

# **Milwaukee Art Museum, Inc.**

Milwaukee, Wisconsin

## **Financial Statements and Supplementary Information**

Years Ended August 31, 2014 and 2013

# Milwaukee Art Museum, Inc.

## Financial Statements and Supplementary Information

Years Ended August 31, 2014 and 2013

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## Independent Auditor's Report

Board of Trustees  
Milwaukee Art Museum, Inc.  
Milwaukee, Wisconsin

We have audited the accompanying financial statements of Milwaukee Art Museum, Inc., which comprise the statements of financial position as of August 31, 2014 and 2013, and the related statements of activities 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; 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.

### Auditor's 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. Those standards require that we plan and perform the audit 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 auditor's 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.

## Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Milwaukee Art Museum, Inc. as of August 31, 2014 and 2013, 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.

## Other Matter

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information appearing on pages 34 and 35 is presented for the purpose of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*Wipfli LLP*

Wipfli LLP

Milwaukee, Wisconsin

December 8, 2014

# Milwaukee Art Museum, Inc.

## Statements of Financial Position

August 31, 2014 and 2013

<i>Assets</i>	2014	2013
Current assets:		
Cash and cash equivalents	\$ 5,001,075	\$ 1,228,615
Accounts receivable - Net	197,303	290,864
Current portion of pledges receivable	7,309,079	1,571,349
Investment income receivable	100,401	105,024
Inventories - Net	450,635	424,630
Prepaid expenses	883,348	535,286
Total current assets	13,941,841	4,155,768
Investments	51,268,384	46,720,603
Pledges receivable, less current portion	3,854,524	1,058,067
Beneficial interest in assets held in trust	328,272	868,007
Property and equipment - Net	78,170,814	79,549,909
Collections (see Note 1 to the financial statements)		
<b>TOTAL ASSETS</b>	<b>\$ 147,563,835</b>	<b>\$ 132,352,354</b>
<i>Liabilities and Net Assets</i>		
Current liabilities:		
Accounts payable and accrued expenses	\$ 1,381,448	\$ 1,181,017
Deferred revenue	655,383	581,670
Total current liabilities	2,036,831	1,762,687
Net assets:		
Unrestricted:		
Board designated	6,298,840	3,404,269
Undesignated	78,922,189	80,933,742
Total unrestricted	85,221,029	84,338,011
Temporarily restricted	35,924,832	22,821,567
Permanently restricted	24,381,143	23,430,089
Total net assets	145,527,004	130,589,667
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 147,563,835</b>	<b>\$ 132,352,354</b>

See accompanying notes to financial statements.

# Milwaukee Art Museum, Inc.

## Statements of Activities

Year Ended August 31, 2014

	Operating Funds	Other Funds	Subtotal Unrestricted	Temporarily Restricted	Permanently Restricted	Totals
Operating support and revenue:						
Contributions and membership	\$ 4,780,936	\$ 2,580,314	\$ 7,361,250	\$ 394,857	\$ -	\$ 7,756,107
Grants and sponsorships	17,500	-	17,500	13,289,105	-	13,306,605
Milwaukee County	971,419	-	971,419	-	-	971,419
Milwaukee County War Memorial Center, Inc.	55,250	-	55,250	-	-	55,250
Admission, tour fees, and parking	1,960,571	-	1,960,571	-	-	1,960,571
Education programs	150,863	-	150,863	-	-	150,863
Exhibition and curatorial income	293,640	-	293,640	-	-	293,640
Net retail operations (cost of sales of \$847,755)	695,141	-	695,141	-	-	695,141
Net museum café (cost of sales of \$521,352)	1,158,773	-	1,158,773	-	-	1,158,773
Facility rental income	501,417	-	501,417	-	-	501,417
Fundraising events and auxiliary activities	280,163	-	280,163	509,909	-	790,072
Other	416,500	-	416,500	77,522	-	494,022
Investment return appropriated for operations	1,220,499	-	1,220,499	-	-	1,220,499
Net assets released from restrictions	570,288	2,780,448	3,350,736	(3,787,343)	436,607	-
<b>Total operating support and revenue</b>	<b>13,072,960</b>	<b>5,360,762</b>	<b>18,433,722</b>	<b>10,484,050</b>	<b>436,607</b>	<b>29,354,379</b>
Operating expenses:						
Program services:						
Education	1,310,071	10,594	1,320,665	-	-	1,320,665
Audience, communication, and member development	2,013,437	105,642	2,119,079	-	-	2,119,079
Presentation and curatorial	3,383,614	80,320	3,463,934	-	-	3,463,934
Business operations	1,436,130	-	1,436,130	-	-	1,436,130
<b>Total program services</b>	<b>8,143,252</b>	<b>196,556</b>	<b>8,339,808</b>	<b>-</b>	<b>-</b>	<b>8,339,808</b>
Supporting services:						
General and administrative	265,416	1,545,834	1,811,250	18,888	-	1,830,138
Financial development and volunteer services	1,696,990	-	1,696,990	521,080	-	2,218,070
Building services	2,967,146	-	2,967,146	-	-	2,967,146
<b>Total supporting services</b>	<b>4,929,552</b>	<b>1,545,834</b>	<b>6,475,386</b>	<b>539,968</b>	<b>-</b>	<b>7,015,354</b>
<b>Total operating expenses</b>	<b>13,072,804</b>	<b>1,742,390</b>	<b>14,815,194</b>	<b>539,968</b>	<b>-</b>	<b>15,355,162</b>
Change in net assets from operating activities	156	3,618,372	3,618,528	9,944,082	436,607	13,999,217

# Milwaukee Art Museum, Inc.

## Statements of Activities (Continued)

Year Ended August 31, 2014

	Funds	Funds	Unrestricted	Restricted	Restricted	Totals
Nonoperating revenue, support, gains, and losses:						
Contributions designated for acquisition of art	-	-	-	196,916	-	196,916
Net assets released to fund acquisitions of art	-	164,500	164,500	(164,500)	-	-
Acquisitions of art	-	(164,500)	(164,500)	(806,105)	-	(970,605)
Investment income	1,958	140,733	142,691	4,838,637	50,722	5,032,050
Net assets released from restrictions for operations	-	(92,666)	(92,666)	(1,127,833)	-	(1,220,499)
Contributions designated for endowment or building fund	-	300,300	300,300	15,688	563,725	879,713
Depreciation and amortization	-	(3,019,798)	(3,019,798)	-	-	(3,019,798)
Transfer of net assets	-	(100,168)	(100,168)	200,168	(100,000)	-
Other	-	34,131	34,131	6,212	-	40,343
Total nonoperating revenue, support, gains, and losses	1,958	(2,737,468)	(2,735,510)	3,159,183	514,447	938,120
Changes in net assets	2,114	880,904	883,018	13,103,265	951,054	14,937,337
Net assets at beginning of year	1,085,570	83,252,441	84,338,011	22,821,567	23,430,089	130,589,667
Net assets at end of year	\$ 1,087,684	\$ 84,133,345	\$ 85,221,029	\$ 35,924,832	\$ 24,381,143	\$ 145,527,004

See accompanying notes to financial statements.

