

Milwaukee Art Museum, Inc.

Milwaukee, Wisconsin

Financial Statements and Supplementary Information

Years Ended August 31, 2017 and 2016

WIPFLi^{LLP}
CPAs and Consultants



Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of Milwaukee Art Museum, Inc. (a nonprofit organization), which comprise the statements of financial position as of August 31, 2017 and 2016, 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, 2017 and 2016, 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.



Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information appearing on pages 29 and 30 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

November 29, 2017

Milwaukee Art Museum, Inc.

Statements of Financial Position

August 31, 2017 and 2016

Assets	2017	2016
Current assets:		
Cash and cash equivalents	\$ 2,411,255	\$ 2,258,863
Accounts receivable - Net	115,912	125,235
Current portion of pledges receivable	2,637,588	2,867,881
Investment income receivable	55,174	80,113
Inventories - Net	431,395	413,774
Prepaid expenses	173,236	457,602
Total current assets	5,824,560	6,203,468
Investments	50,486,034	48,424,353
Pledges receivable, less current portion	1,753,219	2,875,572
Beneficial interest in assets held in trust	343,876	316,323
Property and equipment - Net	92,351,824	95,353,496
Art collection (see Note 1 to the financial statements)		
TOTAL ASSETS	\$ 150,759,513	\$ 153,173,212
Liabilities and Net Assets	2017	2016
Current liabilities:		
Current maturities of construction line of credit	\$ 1,200,000	\$ -
Accounts payable and accrued expenses	898,754	1,188,203
Deferred revenue	1,046,099	1,058,979
Total current liabilities	3,144,853	2,247,182
Long-term liabilities:		
Deferred lease expense	96,394	79,120
Construction line of credit, less current maturities	1,300,000	4,000,000
Total long-term liabilities	1,396,394	4,079,120
Total liabilities	4,541,247	6,326,302
Net assets:		
Unrestricted:		
Board designated	3,853,293	4,063,559
Undesignated	93,220,362	96,192,575
Total unrestricted	97,073,655	100,256,134
Temporarily restricted	19,067,971	17,062,502
Permanently restricted	30,076,640	29,528,274
Total net assets	146,218,266	146,846,910
TOTAL LIABILITIES AND NET ASSETS	\$ 150,759,513	\$ 153,173,212

See accompanying notes to financial statements

Milwaukee Art Museum, Inc.

Statements of Activities

Year Ended August 31, 2017

	Unrestricted		Subtotal Unrestricted	Temporarily Restricted	Permanently Restricted	Totals
	Operating Fund	Other Funds				
Operating support and revenue:						
Contributions and membership	\$ 4,979,323	\$ -	\$ 4,979,323	\$ 633,739	\$ -	\$ 5,613,062
Grants and sponsorships	17,500	-	17,500	2,941,743	-	2,959,243
Milwaukee County	1,100,000	-	1,100,000	-	-	1,100,000
Admission, tour fees, and parking	1,995,803	-	1,995,803	-	-	1,995,803
Education programs	72,411	-	72,411	-	-	72,411
Exhibition and curatorial income	62,028	-	62,028	-	-	62,028
Retail operations (net of cost of sales of \$428,693)	487,702	-	487,702	-	-	487,702
Food and beverage operations (net of cost of sales of \$690,484)	1,882,552	-	1,882,552	-	-	1,882,552
Facility rental income	527,603	-	527,603	-	-	527,603
Fundraising events and auxiliary activities	90,294	-	90,294	498,530	-	588,824
Other	48,615	-	48,615	19,815	-	68,430
Investment return appropriated for operations	1,460,500	(40,771)	1,419,729	(1,419,729)	-	-
Net assets released from restrictions	3,496,271	145,993	3,642,264	(3,642,264)	-	-
Total operating support and revenue	16,220,602	105,222	16,325,824	(968,166)	-	15,357,658
Operating expenses:						
Program services:						
Education	1,112,443	-	1,112,443	-	-	1,112,443
Audience, communication, and member development	2,496,071	-	2,496,071	-	-	2,496,071
Presentation and curatorial	3,078,405	-	3,078,405	-	-	3,078,405
Business operations	2,007,221	-	2,007,221	-	-	2,007,221
Total program services	8,694,140	-	8,694,140	-	-	8,694,140
Supporting services:						
General and administrative	2,603,809	(139)	2,603,670	-	-	2,603,670
Financial development and volunteer services	2,460,901	-	2,460,901	-	-	2,460,901
Building services	2,648,104	-	2,648,104	-	-	2,648,104
Total supporting services	7,712,814	(139)	7,712,675	-	-	7,712,675
Total operating expenses	16,406,954	(139)	16,406,815	-	-	16,406,815
Changes in net assets from operating activities	(186,352)	105,361	(80,991)	(968,166)	-	(1,049,157)

Milwaukee Art Museum, Inc.

