing and Assembling	\$624,066	<i>Manufacturing and Assembling (includes statutory value of precious metals)</i>
Shipping and Order Fulfillment	\$552,303	<i>Product delivery and Order Fulfillment</i>
Total Cost of Goods Sold	\$3,984,464	
RESULTS BEFORE SELLING, GENERAL & ADMINISTRATIVE	<b>\$2,648,166</b>	
SELLING, GENERAL & ADMINISTRATIVE		
Promotional	\$580,457	<i>Promotional includes advertising, printing &amp; postage</i>
General & Administrative & Marketing	\$675,472	<i>Fixed overhead allocated to program</i>
Total Selling, General & Administrative	\$1,255,929	
PROFIT BEFORE SURCHARGES	\$1,392,237	
SURCHARGE ON REVENUE	\$668,185	<i>Proceeds collected for recipient organizations</i>
ESTIMATED PROGRAM PROFIT(LOSS)	<b>\$724,052</b>	

*This report summarizes the unaudited financial activities of the United States Mint's Commemorative Programs and is intended for the sole use of the Banking and Appropriation Subcommittees and should not be used for any other purposes.*

*This Interim Profit and Loss analysis was prepared using the modified accrual basis of accounting.*



# COMMEMORATIVE COIN PROGRAMS

## FINANCIAL SUMMARY

FROM INCEPTION THROUGH SEPTEMBER 30, 2003

	FIRST FLIGHT CENTENNIAL	Description
REVENUE	<b>\$ 6,632,630.00</b>	<i>Receipts</i>
COST OF GOODS SOLD		
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SURCHARGE ON REVENUE	\$668,185	<i>Proceeds collected for recipient organizations</i>
ESTIMATED PROGRAM PROFIT(LOSS)	<b>\$724,052</b>	<i>(Note 2)</i>
POTENTIAL UNRECOVERED MINT INVESTMENT (Note 1)		
Melting	\$1,123	<i>Cost to melt ending inventory and condemned coins</i>
Manufacturing and Assembling	\$128,462	<i>Manufacturing and assembling (without statutory value of precious metals)</i>
Packaging Material	\$83,223	<i>Packaging material that has not been used in manufacturing and assembling</i>
Die Manufacturing	<u>\$56,336</u>	<i>Cost of unused dies</i>
TOTAL	\$269,144	
SURCHARGES FORWARDED TO RECIPIENT ORGANIZATIONS	-	

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*This Interim Profit and Loss analysis was prepared using the modified accrual basis of accounting.*

*Note 1 - The United States Mint's unrecovered investment has been displayed in accordance with the requirements of Sec. 529 of P.L. 104-208, and represents the costs associated with the United States Mint's inventory of coins, packaging material, and dies on hand. If no additional sales were made, these amounts would be charged as expenses of the associated programs.*

*Note 2 - P.L. 104-208 requires the United States Mint to recover all allocable operation and program costs prior to the release of surcharge funds. The United States Mint will reduce the surcharge payment to recover these costs, as necessary.*