# Milwaukee Art Museum, Inc.

## Statements of Activities (Continued)

Year Ended August 31, 2013

	Operating Funds	Other Funds	Subtotal Unrestricted	Temporarily Restricted	Permanently Restricted	Totals
Operating support and revenue:						
Contributions and membership	\$ 4,675,097	\$ -	\$ 4,675,097	\$ 880,602	\$ -	\$ 5,555,699
Grants and sponsorships	-	-	-	4,152,436	-	4,152,436
Milwaukee County War Memorial Center, Inc.	814,711	-	814,711	53,125	-	867,836
Admission, tour fees, and parking	2,044,021	-	2,044,021	-	-	2,044,021
Education programs	148,896	-	148,896	-	-	148,896
Exhibition and curatorial income	275,703	-	275,703	-	-	275,703
Net retail operations (cost of sales of \$784,319)	687,963	-	687,963	-	-	687,963
Net museum café (cost of sales of \$573,179)	1,247,524	-	1,247,524	-	-	1,247,524
Facility rental income	510,459	-	510,459	-	-	510,459
Fundraising events and auxiliary activities	5,642	-	5,642	1,362,292	-	1,367,934
Other	419,326	-	419,326	9,791	-	429,117
Investment return appropriated for operations	1,173,108	-	1,173,108	-	-	1,173,108
Net assets released from restrictions	3,454,179	1,397,236	4,851,415	(5,016,146)	164,731	-
<b>Total operating support and revenue</b>	<b>15,456,629</b>	<b>1,397,236</b>	<b>16,853,865</b>	<b>1,442,100</b>	<b>164,731</b>	<b>18,460,696</b>
Operating expenses:						
Program services:						
Education	1,379,741	-	1,379,741	-	-	1,379,741
Audience, communication, and member development	2,191,959	-	2,191,959	-	-	2,191,959
Presentation and curatorial	2,832,017	697	2,832,714	-	-	2,832,714
Business operations	1,595,227	-	1,595,227	-	-	1,595,227
<b>Total program services</b>	<b>7,998,944</b>	<b>697</b>	<b>7,999,641</b>	<b>-</b>	<b>-</b>	<b>7,999,641</b>
Supporting services:						
General and administrative	1,928,160	-	1,928,160	-	-	1,928,160
Financial development and volunteer services	2,579,910	-	2,579,910	-	-	2,579,910
Building services	2,943,275	-	2,943,275	-	-	2,943,275
<b>Total supporting services</b>	<b>7,451,345</b>	<b>-</b>	<b>7,451,345</b>	<b>-</b>	<b>-</b>	<b>7,451,345</b>
<b>Total operating expenses</b>	<b>15,450,289</b>	<b>697</b>	<b>15,450,986</b>	<b>-</b>	<b>-</b>	<b>15,450,986</b>
Change in net assets from operating activities	6,340	1,396,539	1,402,879	1,442,100	164,731	3,009,710



# Milwaukee Art Museum, Inc.

## Statements of Activities (Continued)

Year Ended August 31, 2013

	Operating Funds	Other Funds	Subtotal Unrestricted	Temporarily Restricted	Permanently Restricted	Totals
Nonoperating revenue, support, gains, and losses:						
Contributions designated for acquisition of art	-	-	-	258,716	-	258,716
Net assets released to fund acquisitions of art	-	553,003	553,003	(553,003)	-	-
Acquisitions of art	-	(634,678)	(634,678)	-	-	(634,678)
Investment income	1,969	527,046	529,015	2,633,686	26,044	3,188,745
Net assets released from restrictions for operations	-	(67,665)	(67,665)	(1,105,443)	-	(1,173,108)
Contributions designated for endowment or building fund	-	32,912	32,912	2,870	762,807	798,589
Depreciation and amortization	-	(3,020,086)	(3,020,086)	-	-	(3,020,086)
Other	-	21,268	21,268	(3,106)	129,669	147,831
Total nonoperating revenue, support, gains, and losses	1,969	(2,588,200)	(2,586,231)	1,233,720	918,520	(433,991)
Changes in net assets	8,309	(1,191,661)	(1,183,352)	2,675,820	1,083,251	2,575,719
Net assets at beginning of year	1,077,261	84,444,102	85,521,363	20,145,747	22,346,838	128,013,948
Net assets at end of year	\$ 1,085,570	\$ 83,252,441	\$ 84,338,011	\$ 22,821,567	\$ 23,430,089	\$ 130,589,667

See accompanying notes to financial statements.

# Milwaukee Art Museum, Inc.

## Statements of Cash Flows

Years Ended August 31, 2014 and 2013

	2014	2013
Increase (decrease) in cash and cash equivalents:		
Cash flows from operating activities:		
Change in net assets	\$ 14,937,337	\$ 2,575,719
Adjustment to reconcile change in net assets to net cash provided by operating activities:		
Provision for inventory obsolescence	2,000	3,000
Provision for (recovery) uncollectable accounts	(49,693)	78,031
Depreciation and amortization	3,019,798	3,020,086
Contributions designated for long-term investments, capital expenditures, and art purchases	(13,191,033)	(998,822)
Acquisitions of art	970,605	634,678
Net realized gains on sale of investments	(1,843,201)	(1,014,314)
Net change in unrealized gains on investments	(2,397,485)	(1,393,811)
Change in beneficial interest in assets held in trust	(30,010)	(104,275)
Changes in assets and liabilities:		
Accounts receivable	108,561	(60,318)
Pledges receivable	778,829	(940,803)
Investment income receivable	4,623	3,529
Inventories	(28,005)	9,502
Prepaid expenses	(348,062)	47,756
Accounts payable and accrued expenses	200,431	301,132
Deferred revenue	73,713	174,791
Net cash provided by operating activities	2,208,408	2,335,881
Cash flows from investing activities:		
Acquisitions of art	(970,605)	(634,678)
Purchases of investments	(36,434,831)	(30,398,544)
Proceeds from sale of investments	36,127,736	28,991,644
Proceeds from assets held in trusts	569,745	-
Purchases of property and equipment	(1,640,703)	(861,347)
Net cash used in investing activities	(2,348,658)	(2,902,925)
Net cash provided by financing activities - Contributions designated for long-term investments received	3,912,710	1,051,979
Increase in cash and cash equivalents	3,772,460	484,935
Cash and cash equivalents at beginning of year	1,228,615	743,680
Cash and cash equivalents at end of year	\$ 5,001,075	\$ 1,228,615

See accompanying notes to financial statements.