Statements of Activities (Continued)

Year Ended August 31, 2017

	Unrestricted			Temporarily Restricted	Permanently Restricted	Totals
	Operating Fund	Other Funds	Subtotal Unrestricted			
Nonoperating revenue, support, gains, and losses:						
Contributions designated for acquisition of art	-	-	-	226,121	-	226,121
Income from sale of art	-	81,225	81,225	-	-	81,225
Net assets released to fund acquisitions of art	-	50,600	50,600	(50,600)	-	-
Acquisitions of art	-	(50,600)	(50,600)	(381,775)	-	(432,375)
Investment income	42,813	130,907	173,720	3,491,504	-	3,665,224
Net assets transferred between funds	200,000	-	200,000	(200,000)	-	-
Contributions designated for endowment or building fund	-	46,691	46,691	1,240	467,811	515,742
Depreciation and amortization	-	(3,566,222)	(3,566,222)	-	-	(3,566,222)
Interest expense	(54,555)	-	(54,555)	-	-	(54,555)
Other	-	17,653	17,653	(32,300)	-	(14,647)
Net assets released from restrictions	-	-	-	(80,555)	80,555	-
Total nonoperating revenue, support, gains, and losses	188,258	(3,289,746)	(3,101,488)	2,973,635	548,366	420,513
Changes in net assets	1,906	(3,184,385)	(3,182,479)	2,005,469	548,366	(628,644)
Net assets at beginning of year	522,755	99,733,379	100,256,134	17,062,502	29,528,274	146,846,910
Net assets at end of year	\$ 524,661	\$ 96,548,994	\$ 97,073,655	\$ 19,067,971	\$ 30,076,640	\$ 146,218,266

See accompanying notes to financial statements.

Milwaukee Art Museum, Inc.

Statements of Activities (Continued)

Year Ended August 31, 2016

	Unrestricted			Temporarily Restricted	Permanently Restricted	Totals
	Operating Fund	Other Funds	Subtotal Unrestricted			
Operating support and revenue:						
Contributions and membership	\$ 5,235,976	\$ 373,417	\$ 5,609,393	\$ 232,800	\$ -	\$ 5,842,193
Grants and sponsorships	17,500	-	17,500	3,426,249	-	3,443,749
Milwaukee County	1,100,000	-	1,100,000	-	-	1,100,000
Admission, tour fees, and parking	2,001,247	-	2,001,247	-	-	2,001,247
Education programs	82,805	-	82,805	-	-	82,805
Exhibition and curatorial income	50,650	-	50,650	-	-	50,650
Retail operations (net of cost of sales of \$520,065)	546,684	-	546,684	-	-	546,684
Food and beverage operations (net of cost of sales of \$813,513)	2,018,752	-	2,018,752	-	-	2,018,752
Facility rental income	483,600	-	483,600	-	-	483,600
Fundraising events and auxiliary activities	251,133	-	251,133	514,437	-	765,570
Other	68,338	23,390	91,728	6,416	-	98,144
Investment return appropriated for operations	1,472,200	(14,262)	1,457,938	(1,457,938)	-	-
Net assets released from restrictions	4,786,639	6,098,139	10,884,778	(10,884,778)	-	-
Total operating support and revenue	18,115,524	6,480,684	24,596,208	(8,162,814)	-	16,433,394
Operating expenses:						
Program services:						
Education	1,310,339	-	1,310,339	-	-	1,310,339
Audience, communication, and member development	2,864,397	-	2,864,397	-	-	2,864,397
Presentation and curatorial	3,343,420	-	3,343,420	-	-	3,343,420
Business operations	2,138,447	-	2,138,447	-	-	2,138,447
Total program services	9,656,603	-	9,656,603	-	-	9,656,603
Supporting services:						
General and administrative	2,972,620	3,302	2,975,922	-	-	2,975,922
Financial development and volunteer services	2,847,070	-	2,847,070	-	-	2,847,070
Building services	2,672,743	-	2,672,743	-	-	2,672,743
Total supporting services	8,492,433	3,302	8,495,735	-	-	8,495,735
Total operating expenses	18,149,036	3,302	18,152,338	-	-	18,152,338
Changes in net assets from operating activities	(33,512)	6,477,382	6,443,870	(8,162,814)	-	(1,718,944)

Milwaukee Art Museum, Inc.

