



**FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED  
AUGUST 31, 2016 AND 2015**

ACADEMY ART MUSEUM, INC.

FINANCIAL STATEMENTS

FOR THE YEARS ENDED AUGUST 31, 2016 AND 2015

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### Independent Auditor's Report

To the Board of Trustees  
Academy Art Museum, Inc.

We have audited the accompanying financial statements of Academy Art Museum, Inc. (a nonprofit organization) (the "Museum"), which comprise the statements of financial position as of August 31, 2016 and 2015, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

#### **Management's Responsibility for the Financial Statements**

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

#### **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 of America. 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 Academy Art Museum, Inc. as of August 31, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. Schedule I – Revenues and Support on page 26 is presented for purposes 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 of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

A handwritten signature in black ink that reads "Toal, Griffith + Ragula, LLC". The signature is written in a cursive, flowing style.

February 17, 2017

ACADEMY ART MUSEUM, INC.  
STATEMENTS OF FINANCIAL POSITION  
AUGUST 31, 2016 AND 2015

ASSETS

|  | <u>2016</u>         | <u>2015</u>         |
|--|---------------------|---------------------|
| <b>CURRENT ASSETS</b>                                    |                     |                     |
| Cash and Cash Equivalents                                | \$ 226,288          | \$ 113,636          |
| Pledges Receivable, Current Portion                      | 208,500             | 79,667              |
| Pledges Receivable from Trustees, Current Portion        | 57,895              | 15,000              |
| Program Service Fees Receivable                          | 359                 | 3,668               |
| Prepaid Expenses   | 14,867              | 14,652              |
| Total Current Assets                                     | <u>507,909</u>      | <u>226,623</u>      |
| <b>PROPERTY AND EQUIPMENT</b>                            |                     |                     |
| Less Accumulated Depreciation                            | 2,691,276           | 2,741,245           |
| <b>NONCURRENT ASSETS</b>                                 |                     |                     |
| Long Term Investments                                    | 3,754,289           | 3,565,417           |
| Pledges Receivable, Net of Current Portion               | 40,248              | 105,384             |
| Pledges Receivable from Trustees, Net of Current Portion | 587,644             | 2,500               |
| Certificates of Deposit                                  | 29,832              | 29,802              |
| Collections (Note 1)                                     | -                   | -                   |
| Total Noncurrent Assets                                  | <u>4,412,013</u>    | <u>3,703,103</u>    |
| Total Assets   | <u>\$ 7,611,198</u> | <u>\$ 6,670,971</u> |

LIABILITIES AND NET ASSETS

|   |                     |                     |
|---|---------------------|---------------------|
| <b>CURRENT LIABILITIES</b>                    |                     |                     |
| Accounts Payable                              | \$ 55,297           | \$ 34,034           |
| Accrued Expenses                              | 362                 | 52                  |
| Deferred Revenue                              | 75,347              | 138,267             |
| Line of Credit                                | 92,927              | -                   |
| Total Current Liabilities                     | <u>223,933</u>      | <u>172,353</u>      |
| Total Liabilities                             | 223,933             | 172,353             |
| <b>NET ASSETS</b>                             |                     |                     |
| Unrestricted Undesignated                     | 2,496,421           | 2,809,994           |
| Unrestricted - Board Designated for Endowment | 3,553,830           | 3,364,960           |
| Total Unrestricted                            | <u>6,050,251</u>    | <u>6,174,954</u>    |
| Temporarily Restricted                        | 1,139,164           | 125,814             |
| Permanently Restricted                        | 197,850             | 197,850             |
| Total Net Assets                              | <u>7,387,265</u>    | <u>6,498,618</u>    |
| Total Liabilities and Net Assets              | <u>\$ 7,611,198</u> | <u>\$ 6,670,971</u> |

See independent auditor's report and accompanying notes to financial statements.