# Milwaukee Art Museum, Inc.

## Notes to Financial Statements

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### Note 1      **Summary of Significant Accounting Policies**

#### **Nature of Activities**

The Milwaukee Art Museum, Inc. (the "Art Museum") is a not-for-profit corporation and premier art museum with collections and exhibitions of internationally recognized excellence. Through its partnerships with volunteers, corporations, educational institutions, and art organizations, the Art Museum is committed to advancing the appreciation and understanding of the visual arts through collection, preservation, display, research, publication, education, and interpretation.

#### **Financial Statement Preparation**

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States (GAAP).

The Art Museum maintains its accounts in accordance with the principles and practices of fund accounting. Fund accounting is the procedure by which resources for various purposes are classified for accounting purposes in accordance with activities or objectives specified by donors.

#### **Use of Estimates in Preparation of Financial Statements**

The preparation of the financial statements in conformity with GAAP requires management to make estimates and assumptions that directly affect certain reported amounts and disclosures. Accordingly, actual results may differ from those estimates.

#### **Net Assets**

Net assets of the Art Museum and changes therein are classified and reported as follows:

Unrestricted net assets - Net assets that are not subject to donor-imposed stipulations or where donor imposed stipulations are met in the year of the contribution. The statements of activities categorizes unrestricted net assets between the operating fund and all other funds in which unrestricted net assets are recorded.

# Milwaukee Art Museum, Inc.

## Notes to Financial Statements

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### Note 1      **Summary of Significant Accounting Policies** (Continued)

#### **Net Assets** (Continued)

Unrestricted net assets (Continued) - The operating fund is the fund used by the Art Museum to record the carrying on of the day-to-day activities performed in accomplishing the appreciation, understanding, and education of the visual arts. At the end of each fiscal year, an amount equal to the surplus (deficit) in the operation fund is transferred to (from) the board-designated reserves from (to) the operating fund.

Other funds classified as unrestricted net assets include deaccessioning funds, board-designated reserves, and equipment.

Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that may be met either by actions of the Art Museum and/or the passage of time. When a restriction expires, that is when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are transferred to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

Permanently restricted net assets - Net assets subject to donor-imposed stipulations that they be maintained permanently by the Art Museum. Generally, the donors of these assets permit the Art Museum to use all or part of the income earned on any related investments for general or specific purposes.

#### **Art Collections**

The Art Museum's collection comprises more than 29,000 works of art that are held for public exhibition, education, or research in furtherance of public service rather than financial gain; are protected, kept unencumbered, cared for, and preserved; and are subject to a policy that requires the proceeds from sales of collection items to be used to acquire other items.

# Milwaukee Art Museum, Inc.

## Notes to Financial Statements

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### Note 1      **Summary of Significant Accounting Policies** (Continued)

#### **Art Collections** (Continued)

The value of the art objects in the permanent collection is excluded from the statements of financial position. An addition of a work of art to the permanent collection is made either by donation from a benefactor or through a purchase from Art Museum acquisition funds. The Art Museum's funds designated for acquisitions may be classified as permanently restricted, for which only the income earned on the principal balance may be used for acquisitions; temporarily restricted, for which both the principal and earned income may be used for acquisitions; or unrestricted, representing funds designated by the board to be used for acquisitions. Proceeds from deaccessions of collection items are reflected as increases in the appropriate net asset class.

#### **Cash and Cash Equivalents**

The Art Museum considers all highly liquid instruments with an original maturity of three months or less to be cash equivalents. Cash and cash equivalents invested with investment managers as short-term investments are classified as investments.

#### **Accounts Receivable**

Accounts receivable are generally uncollateralized client obligations due upon receipt. Payments of accounts receivable are allocated to the specific invoices identified on the client's remittance advice or, if unspecified, are applied to the earliest unpaid invoices. Management individually reviews all past due accounts receivable balances and estimates the portion, if any, of the balance that will not be collected. The carrying amounts of accounts receivable have been reduced by allowances of \$65,000 and \$80,000 that reflect management's estimate of uncollectable accounts at August 31, 2014 and 2013, respectively.

# Milwaukee Art Museum, Inc.

## Notes to Financial Statements

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### Note 1      **Summary of Significant Accounting Policies** (Continued)

#### **Pledges Receivable**

Pledges are recorded as receivables in the year pledged. Pledges and other promises to give whose eventual uses are restricted by the donors are recorded as increases in temporarily restricted net assets. Unrestricted pledges to be collected in future periods are also recorded as an increase to temporarily restricted net assets and reclassified to unrestricted net assets when received.

Pledges receivable are reported in the statements of financial position net of unamortized discounts and an allowance for uncollectable pledges. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of estimated future cash flows using a discount rate that approximates the rate of government securities applicable to the years in which payments are to be received (between 0.25% and 0.55%). Amortization of the discount is recorded as a change to contributions and membership in the accompanying statement of activities. An allowance for uncollectible accounts is determined by management based on past collection history.

Pledges receivable consist primarily of pledges for the annual campaign, the facility expansion project, and exhibition and education programs.

#### **Inventories**

Inventories consist of retail items, publications, food and beverage items, and office supplies, and are valued at the lower of cost, determined using the average cost method, or market.

#### **Prepaid Expenses**

Prepaid expenses primarily include expenditures made in connection with the development of future exhibitions. These expenditures typically relate to research, organizational travel, and transport costs of the works to be included in the exhibitions. The costs are expensed in the period the exhibition occurs.