Statements of Activities (Continued)

Year Ended August 31, 2016

	Unrestricted			Temporarily Restricted	Permanently Restricted	Totals
	Operating Fund	Other Funds	Subtotal Unrestricted			
Nonoperating revenue, support, gains, and losses:						
Contributions designated for acquisition of art	-	-	-	2,374,613	-	2,374,613
Income from sale of art	-	254,551	254,551	-	-	254,551
Net assets released to fund acquisitions of art	-	405,257	405,257	(405,257)	-	-
Acquisitions of art	-	(663,919)	(663,919)	(1,323,347)	-	(1,987,266)
Investment income	51,229	84,347	135,576	2,143,789	5,307	2,284,672
Net assets transferred between funds	-	-	-	(802,678)	802,678	-
Contributions designated for endowment or building fund	-	120,000	120,000	5,820	3,646,133	3,771,953
Depreciation and amortization	-	(3,462,085)	(3,462,085)	-	-	(3,462,085)
Interest expense	(15,864)	-	(15,864)	-	-	(15,864)
Other	-	4,910	4,910	28,000	-	32,910
Net assets released from restrictions	-	-	-	(10,719)	10,719	-
Total nonoperating revenue, support, gains, and losses	35,365	(3,256,939)	(3,221,574)	2,010,221	4,464,837	3,253,484
Changes in net assets	1,853	3,220,443	3,222,296	(6,152,593)	4,464,837	1,534,540
Net assets at beginning of year	520,902	96,512,936	97,033,838	23,215,095	25,063,437	145,312,370
Net assets at end of year	\$ 522,755	\$ 99,733,379	\$ 100,256,134	\$ 17,062,502	\$ 29,528,274	\$ 146,846,910

See accompanying notes to financial statements.

Milwaukee Art Museum, Inc.

Statements of Cash Flows

Years Ended August 31, 2017 and August 31, 2016

	2017	2016
Increase (decrease) in cash and cash equivalents:		
Cash flows from operating activities:		
Change in net assets	\$ (628,644)	\$ 1,534,540
Adjustment to reconcile change in net assets to net cash (used in) provided by operating activities:		
Provision for inventory obsolescence	22,950	(13,000)
Net recovery of uncollectable account and pledges receivable	(8,500)	-
Depreciation and amortization	3,566,222	3,462,085
Contributions designated for long-term investments, capital expenditures, and art purchases	(741,863)	(7,414,265)
Acquisitions of art	432,375	1,987,266
Net realized gains on sale of investments	(1,121,905)	(915,974)
Net change in unrealized gains and losses on investments	(2,470,313)	(1,280,926)
Change in beneficial interest in assets held in trust	(27,553)	(4,910)
Changes in assets and liabilities:		
Accounts receivable	27,323	(13,587)
Pledges receivable	85,913	8,312,690
Investment income receivable	24,939	17,551
Inventories	(40,571)	(15,518)
Prepaid expenses	284,366	(35,145)
Accounts payable and accrued expenses	(289,449)	(1,108,968)
Deferred lease expense	17,274	79,120
Deferred revenue	(12,880)	30,109
Net cash (used in) provided by operating activities	(880,316)	4,621,068
Cash flows from investing activities:		
Acquisitions of art	(432,375)	(1,987,266)
Purchases of investments	(62,310,430)	(42,417,663)
Proceeds from sale of investments	63,840,967	38,723,992
Purchases of property and equipment	(564,550)	(9,370,731)
Net cash provided by (used in) investing activities	533,612	(15,051,668)
Cash flows from financing activities:		
Borrowings from construction line of credit	-	6,000,000
Payment on construction line of credit	(1,500,000)	(2,000,000)
Contributions designated for long-term investments received	1,999,096	1,866,324
Net cash provided by financing activities	499,096	5,866,324
Increase (decrease) in cash and cash equivalents	152,392	(4,564,276)
Cash and cash equivalents at beginning of year	2,258,863	6,823,139
Cash and cash equivalents at end of year	\$ 2,411,255	\$ 2,258,863

See accompanying notes to financial statements.

Milwaukee Art Museum, Inc.

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies

Nature of Operations

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 Presentation

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

The preparation of the financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could 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 categorize unrestricted net assets between the operating fund and all other funds in which unrestricted net assets are recorded.

The operating fund is the fund used by the Art Museum to record 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 operating 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 property and equipment.

Milwaukee Art Museum, Inc.

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Net Assets (Continued)

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 Collection

The Art Museum's collection comprises more than 30,000 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.

The value of the art objects in the permanent collection is excluded from the accompanying 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, excluding amounts 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 \$21,000 and \$39,000 that reflect management's estimates of uncollectable accounts at August 31, 2017 and 2016, respectively.

Milwaukee Art Museum, Inc.

Notes to Financial Statements

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 0.15% and 1.70%). Amortization of the discount is recorded as a change to contributions and membership revenue in the accompanying statement of activities. An allowance for uncollectable 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, and food and beverage items 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.

Investments

Investments are carried at fair value in the accompanying 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.

Milwaukee Art Museum, Inc.

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Fair Value Measurements

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an ordinary transaction between market participants at the measurement date. A three-tier hierarchy prioritizes the inputs used in measuring fair value. These tiers include Level 1, defined as observable inputs such as quoted market prices in active markets; Level 2, defined as inputs other than quoted market prices in active markets that are either directly or indirectly observable; and Level 3, defined as unobservable inputs for which little or no market data exists, therefore requiring an entity to develop its own assumptions. The asset's or liability's fair value measurement within the hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

Property and Equipment

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:

	Useful Lives
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 determined that no evaluations of recoverability were necessary during the years ended August 31, 2017 and 2016.

Deferred Revenue

Deferred revenue consists of funds received in advance for facility rentals, 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.

Deferred Lease Expense

The Art Museum recognizes rent expense on a straight-line basis over the non-cancelable lease term for a lease agreement that provides free-rent occupancy periods or has known escalation clauses that increase rent annually. Deferred rent expense is included as a long-term liability in the statements of financial position.

Milwaukee Art Museum, Inc.

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Contribution Revenue

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 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.

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, 2017 and 2016, were \$932,489 and \$1,058,789, 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.

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 2017 and 2016, and therefore, no provision has been made for income taxes in the accompanying financial statements.

Milwaukee Art Museum, Inc.

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Subsequent Events

Subsequent events have been evaluated through November 29, 2017, which is the date the financial statements were available to be issued.

New Accounting Pronouncements

In May 2015, the FASB issued ASU No. 2015-07, *Fair Value Measurement*. This ASU amends FASB ASC 820 and removes the requirement to categorize within the fair value hierarchy all investments for which fair value is measured using the net asset value (NAV) per share practical expedient. This ASU also removes the requirement to make certain disclosures for all investments that are eligible to be measured at fair value using the NAV per share practical expedient. Rather, those disclosures are limited to investments for which the entity has elected to measure the fair value using that practical expedient. The Art Museum adopted the guidance in this ASU for the Art Museum's year ending August 31, 2017. There was no impact upon the August 31, 2016 presentation.

Note 2: Pledges Receivable

Pledges receivable are summarized as follows:

<i>As of August 31,</i>	2017	2016
Less than one year	\$ 2,637,588	\$ 2,867,881
One to five years	1,908,436	2,948,625
Gross pledges receivable	4,546,024	5,816,506
Less:		
Unamortized discount	(96,217)	(23,553)
Allowance for uncollectable accounts	(59,000)	(49,500)
Pledges receivable - Net	4,390,807	5,743,453
Less - Current portion	(2,637,588)	(2,867,881)
Pledges receivable, less current portion	\$ 1,753,219	\$ 2,875,572

Milwaukee Art Museum, Inc.

Notes to Financial Statements

Note 3: Inventories

Inventories consisted of the following:

<i>As of August 31,</i>	2017	2016
Store inventory	\$ 291,295	\$ 268,161
Publications inventory	132,952	110,608
Cafe inventory	73,098	78,005
Reserve for obsolescence	(65,950)	(43,000)
Inventories - Net	\$ 431,395	\$ 413,774

Note 4: Investments

Investments consisted of the following:

<i>As of August 31,</i>	2017	2016
Money market funds	\$ 7,132,853	\$ 11,249,158
U.S. government obligations	811,451	5,567,912
Other fixed income securities	8,049,054	8,355,059
Equities	10,370,173	11,422,664
Fixed income mutual funds	4,041,349	1,285,266
Equity mutual funds	12,143,921	10,544,294
Alternative investments	7,937,233	-
Total investments	\$ 50,486,034	\$ 48,424,353

Investments were held for the following purposes:

<i>As of August 31,</i>	2017	2016
Endowment:		
Operations	\$ 20,229,368	\$ 19,324,078
Education	3,827,643	3,695,709
Curatorial	10,981,279	10,068,406
Acquisitions	6,915,290	6,462,719
Other	1,682,394	1,563,258
Total endowment	43,635,974	41,114,170
Other	6,850,060	7,310,183
Total investments	\$ 50,486,034	\$ 48,424,353

Milwaukee Art Museum, Inc.

Notes to Financial Statements

Note 4: Investments (Continued)

Investment income is as follows:

<i>Years Ended August 31,</i>	2017	2016
Interest and dividend income, net of trustee and management fees	\$ 73,006	\$ 87,772
Net realized gains on sale of investments	1,121,905	915,974
Net change in unrealized gains and losses on investments	2,470,313	1,280,926
Total investment income	\$ 3,665,224	\$ 2,284,672

Investment trustee and management fees of \$226,110 and \$156,981 were paid by the Art Museum for the years ended August 31, 2017 and 2016, 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.