# Milwaukee Art Museum, Inc.

## Notes to Financial Statements

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### Note 1      **Summary of Significant Accounting Policies** (Continued)

#### **Investments**

Investments are carried at fair value in the statements of financial position. Investment transactions are recorded on the trade date. Realized gains and losses on the sale of investments are calculated based on specific identification of the securities sold. Investments received as gifts are stated at the fair value at the date of donation. Investment management and custodian fees are recorded as a reduction of investment income for financial reporting purposes.

Interest and dividend income and realized and unrealized gains or losses are reported as increases in temporarily or permanently restricted net assets if the terms of the gift impose restrictions on the use of the income or as increases in unrestricted net assets in all other cases.

#### **Fair Value Measurements**

The Art Museum measures the fair value of its financial instruments, pledges receivable, and beneficial interest in assets held in trusts using a three-tier hierarchy, which prioritizes the inputs used in measuring fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

The Art Museum determines fair value by:

- Level 1 inputs to the valuation methodology are unadjusted quoted prices for identical asset or liabilities in active markets that the Art Museum has the ability to access.
- Level 2 inputs to the valuation methodology include:
  - Quoted prices for similar assets or liabilities in active markets;
  - Quoted prices for identical or similar assets or liabilities in active markets;
  - Inputs, other than quoted prices, that are observable for the asset or liability.
  - Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

# Milwaukee Art Museum, Inc.

## Notes to Financial Statements

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### Note 1      **Summary of Significant Accounting Policies** (Continued)

#### **Fair Value Measurements** (Continued)

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

- Level 3 inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques maximize the use of observable inputs and minimize the use of unobservable inputs

#### **Property, Equipment and Depreciation**

Property and equipment are recorded at cost on the date of acquisition or fair value at the date of donation if received as a contribution. Depreciation is provided on the straight-line basis over the estimated useful lives as follows:

	<b>Useful Lives</b>
Building	50 years
Building improvements	10 to 50 years
Land improvements	10 to 25 years
Leasehold improvements	10 to 15 years
Furniture and equipment	3 to 10 years

The Art Museum periodically assesses the recoverability of long-lived assets (including property and equipment) when indications of potential impairment, based on estimated, undiscounted future cash flows, exist. Management considers such factors as current results, trends, and future prospects, in addition to other economic factors, in determining whether there is an impairment of the asset. The Art Museum did not recognize any impairment of long-lived assets during 2014 and 2013.



# Milwaukee Art Museum, Inc.

## Notes to Financial Statements

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### Note 1      **Summary of Significant Accounting Policies** (Continued)

#### **Deferred Revenue**

Deferred revenue consists of funds received in advance for facilities rental, memberships, and other services that are to be performed at a future date. Revenues are recognized in the period in which the services are performed.

#### **Contributions**

Contributions, including unconditional promises to give, are recorded in the period the contribution or unconditional promise is received as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and nature of any donor restrictions. Conditional promises to give are not recognized until the conditions on which they depend are substantially met.

Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

Contributions of assets other than cash are recorded at their estimated fair value at the date of the gift, except contributions of works of art, historical treasures, and similar assets held as part of collections that are not recognized or capitalized. In addition, the Art Museum receives a significant amount of volunteer time that does not meet the criteria for recognition as a contribution. Accordingly, the value of this contributed time has not been determined and is not reflected in the accompanying financial statements.

# Milwaukee Art Museum, Inc.

## Notes to Financial Statements

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### Note 1      **Summary of Significant Accounting Policies** (Continued)

#### **Donated Building Services**

The Art Museum had occupied a portion of its current facility under the terms of an agreement between the Art Museum and the Milwaukee County War Memorial Center, Inc. (the "War Memorial"). The agreement was terminated on September 30, 2013. Under the agreement, the Art Museum was allowed to occupy permanently and perpetually, without cost, those premises as a memorial decorative arts gallery. With funds provided by Milwaukee County, the War Memorial provided building services, including building maintenance and repairs, utilities, and insurance. The War Memorial determined the fair value of the building services annually. The fair value of the facility and building services amounted to \$55,250 and \$867,836 for the years ended August 31, 2014 and 2013, respectively, of which \$55,250 and \$655,336 was provided in-kind, respectively; and \$212,500 was designated as a cash contribution for the year ended August 31, 2013. The Art Museum has recorded in the accompanying statements of activities the in-kind value as support from the War Memorial and reflected a corresponding expense in building services.

#### **Admissions and Memberships**

Admission revenue is recorded when received. Membership revenue is recorded when received unless related to future annual membership periods, in which case the revenue is deferred until earned.

#### **Advertising Costs**

Advertising costs are expensed as incurred. Advertising costs charged to expense during the years ended August 31, 2014 and 2013, were \$834,632 and \$981,134, respectively.

#### **Purchases and Sales of Art**

All revenue and expenses associated with the purchases and sales of art objects, including restricted giving and the release and use of restricted and unrestricted funds for such purposes, are considered nonoperating revenues and expenses.

# Milwaukee Art Museum, Inc.

## Notes to Financial Statements

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### Note 1      **Summary of Significant Accounting Policies** (Continued)

#### **Income Taxes**

The Art Museum is a nonprofit corporation as described in Section 501(c)(3) of the Internal Revenue Code (the "Code") and is exempt from federal income taxes on related income pursuant to Section 501(a) of the Code. The Art Museum is also exempt from state income taxes on related income.

The Art Museum's unrelated business income was less than the expenses related to this income in both 2014 and 2013, and therefore, no provision has been made for income taxes in the accompanying financial statements.

In order to account for any uncertain tax positions, the Art Museum determines whether it is more likely than not that a tax position will be sustained upon examination on the technical merits of the position, assuming the taxing authority has full knowledge of all information. If the tax position does not meet the more-likely-than-not recognition threshold, the benefit of that position is not recognized in the financial statements. The Art Museum has recorded no assets or liabilities related to uncertain tax positions. Tax returns for the year ended August 31, 2011 and all subsequent years remain subject to examination by the applicable taxing authorities.

#### **Subsequent Events**

Subsequent events have been evaluated through December 8, 2014, which is the date the financial statements were available to be issued.