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 unrestricted donations 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. Periodic distributions of income are made to the Art Museum. Under GAAP, the fair value of the Endowment Fund of \$343,876 and \$316,323 as of August 31, 2017 and 2016, 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 \$11,248 and \$13,580 from this fund during 2017 and 2016, respectively.

The Art Museum is also the income beneficiary of 12 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 the use of 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 \$7,137,832 and \$6,370,353 at August 31, 2017 and 2016, respectively. The Art Museum received income distributions of \$234,798 and \$220,803 during 2017 and 2016, respectively, from these designated funds.

Milwaukee Art Museum, Inc.

Notes to Financial Statements

Note 6: Property and Equipment

Property and equipment consisted of the following:

<i>As of August 31,</i>	2017	2016
Building	\$ 95,352,427	\$ 95,352,427
Building improvements	248,169	248,169
Land improvements	11,490,898	11,490,898
Leasehold improvements	30,737,657	30,625,240
Furniture and equipment	5,614,740	5,465,323
Construction in process	503,198	200,480
Total property and equipment	143,947,089	143,382,537
Less - Accumulated depreciation	(51,595,265)	(48,029,041)
Property and equipment - Net	\$ 92,351,824	\$ 95,353,496

Construction in process at August 31, 2017 and 2016, primarily consists of renovations and property acquisition costs (see Note 13).

Note 7: Lines of Credit

Operating 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, 2017 and 2016. The line of credit bears interest at the London Interbank Offered Rate (LIBOR) plus 100 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, 2017 and 2016. The line of credit agreement expires April 30, 2018. There were no borrowings under the line of credit at August 31, 2017 and 2016.

Construction Line of Credit

In April 2015, the Art Museum entered into a \$10,000,000 construction line of credit agreement in order to fund renovations and construction of additional space. The agreement is secured by pledges and deposit accounts associated with the Capital Campaign. The construction line of credit had a 24-month interest only period, followed by full amortization of the principal over four years after conversion. During 2016, the line of credit was converted. Since conversion, the agreement requires minimum annual principal payments of \$1,200,000. The interest rate is 1-month LIBOR plus 100 basis points (currently at 2.23% as of August 31, 2017). The amount owed under the construction line of credit was \$2,500,000 and \$4,000,000 as of August 31, 2017 and 2016, respectively. Under the terms of the agreement, the Art Museum is required to maintain a specific financial covenant of which management believes the Art Museum is in compliance as of August 31, 2017.

Milwaukee Art Museum, Inc.

Notes to Financial Statements

Note 7: Lines of Credit (Continued)

Interest

Information regarding interest incurred is as follows:

<i>Years Ended August 31,</i>	2017	2016
Interest charged to expense	\$ 54,555	\$ 15,864
Interest capitalized	-	37,567
Total interest costs incurred	\$ 54,555	\$ 53,431

Interest paid, excluding amounts capitalized, during the years ended August 31, 2017 and 2016, totaled \$55,596 and \$704, respectively.

Note 8: 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, 2017 and 2016, pledges from one donor totaled 18% and 21%, respectively, of total pledges receivable.

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:

<i>As of August 31,</i>	2017	2016
Board-designated endowment	\$ 1,636,910	\$ 1,504,043
Deaccessioning fund	81,225	84,364
Board-designated reserve	2,135,158	2,475,152
Total board designated net assets	\$ 3,853,293	\$ 4,063,559

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 are summarized as follows:

<i>As of August 31,</i>	2017	2016
Facility expansion project	\$ 251,955	\$ 763,406
Acquisition of art	7,635,447	7,308,615
Exhibitions	1,603,630	1,334,534
Education	2,465,438	1,208,596
Collection - Care and maintenance	553,290	513,937
Auxiliary activities	1,228,896	1,379,507
Program services	55,000	72,500
Operations	5,274,315	4,481,407
Total temporarily restricted net assets	\$ 19,067,971	\$ 17,062,502

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

<i>Years Ended August 31,</i>	2017	2016
Temporarily restricted net assets released for operations:		
Education	\$ 814,373	\$ 1,074,387
Audience, communication, and member development	478,826	199,370
Presentation and curatorial	917,401	657,743
General, administrative, and development	246,490	1,094,445
Renovations	414,173	6,766,556
Financial development and volunteer services	771,001	1,027,371
Building services	-	64,906
Total temporarily restricted net assets released for operations	3,642,264	10,884,778
Transfer to permanently restricted net assets to meet donor designation requirements	80,555	10,719
Total temporarily restricted net assets released from restrictions	\$ 3,722,819	\$ 10,895,497

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.