# Milwaukee Art Museum, Inc.

## Notes to Financial Statements

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### Note 2 Inventories

Inventories at August 31 consisted of the following:

	2014	2013
Store inventory	\$ 342,671	\$ 368,357
Publications inventory	125,976	88,834
Café inventory	45,590	31,864
Miscellaneous inventory	7,498	8,675
Reserve for obsolescence	(71,100)	(73,100)
Inventories - Net	\$ 450,635	\$ 424,630

### Note 3 Investments

Investments include the endowment and other restricted funds. Investments consisted of the following at August 31:

	2014	2013
Money market funds	\$ 7,736,103	\$ 9,782,772
U.S. government obligations	3,955,869	4,408,995
Fixed income securities	10,011,784	9,915,317
Equities	11,905,602	9,175,965
Fixed income mutual funds	7,504,807	4,950,933
Equity Mutual funds	10,154,219	8,486,621
Total investments	\$ 51,268,384	\$ 46,720,603

# Milwaukee Art Museum, Inc.

## Notes to Financial Statements

### Note 3 Investments (Continued)

Investments were held for the following purposes at August 31:

	2014	2013
Endowment:		
Operations	\$ 20,310,778	\$ 18,113,652
Education	3,695,702	3,256,743
Curatorial	6,137,493	5,832,218
Acquisitions	7,275,469	6,509,806
Other	1,386,353	951,860
Total endowment	38,805,795	34,664,279
Funds for reinstallation project	5,936,092	6,714,988
Other	6,526,497	5,341,336
Total investments	\$ 51,268,384	\$ 46,720,603

Investment income for the years ended August 31 is as follows:

	2014	2013
Interest and dividend income, net of trustee and management fees	\$ 791,364	\$ 780,620
Net realized gains on sale of investments	1,843,201	1,014,314
Net change in unrealized gains on investments	2,397,485	1,393,811
Total investment income	\$ 5,032,050	\$ 3,188,745

Investment trustee and management fees of \$163,501 and \$132,114 were paid by the Art Museum for the years ended August 31, 2014 and 2013, respectively.

Investments, in general, are exposed to various risks, such as interest rate, credit, and overall market volatility. Due to the level of risk associated with certain investments, it is reasonably possible that changes in the values of certain investments will occur in the near term and that such changes could materially affect the amounts reported in the financial statements.

# Milwaukee Art Museum, Inc.

## Notes to Financial Statements

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### Note 4 Pledges Receivable

Pledges receivable at August 31, are summarized as follows:

	2014	2013
Less than one year	\$ 7,309,079	\$ 1,571,349
One to five years	3,944,161	1,146,916
Gross pledges receivable	11,253,240	2,718,265
Less:		
Unamortized discount	43,137	20,656
Allowance for uncollectable accounts	46,500	68,193
Pledges receivable - Net	11,163,603	2,629,416
Less - Current portion	7,309,079	1,571,349
Pledges receivable, less current portion	\$ 3,854,524	\$ 1,058,067

### Note 5 Beneficial Interest in Assets Held in Trust

The Art Museum is the income beneficiary of certain funds maintained by the Greater Milwaukee Foundation, a community support foundation. The Milwaukee Art Museum Endowment Fund (the "Endowment Fund") is a component fund of the Greater Milwaukee Foundation. The assets of the Endowment Fund were donated by third-party donors to the Art Museum and then transferred by the Art Museum to the Greater Milwaukee Foundation, with the Art Museum named as beneficiary. According to the original gift agreement, there is no provision for distribution of principal to the Art Museum; however, periodic distributions of income are made to the Art Museum. Under GAAP, the fair value of the Endowment Fund of \$328,272 and \$298,262 as of August 31, 2014 and 2013, respectively, is recorded as a beneficial interest in assets held in trust in the accompanying statements of financial position. The Art Museum received income distributions of \$9,718 and \$10,238 from this fund during 2014 and 2013, respectively.

# Milwaukee Art Museum, Inc.

## Notes to Financial Statements

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### Note 5 Beneficial Interest in Assets Held in Trust (Continued)

The Art Museum was the remainder beneficiary of a charitable trust. The principal for this trust was turned over to the Art Museum during the year ended August 31, 2014. The net present value of the trusts was \$569,745 at August 31, 2013.

The Art Museum is also the income beneficiary of eleven other designated funds of the Greater Milwaukee Foundation. Because these funds have been established at the Greater Milwaukee Foundation by third-party donors (not established by the Art Museum) and due to the Greater Milwaukee Foundation's explicit variance power over these funds, the Art Museum has not recorded any beneficial interest in these assets, nor does the Art Museum record an asset for any potential future distributions from these funds. The designated funds had a fair value of \$6,406,827 and \$5,475,000 at August 31, 2014 and 2013, respectively. The Art Museum received income distributions of \$183,243 and \$182,262 during 2014 and 2013, respectively, from these designated funds.

### Note 6 Property and Equipment

Property and equipment consisted of the following at August 31:

	2014	2013
Building	\$ 95,352,427	\$ 95,352,427
Building improvements	215,747	215,747
Land improvements	11,490,898	11,490,898
Leasehold improvements	5,571,906	5,999,287
Furniture and equipment	4,862,440	5,448,347
Construction in process	2,244,509	675,018
Total property and equipment	119,737,927	119,181,724
Less - Accumulated depreciation	41,567,113	39,631,815
Property and equipment - Net	\$ 78,170,814	\$ 79,549,909

# Milwaukee Art Museum, Inc.

## Notes to Financial Statements

### Note 7 Fair Value Measurements

Information regarding assets measured at fair value on a recurring basis as of August 31, 2014 was as follows:

	Fair Value Measurements Using			Total Assets at Fair Value
	Level 1	Level 2	Level 3	
Cash and equivalents:				
Money market funds	\$ -	\$ 7,736,103	\$ -	\$ 7,736,103
Fixed income securities:				
Fixed income mutual funds	7,504,807	-	-	7,504,807
U.S. Government obligations	3,955,869	-	-	3,955,869
Mortgage-backed securities	8,101,825	-	-	8,101,825
Corporate obligations	-	846,676	-	846,676
Foreign obligations	-	1,063,283	-	1,063,283
Equity mutual funds:				
Domestic	4,388,345	-	-	4,388,345
Foreign	5,765,874	-	-	5,765,874
Equities:				
Domestic				
Consumer discretionary	1,048,443	-	-	1,048,443
Energy	577,004	-	-	577,004
Financials	2,290,431	-	-	2,290,431
Health care	1,116,105	-	-	1,116,105
Industrials	2,341,789	-	-	2,341,789
Information technology	1,154,887	-	-	1,154,887
Materials	214,268	-	-	214,268
Foreign	3,162,675	-	-	3,162,675
Total investments	41,622,322	9,646,062	-	51,268,384
Pledges receivable	-	11,163,603	-	11,163,603
Beneficial interest in assets held by a third party				
	-	328,272	-	328,272
Totals	\$ 41,622,322	\$ 21,137,937	\$ -	\$ 62,760,259



# Milwaukee Art Museum, Inc.

## Notes to Financial Statements

### Note 7 Fair Value Measurements (Continued)

Information regarding assets measured at fair value on a recurring basis as of August 31, 2013 was as follows:

	Fair Value Measurements Using			Total Assets at Fair Value
	Level 1	Level 2	Level 3	
Cash and equivalents:				
Money market funds	\$ -	\$ 9,782,772	\$ -	\$ 9,782,772
Fixed income securities:				
Fixed income mutual funds	4,950,933	-	-	4,950,933
U.S. Government obligations	4,408,995	-	-	4,408,995
Mortgage-backed securities	7,225,898	-	-	7,225,898
Corporate obligations	-	1,479,110	-	1,479,110
Foreign obligations	-	1,210,309	-	1,210,309
Equity mutual funds:				
Domestic	3,545,737	-	-	3,545,737
Foreign	4,940,884	-	-	4,940,884
Equities:				
Domestic				
Consumer discretionary	282,598	-	-	282,598
Consumer staples	525,500	-	-	525,500
Energy	526,694	-	-	526,694
Financials	1,679,248	-	-	1,679,248
Health care	443,756	-	-	443,756
Industrials	2,160,637	-	-	2,160,637
Information technology	678,016	-	-	678,016
Materials	200,969	-	-	200,969
Foreign	2,678,547	-	-	2,678,547
Total investments	34,248,412	12,472,191	-	46,720,603
Pledges receivable	-	2,629,416	-	2,629,416
Beneficial interest in assets held by a third party	-	868,007	-	868,007
Totals	\$ 34,248,412	\$ 15,969,614	\$ -	\$ 50,218,026

# Milwaukee Art Museum, Inc.

## Notes to Financial Statements

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### Note 7 Fair Value Measurements (Continued)

Following is a description of the valuation methodology used for each asset measured at fair value on a recurring basis:

- Money market funds are measured using \$1 as the net asset value (“NAV”).
- U.S government obligations, mortgage-backed securities, Corporate obligations, and foreign obligations are valued using quotes from pricing vendors based on recent trading activity and other observable market data.
- Equities are valued at quoted market prices.
- Fixed income and equity mutual funds are valued at the daily closing price as reported by the fund. Mutual funds held are open-ended mutual funds that are registered with the Security and Exchange Commission. These funds are required to publish their daily NAV and to transact at that price. The mutual funds held are deemed to be actively traded.
- Pledges receivable are valued at the present value of estimated future cash flows.
- Beneficial interest in assets held in charitable trusts are recorded net of a discount based upon the applicable Internal Revenue Code Section 7520 rate over the anticipated life expectancies of the donors. Beneficial interest in funds maintained by the Greater Milwaukee Foundation are valued based on the market value of the underlying assets, consisting mainly of equity and fixed income securities which are valued based on quoted market prices.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Art Museum believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

# Milwaukee Art Museum, Inc.

## Notes to Financial Statements

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### Note 8 Line of Credit

The Art Museum has a bank line of credit agreement with an available credit balance of \$1,500,000 as of August 31, 2014 and 2013, respectively. The line of credit bears interest at the London Interbank Offered Rate (LIBOR) plus 200 basis points and is collateralized by certain contributions receivable and investments. The agreement contains covenants that restrict the Art Museum with regard to additional debt, disposition of assets, and use of endowment funds and requires the maintenance of certain financial and reporting covenants. Management believes the Art Museum is in compliance with all financial covenants as of August 31, 2014 and 2013. The line of credit agreement expires April 30, 2015. There were no borrowings under the line of credit at August 31, 2014 and 2013.

### Note 9 Board-Designated Net Assets

Certain unrestricted net assets are designated for specific purposes by the board of trustees as endowments or restricted by various internal operating and administrative arrangements of the Art Museum. A summary of board designated net assets is as follows at August 31:

	2014	2013
Board-designated endowment	\$ 1,334,473	\$ 1,367,401
Deaccessioning fund	127,752	123,503
Board-designated reserve	4,836,615	1,857,178
Unemployment compensation reserve	-	56,187
<b>Total board designated net assets</b>	<b>\$ 6,298,840</b>	<b>\$ 3,404,269</b>

The deaccessioning fund consists of amounts resulting from the sale of art from the collection, which are to be spent on acquisition of artwork.

# Milwaukee Art Museum, Inc.

## Notes to Financial Statements

### Note 10 Temporarily Restricted Net Assets

Donor restrictions of temporarily restricted net assets at August 31 are summarized as follows:

	2014	2013
Facility expansion project	\$ 1,311,503	\$ 1,305,505
Acquisition of art	8,223,344	7,790,450
Exhibitions	1,548,294	2,270,449
Education	2,682,363	3,060,886
Collection - Care and maintenance	1,364,348	1,068,902
Reinstallation project	14,575,331	3,631,023
Auxiliary activities	1,543,142	602,640
Time-restricted	-	101,170
Program services	60,000	60,000
Operations	4,616,507	2,930,542
Total temporarily restricted net assets	\$ 35,924,832	\$ 22,821,567

Net assets were released from restrictions by incurring expenses satisfying the restricted purpose or by occurrence of other events specified by donors as follows:

	2014	2013
Temporarily restricted net assets released for operations:		
Education	\$ 1,029,662	\$ 1,574,438
Audience, communication, and member development	378,773	170,500
Presentation and curatorial	684,940	1,263,478
General, administrative, and development	1,375,596	1,830,359
Transfer to permanently restricted net assets to meet donor designation requirements	318,372	135,933
Building services	-	41,438
Total temporarily restricted net assets released for operations	3,787,343	5,016,146
Investment return appropriated for operations	1,127,833	1,105,443
Acquisitions of art for collection	164,500	553,003
Total temporarily restricted net assets released from restrictions	\$ 5,079,676	\$ 6,674,592

# Milwaukee Art Museum, Inc.

## Notes to Financial Statements

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### Note 11      Endowments

The Art Museum's endowments consist of various funds established to benefit the Art Museum for a variety of purposes. The Art Museum's endowments include both donor-restricted endowments and funds designated by the board of trustees to function as an endowment. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

#### Donor-Restricted Endowments

The Art Museum has received various endowment gifts for which the donors have stipulated that the gift amount be invested and maintained permanently to generate annual income that benefits the Art Museum for a variety of purposes.