Milwaukee Art Museum, Inc.

Notes to Financial Statements

Note 11: Endowments (Continued)

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.

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 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 the Art Museum investment policy are recommended by the Investment Committee, approved by the Finance Committee and by the Board of Trustees.

Milwaukee Art Museum, Inc.

Notes to Financial Statements

Note 11: Endowments (Continued)

Investment Return Objectives, Risk Parameters, and Strategies (Continued)

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, alternative investments, and cash equivalents.

Distributions

The annual distribution policy the board has set will allow distributions to be 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.

Endowment Net Assets

Endowment net assets consisted of the following as of August 31:

	2017			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-designated endowment funds	\$ -	\$ 11,978,363	\$ 30,076,640	\$ 42,055,003
Board-designated and other endowment funds	1,636,910	-	-	1,636,910
Totals	\$ 1,636,910	\$ 11,978,363	\$ 30,076,640	\$ 43,691,913

	2016			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-designated endowment funds	\$ -	\$ 10,061,811	\$ 29,528,274	\$ 39,590,085
Board-designated and other endowment funds	1,504,043	-	-	1,504,043
Totals	\$ 1,504,043	\$ 10,061,811	\$ 29,528,274	\$ 41,094,128

Milwaukee Art Museum, Inc.

Notes to Financial Statements

Note 11: Endowments (Continued)

Changes in Endowment Net Assets

Changes in the endowment net assets were as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets at September 1, 2015	\$ 1,323,299	\$ 9,722,622	\$ 25,063,437	\$ 36,109,358
Contributions	120,000	-	3,646,133	3,766,133
Investment return:				
Interest and dividends	41,097	1,089,417	1,912	1,132,426
Net appreciation	33,909	1,016,089	3,395	1,053,393
Total investment return	75,006	2,105,506	5,307	2,185,819
Appropriations - Acquisition of art	-	(405,257)	-	(405,257)
Investment return appropriated for expenditures	(14,262)	(1,457,938)	-	(1,472,200)
Designated transfers - Other	-	96,878	813,397	910,275
Endowment net assets at August 31, 2016	1,504,043	10,061,811	29,528,274	41,094,128
Contributions	46,691	-	467,811	514,502
Investment return:				
Interest and dividends	25,636	716,737	-	742,373
Net appreciation	101,311	2,750,699	-	2,852,010
Total investment return	126,947	3,467,436	-	3,594,383
Appropriations - Acquisition of art	-	(50,600)	-	(50,600)
Investment return appropriated for expenditures	(40,771)	(1,419,729)	-	(1,460,500)
Designated transfers - Other	-	(80,555)	80,555	-
Endowment net assets at August 31, 2017	\$ 1,636,910	\$ 11,978,363	\$ 30,076,640	\$ 43,691,913

Note 12: Unemployment Compensation

The Art Museum has elected reimbursement financing under provisions of the Wisconsin unemployment compensation laws. Unemployment compensation claims are paid to the state of Wisconsin as incurred. The Art Museum has obtained a letter of credit of \$118,145 to meet state funding requirements. There were no borrowings against this letter of credit at August 31, 2017 and 2016. The letter of credit expires in December 2020.

Milwaukee Art Museum, Inc.

Notes to Financial Statements

Note 13: Leases

Lease with Milwaukee County

The Art Museum has a direct lease with Milwaukee County (the "County") for spaces it currently occupies in County owned buildings. The Art Museum is responsible for all mechanical functions of its 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 Art Museum created a wholly-owned, tax-exempt subsidiary, Museum Center Park, Inc., for the potential transaction related to the transfer of ownership of the adjacent parking garage, pavilion, and park from the County. Cost related to the property acquisition of approximately \$500,000 will be transferred to Museum Center Park, Inc. upon completion of the transaction (See Note 6). Museum Center Park, Inc. will repay the Art Museum for these costs. Museum Center Park, Inc. has no assets or liabilities as of August 31, 2017. The transaction with the County is expected to be completed by the end of 2017.

Other Leases

The Art Museum leases office equipment and office space under operating leases which expire through September 2026. Rent expense for the years ended August 31, 2017 and 2016 totaled \$354,707 and \$216,907, respectively.

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

<i>Years Ended August 31,</i>	
2018	\$ 460,271
2019	481,140
2020	448,392
2021	442,958
2022	451,228
Thereafter	1,144,872
Total	\$ 3,428,861

Note 14: Employee Benefit Plans

The Art Museum maintains an employee retirement plan qualified under Section 403(b) of the 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, 2017 and 2016 was 2%. Employees may make contributions to the plan up to the maximum amount allowed by the Code. The Art Museum's expenses related to this plan were \$71,708 and \$60,318 for the years ended August 31, 2017 and 2016, respectively.