The board of trustees of the Art Museum has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA), as adopted by the Wisconsin state legislature, as requiring the Art Museum to preserve the fair value of the donor's original gift, as of the date of the gift, absent explicit donor stipulations to the contrary. As a result of this interpretation, the Art Museum classifies as permanently restricted net assets (a) the original value of the donor's gifts to the permanent endowment, (b) the original value of a donor's subsequent gifts to the permanent restricted endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Art Museum in a manner consistent with the standard of prudence prescribed by UPMIFA.

In accordance with UPMIFA, the Art Museum considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (a) the duration and preservation of the various funds, (b) the purposes of the donor-restricted endowment funds, (c) general economic conditions, (d) the possible effect of inflation and deflation, (e) the expected total return from income and the appreciation of investments, (f) other resources of the Art Museum, and (g) the Art Museum's investment policies.

# Milwaukee Art Museum, Inc.

## Notes to Financial Statements

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### Note 11      **Endowments** (Continued)

#### **Board-Designated Endowment**

The board of trustees has set aside certain unrestricted net assets for endowment purposes. Since these amounts are not restricted by the donor but are restricted only by board policy, the amounts have been classified as unrestricted net assets. The board of trustees' intent is that the board-designated endowment will always be equal to the unrestricted net assets of the Endowment Fund. The Board of trustees may designate additional amounts from time to time to be added to the endowment fund.

#### **Investment Return Objectives, Risk Parameters, and Strategies**

The Art Museum has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowments while seeking to preserve the fair value of the endowment assets. Under the Art Museum's investment policy, as approved by the board of trustees, the endowment assets are invested in a manner to produce a rate of return which will permit maximum support for the general operating fund to protect principal, grow the aggregate portfolio value in excess of the rate of inflation and achieve an effective annual rate of return that is equal to or greater than the designated benchmarks for the various types of investment vehicles, and ensure that any risk assumed is commensurate with the given investment vehicle and the Art Museum's objectives. The endowment funds are reviewed quarterly by the Art Museum Investment committee, which reports to the Art Museum Finance committee. Changes to Art Museum Investment policy are recommended by the Investment committee, approved by the Finance committee and by the Board of Trustees.

To achieve its investment goals, the Art Museum targets an asset allocation that will achieve a balanced return of current income and long-term growth of principal while exercising risk control. The Art Museum's asset allocations include a blend of equity and debt securities and cash equivalents.

# Milwaukee Art Museum, Inc.

## Notes to Financial Statements

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### Note 11 Endowments (Continued)

#### Distributions

The annual distribution policy the board has set will allow distributions made available to operations of 5% of a trailing 12 quarter average market value of the donor-restricted and board designated endowment investments available in quarterly installments. The board of trustees' approved investment policy states that the original principal balance of donor designated contributions to the endowment fund shall not be invaded or borrowed from for any reason.

An additional allocation is allowed and was approved by the board in 2014 based on market returns. An additional allocation from the endowment was made for 2.78% or \$673,514 for the year ended August 31, 2014.

#### Endowment Net Assets

Endowment net assets consisted of the following at August 31:

	2014			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Donor-designated endowment funds	\$ -	\$ 13,114,343	\$ 24,381,143	\$ 37,495,486
Board-designated and other endowment funds	1,334,473	-	-	1,334,473
Total	\$ 1,334,473	\$ 13,114,343	\$ 24,381,143	\$ 38,829,959

  

	2013			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Donor-designated endowment funds	\$ -	\$ 10,474,664	\$ 23,430,089	\$ 33,904,753
Board-designated and other endowment funds	1,367,401	-	-	1,367,401
Total	\$ 1,367,401	\$ 10,474,664	\$ 23,430,089	\$ 35,272,154

# Milwaukee Art Museum, Inc.

## Notes to Financial Statements

### Note 11 Endowments (Continued)

#### Endowment Net Assets (Continued)

Changes in the endowment net assets were as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets at September 1, 2012	\$ 820,992	\$ 9,166,609	\$ 22,346,838	\$ 32,334,439
Contributions	32,912	2,420	892,476	927,808
Investment return:				
Interest and dividends	107,479	563,601	5,137	676,217
Net appreciation	417,979	1,991,475	20,907	2,430,361
Total investment return	525,458	2,555,076	26,044	3,106,578
Appropriation for expenditures	(67,665)	(1,105,443)	-	(1,173,108)
Designated transfers	55,704	(143,998)	164,731	76,437
Endowment net assets at August 31, 2013	1,367,401	10,474,664	23,430,089	35,272,154
Contributions	300,300	11,544	563,725	875,569
Investment return:				
Interest and dividends	18,164	633,537	6,679	658,380
Net appreciation	118,602	4,069,721	44,043	4,232,366
Total investment return	136,766	4,703,258	50,722	4,890,746
Appropriation for expenditures	(92,666)	(1,127,833)	-	(1,220,499)
Appropriation to operating reserves	(7,012)	(666,502)	-	(673,514)
Designated transfers	(370,316)	(280,788)	336,607	(314,497)
Endowment net assets at August 31, 2014	\$ 1,334,473	\$ 13,114,343	\$ 24,381,143	\$ 38,829,959



# Milwaukee Art Museum, Inc.

## Notes to Financial Statements

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### Note 12 Employee Benefit Plans

The Art Museum maintains a tax deferred annuity plan qualified under Section 403(b) of the Internal Revenue Code. The plan covers all Art Museum employees on their date of hire. The Art Museum matches employee contributions of 1% to 7% of gross salaries for qualified employees who have completed a minimum of one year of continuous employment of 1,000 hours or more. The match for the years ending August 31, 2014 and 2013 was 2% and 3%, respectively. Employees may make contributions to the plan up to the maximum amount allowed by the Code. The Art Museum's contributions related to this plan were \$74,236 and \$109,608 for the years ended August 31, 2014 and 2013, respectively.

The Art Museum also contributes to a pension plan for eligible security staff as specified by an agreement between the Art Museum and District #10 International Association of Machinists and Aerospace Workers, the labor union representing the security staff. The security staff represents approximately 10% of Art Museum employees. The current agreement is in effect until August 31, 2017. Expenses related to this plan for contributions on behalf of eligible union employees were \$39,838 and \$44,762 for the years ended August 31, 2014 and 2013, respectively.

### Note 13 Concentrations

The Art Museum maintains depository relationships with area financial institutions, including banks, which are Federal Deposit Insurance Corporation (FDIC) insured institutions. At times, deposits may exceed FDIC insurance limits. The Art Museum has not experienced any losses with these accounts. Management believes the Art Museum is not exposed to any significant credit risk on cash.

At August 31, 2014 and 2013, pledges from one donor totaled 19% and 47%, respectively, of total pledges receivable.

# Milwaukee Art Museum, Inc.

## Notes to Financial Statements

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### Note 14      Leases

#### Lease with Milwaukee County

As of October 1, 2013, the Art Museum, the War Memorial, and Milwaukee County (the "County") entered into various agreements, which changed the structure of the previous agreements with the War Memorial, which were terminated on September 30, 2013.

The Art Museum now has a direct lease with Milwaukee County for the spaces it currently occupies in the County owned buildings. The Art Museum is responsible for all mechanical functions of their occupied space and will receive \$1,100,000 in support annually from the County through 2023. There is no rent payable under the terms of the lease agreement. The amount received for the year ended August 31, 2014 was \$971,419.

In addition, there is a development agreement which addresses any future expansion to the north of the County owned facility. Planned renovations to existing space and construction of additional space are estimated at \$31,300,000. Construction has begun in the fall of 2014. The County has appropriated \$7,672,905 to be applied to the construction and renovation costs and has appropriated additional funds of \$2,000,200 from 2015 to 2017 for these purposes. The Art Museum will contribute \$21,300,000 to the construction project. Upon completion of the renovations and construction, the improvements will be donated by the Art Museum to the County, and then leased back to the Art Museum.

#### Other Leases

The Art Museum leases office equipment under operating leases which expire through September 2018. Monthly lease payments range from \$300 to \$1,339. Rent expense for the years ended August 31, 2014 and 2013 totaled \$58,480 and \$51,324, respectively.

# Milwaukee Art Museum, Inc.

## Notes to Financial Statements

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### Note 14 Leases (Continued)

Future minimum payments under noncancelable operating leases with initial or remaining terms in excess of one year consisted of the following:

2015	\$	30,101
2016		30,431
2017		26,413
2018		11,759
2019		330
<hr/>		
Total	\$	99,034

### Note 15 Commitments and Contingencies

The Art Museum has a letter of credit agreement with an area bank in the amount of \$118,145. The letter of credit agreement is secured by certain assets of the Art Museum and expires in December 2018. The letter of credit agreement is required by the State of Wisconsin since the Museum is self-funded in regard to unemployment insurance.

The Art Museum's board of trustees has approved renovations to existing space and construction of additional space for an estimated amount of \$21,300,000 (see Note 14). Construction is expected to be completed in the fall of 2015. Construction and other commitments relating to this project total approximately \$19,239,000 at August 31, 2014.

### Note 16 Subsequent Events

In November of 2014, the Art Museum committed to a \$10,000,000 construction note in order to fund renovations and construction of additional space, known as "A Plan for the Future Campaign". The note is secured by pledges associated with the campaign. The construction note will have a 24 month interest only period, followed by full amortization of the principal over four years. The rate during the interest only period will be 1-month LIBOR plus 100 basis points (currently at 1.15% as of August 31, 2014). The Art Museum has the right to fix the interest rate during the principal amortization period.

## Supplementary Information

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# Milwaukee Art Museum, Inc.

## Schedule of Endowment Funds

August 31, 2014

	2014
<b>Donor-restricted endowments:</b>	
Albert Tooman Acquisition Fund	\$ 566,528
Boyd Fund	112,740
Bradley Conservation/Maintenance Fund	1,044,136
Bradley Foundation Expendable	360,051
Bradley Foundation Fund	4,865,724
Catherine Jean Quirk Fund	99,019
CAS/Dimoff Fund	220,349
Constance P. Godfrey Acquisition Fund	1,820,241
Croasdaile Acquisition Fund	1,626,482
Doerfler Fund	113,503
Dunham Fund for Education	361,951
Endowment for Conservation	41,694
Endowment for Education	632,946
Erich C. Stern Fund	86,449
Esther S. Weber Memorial Education Fund	45,954
Expansion Operating Endowment	913,701
Florence Eiseman Foundation Fund	49,163
Frederick Layton Lecture Series Fund	240,023
Friends of Art Exhibition Fund	1,499,741
General Operating Endowment	7,596,670
Grootemaat Fund	57,214
Hambling Endowment	939,927
Hay Gift Annuity	2,386
Herzfeld Curator of Photography Fund	436,918
James H. Brachman Fund	78,474
Jill and Jack Pelisek Fund	85,669
Joan Marcus Memorial Fund	72,144
John Hill Gift Annuity	5,589
John Porter Retzer and Florence Horn Retzer Competition Fund	303,378
Katherine Smith Gift Annuity	10,851
LaBahn Fund	1,590,429
Laskin Fund	1,420,209
Lee, Barbara Brown, Director of Education Endowment	395,009
Miller Lewensohn Gift Annuity	8,827
NEA Challenge Endowment-Match	1,564,815
Orth Decorative Arts/Collectors Corner Expense	31,940
Orth Fund	140,031
Patti Baker Education Endowment Fund	1,397,573
Pellegrin Family Endowment for Education	350,064
Pieper Challenge Grant Matching Fund	2,976,603
Rene von Schleinitz Memorial Fund	284,713
Richard and Ethel Herzfeld Photography Exhibition Fund	540,993
Schuchardt Fund	29,575
Suzanne and Richard Pieper Family Fund	1,453,339
Virginia Booth Vogel Acquisition Fund	1,021,751
<b>Total donor-restricted endowments</b>	<b>37,495,486</b>

# Milwaukee Art Museum, Inc.

## Schedule of Endowment Funds (Continued)

August 31, 2014

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	2014
<b>Board-designated endowments:</b>	
Ruth K. Abrams Fund	\$ 67,729
Board Designated Fund	962,128
Karen Johnson Boyd Fund	205,215
Gift Annuity Reserve	99,401
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Total board-designated endowments	1,334,473
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Total endowment funds	\$ 38,829,959

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Endowment assets consisted of the following at August 31:

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	2014
Investments	\$ 38,805,795
Other	24,164
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Total endowment funds	\$ 38,829,959

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