Milwaukee Art Museum, Inc.

Notes to Financial Statements

Note 14: Employee Benefit Plans (Continued)

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 6% of Art Museum employees. The current agreement is in effect until August 31, 2020. Expenses related to this plan for contributions on behalf of eligible union employees were \$27,661 and \$25,790 for the years ended August 31, 2017 and 2016, respectively.

Note 15: Fair Value Measurements

Information regarding assets measured at fair value on a recurring basis is as follows:

<i>As of August 31, 2017</i>	Fair Value Measurements Using			Total Assets at Fair Value
	Level 1	Level 2	Level 3	
Investments:				
Cash and cash equivalents:				
Money market funds	\$ -	\$ 7,132,853	\$ -	\$ 7,132,853
Fixed income securities:				
U.S. government obligations	811,451	-	-	811,451
Mortgage-backed securities	4,649,453	-	-	4,649,453
Municipal obligations	-	130,046	-	130,046
Corporate obligations	-	2,813,803	-	2,813,803
Foreign obligations	-	455,752	-	455,752
Equities:				
Domestic	8,251,458	-	-	8,251,458
Foreign	1,784,437	-	-	1,784,437
Privately held stock	-	-	334,278	334,278
Fixed income mutual funds	4,041,349	-	-	4,041,349
Equity mutual funds	12,143,921	-	-	12,143,921
Alternative investments measured using NAV practical expedient: *				
Defensive equity fund				3,312,145
Private real estate investment trust				3,200,088
Collective trust fund				1,425,000
Total investments	31,682,069	10,532,454	334,278	50,486,034
Pledges receivable	-	4,390,807	-	4,390,807
Beneficial interest in assets held in trust	-	343,876	-	343,876
Totals	\$ 31,682,069	\$ 15,267,137	\$ 334,278	\$ 55,220,717

Milwaukee Art Museum, Inc.

Notes to Financial Statements

Note 15: Fair Value Measurements (Continued)

<i>As of August 31, 2016</i>	Fair Value Measurements Using			Total Assets at Fair Value
	Level 1	Level 2	Level 3	
Investments:				
Cash and equivalents:				
Money market funds	\$ -	\$ 11,249,158	\$ -	\$ 11,249,158
Fixed income securities:				
U.S. government obligations	5,567,912	-	-	5,567,912
Mortgage-backed securities	6,101,967	-	-	6,101,967
Corporate obligations	-	1,046,100	-	1,046,100
Foreign obligations	-	1,206,992	-	1,206,992
Equities:				
Domestic	8,745,641	-	-	8,745,641
Foreign	2,242,620	-	-	2,242,620
Privately held stock	-	-	434,403	434,403
Fixed income mutual funds	1,285,266	-	-	1,285,266
Equity mutual funds	10,544,294	-	-	10,544,294
Total investments	34,487,700	13,502,250	434,403	48,424,353
Pledges receivable	-	5,743,453	-	5,743,453
Beneficial interest in assets held in trust	-	316,323	-	316,323
Totals	\$ 34,487,700	\$ 19,562,026	\$ 434,403	\$ 54,484,129

*In accordance with FASB ASC 820-10, certain investments that are measured at fair value using the NAV per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented in the tables above are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the statements of financial position.

The table below sets forth a summary of changes in the fair value of privately held stock:

Balance at September 1, 2015	\$ 616,287
Distributions	(181,884)
Balance at August 31, 2016	434,403
Distributions	(100,125)
Balance at August 31, 2017	\$ 334,278

Milwaukee Art Museum, Inc.

Notes to Financial Statements

Note 15: 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 NAV.
- U.S government obligations, mortgage-backed securities, municipal obligations, corporate obligations, and foreign obligations are valued using quotes from pricing vendors based on recent trading activity and other observable market data.
- Equities, except for privately held stock, are valued at quoted market prices.
- Privately held stock is valued using a discounted cash flow method.
- 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 U.S. 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.
- Alternative investments are valued based on the NAV of the underlying investments of the funds.
- 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

Note 15: Fair Value Measurements (Continued)

The following table presents additional information about the Art Museum's investments whose fair value is estimated using the reported NAV at August 31, 2017:

		Redemption Frequency	Redemption Notice Period	Unfunded Commitments
Defensive equity fund:				
Parametric Defensive Equity ^(A)	\$ 3,312,145	Monthly	5 days	\$ -
Private real estate investment trust:				
Barings Core Property Fund ^(B)	\$ 3,200,088	Quarterly	30 days	\$ -
Collective trust fund:				
Wellington Trust Company N.A. ^(C)	\$ 1,425,000	Monthly	Notice on 22nd calendar day of prior month	\$ -

- (A) The fund attempts to generate similar returns to the S&P 500 over a full market cycle with lower risk. The fund consists of S&P 500 securities and treasury bills. Additionally, the fund sells fully collateralized call and put options on the S&P 500 to generate outgoing income. The fund seeks to structurally reduce equity market risk while adding a relatively uncorrelated risk premium to enhance returns. The fund seeks to reduce the magnitude of drawdowns and recover faster from stress events.
- (B) The fund is a U.S. open-end diversified core fund that focuses on the four traditional property types and hotels. The fund is managed with an emphasis on research, targeting “barrier” markets, which are perceived to reduce the risk of oversupply and offer potential for outsized rent growth and appreciation.
- (C) The collective trust seeks to outperform the MSCI Emerging Markets Index (the “Index”) over three to five years. The fund uses a highly diversified, research-driven strategy targeting an excess return over the Index.

Supplementary Information

Milwaukee Art Museum, Inc.

Schedule of Endowment Funds

August 31, 2017 and 2016

	2017	2016
Donor-restricted endowments:		
Abert Family Curator of American Art Fund	\$ 3,972,297	\$ 3,755,900
Albert Tooman Acquisition Fund	653,550	599,086
Boyd Fund	110,838	107,006
Bradley Conservation/Maintenance Fund	1,381,716	1,333,595
Bradley Foundation Fund	4,827,333	4,655,117
Catherine Jean Quirk Fund	97,348	93,982
CAS/Dimoff Fund	258,436	236,899
Constance P. Godfrey Acquisition Fund	1,554,727	1,425,164
Croasdaile Acquisition Fund	1,506,039	1,428,781
Doerfler Fund	120,017	110,015
Dunham Fund for Education	468,130	450,443
Endowment for Conservation	40,990	39,573
Endowment for Education	622,780	601,378
Eric C. Stern Fund	99,729	91,418
Esther S. Weber Memorial Education Fund	45,179	43,617
Expansion Operating Endowment	932,176	898,394
Florence Eiseman Foundation Fund	48,342	46,669
Frederick Layton Lecture Series Fund	235,977	227,819
Friends of Art Exhibition Fund	1,795,048	1,547,825
General Operating Endowment	7,499,532	7,227,490
Grootemaat Fund	56,248	54,304
Hambling Endowment	932,695	899,521
Hay Gift Annuity	2,399	2,383
Herzfeld Curator of Photography Fund	1,082,662	776,589
James H. Brachman Fund	77,138	74,474
Jill and Jack Pelisek Fund	113,999	99,837
Joan Marcus Memorial Fund	70,926	68,474
John Porter Retzer and Florence Horn Retzer Competition Fund	298,258	287,947
Katherine Smith Gift Annuity	10,899	10,828
LaBahn Fund	1,563,586	1,509,534
Laskin Fund	1,340,829	1,229,091
Lee, Barbara Brown, Director of Education Endowment	455,134	417,395
Miller Lewensohn Gift Annuity	8,867	8,809
NEA Challenge Endowment-Match	1,538,393	1,485,212
Orth Fund	169,169	163,318
Patti Baker Education Endowment Fund	1,373,986	1,326,487
Pellegrin Family Endowment for Education	344,155	332,258
Pieper Challenge Grant Matching Fund	3,036,930	2,783,849
Rene von Schleinitz Memorial Fund	140,154	128,474
Richard and Ethel Herzfeld Photography Exhibition Fund	531,862	513,476
Schuchardt Fund	34,118	31,275
Suzanne and Richard Pieper Family Fund	1,499,455	1,374,498
Vilski Gift Annuity	9,265	9,205
Virginia Booth Vogel Acquisition Fund	1,093,692	1,082,676
Total donor-restricted endowments	42,055,003	39,590,085

Milwaukee Art Museum, Inc.

Schedule of Endowment Funds (Continued)

August 31, 2017 and 2016

	2017	2016
Board-designated endowments:		
Ruth K. Abrams Fund	\$ 66,582	\$ 64,281
Board Designated Fund	1,269,503	1,146,777
Karen Johnson Boyd Fund	200,975	193,788
Gift Annuity Reserve	99,850	99,197
Total board-designated endowments	1,636,910	1,504,043
Total endowment funds	\$ 43,691,913	\$ 41,094,128

Endowment assets (liabilities) consisted of the following:

<i>As of August 31,</i>	2017	2016
Investments	\$ 43,635,974	\$ 41,114,170
Other	55,939	(20,042)
Total endowment funds	\$ 43,691,913	\$ 41,094,128

See independent auditor's report on supplementary information.