ACADEMY ART MUSEUM, INC.  
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS  
FOR THE YEAR ENDED AUGUST 31, 2016

|  | <u>Unrestricted</u>     | <u>Temporarily<br/>Restricted</u> | <u>Permanently<br/>Restricted</u> | <u>Total</u>            |
|--|-------------------------|-----------------------------------|-----------------------------------|-------------------------|
| <b>REVENUES AND SUPPORT</b>                  |                         |                                   |                                   |                         |
| Revenues and Support Earned                  | \$ 279,822              | \$ -                              | \$ -                              | \$ 279,822              |
| Contributions                                | 869,417                 | 1,317,658                         | -                                 | 2,187,075               |
| Investment Income                            | 214,089                 | -                                 | -                                 | 214,089                 |
| Net Assets Released from Restrictions        | <u>304,308</u>          | <u>(304,308)</u>                  | <u>-</u>                          | <u>-</u>                |
| <br>Total Revenues and Other Support         | <br>1,667,636           | <br>1,013,350                     | <br>-                             | <br>2,680,986           |
| <b>EXPENSES</b>                              |                         |                                   |                                   |                         |
| Program Expenses                             | 840,422                 | -                                 | -                                 | 840,422                 |
| General Administration                       | 431,163                 | -                                 | -                                 | 431,163                 |
| Fundraising                                  | 132,033                 | -                                 | -                                 | 132,033                 |
| Public Relations                             | 33,432                  | -                                 | -                                 | 33,432                  |
| Special Events                               | <u>145,214</u>          | <u>-</u>                          | <u>-</u>                          | <u>145,214</u>          |
| <br>Total Expenses                           | <br><u>1,582,264</u>    | <br><u>-</u>                      | <br><u>-</u>                      | <br><u>1,582,264</u>    |
| <br>CHANGES IN NET ASSETS FROM<br>OPERATIONS | <br>85,372              | <br>1,013,350                     | <br>-                             | <br>1,098,722           |
| <b>OTHER CHANGES IN NET ASSETS</b>           |                         |                                   |                                   |                         |
| Collection Items Purchased                   | (29,275)                | -                                 | -                                 | (29,275)                |
| Capital Campaign Expenses                    | <u>(180,800)</u>        | <u>-</u>                          | <u>-</u>                          | <u>(180,800)</u>        |
| <br>OTHER CHANGES IN NET ASSETS              | <br>(210,075)           | <br>-                             | <br>-                             | <br>(210,075)           |
| <br>Total Change in Net Assets               | <br>(124,703)           | <br>1,013,350                     | <br>-                             | <br>888,647             |
| <br>Net Assets at Beginning of Year          | <br><u>6,174,954</u>    | <br><u>125,814</u>                | <br><u>197,850</u>                | <br><u>6,498,618</u>    |
| <br>Net Assets at End of Year                | <br><u>\$ 6,050,251</u> | <br><u>\$ 1,139,164</u>           | <br><u>\$ 197,850</u>             | <br><u>\$ 7,387,265</u> |

See independent auditor's report and accompanying notes to financial statements.

ACADEMY ART MUSEUM, INC.  
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS  
FOR THE YEAR ENDED AUGUST 31, 2015

|  | <u>Unrestricted</u>     | <u>Temporarily<br/>Restricted</u> | <u>Permanently<br/>Restricted</u> | <u>Total</u>            |
|--|-------------------------|-----------------------------------|-----------------------------------|-------------------------|
| <b>REVENUES AND SUPPORT</b>                  |                         |                                   |                                   |                         |
| Revenues and Support Earned                  | \$ 256,755              | \$ -                              | \$ -                              | \$ 256,755              |
| Contributions                                | 1,045,298               | 69,727                            | -                                 | 1,115,025               |
| Investment Loss                              | (25,285)                | -                                 | -                                 | (25,285)                |
| Loss on Disposal of Assets                   | (1,716)                 | -                                 | -                                 | (1,716)                 |
| Net Assets Released from Restrictions        | <u>78,861</u>           | <u>(78,861)</u>                   | -                                 | -                       |
| <br>Total Revenues and Other Support         | <br>1,353,913           | <br>(9,134)                       | <br>-                             | <br>1,344,779           |
| <b>EXPENSES</b>                              |                         |                                   |                                   |                         |
| Program Expenses                             | 860,184                 | -                                 | -                                 | 860,184                 |
| General Administration                       | 461,262                 | -                                 | -                                 | 461,262                 |
| Fundraising                                  | 115,008                 | -                                 | -                                 | 115,008                 |
| Public Relations                             | 42,155                  | -                                 | -                                 | 42,155                  |
| Special Events                               | <u>260,149</u>          | <u>-</u>                          | <u>-</u>                          | <u>260,149</u>          |
| <br>Total Expenses                           | <br><u>1,738,758</u>    | <br><u>-</u>                      | <br><u>-</u>                      | <br><u>1,738,758</u>    |
| <br>CHANGES IN NET ASSETS FROM<br>OPERATIONS | <br>(384,845)           | <br>(9,134)                       | <br>-                             | <br>(393,979)           |
| <br>OTHER CHANGES IN NET ASSETS              |                         |                                   |                                   |                         |
| Collection Items Purchased                   | <u>(27,435)</u>         | <u>-</u>                          | <u>-</u>                          | <u>(27,435)</u>         |
| <br>OTHER CHANGES IN NET ASSETS              | <br>(27,435)            | <br>-                             | <br>-                             | <br>(27,435)            |
| <br>Total Change in Net Assets               | <br>(412,280)           | <br>(9,134)                       | <br>-                             | <br>(421,414)           |
| <br>Net Assets at Beginning of Year          | <br><u>6,587,234</u>    | <br><u>134,948</u>                | <br><u>197,850</u>                | <br><u>6,920,032</u>    |
| <br>Net Assets at End of Year                | <br><u>\$ 6,174,954</u> | <br><u>\$ 125,814</u>             | <br><u>\$ 197,850</u>             | <br><u>\$ 6,498,618</u> |

See independent auditor's report and accompanying notes to financial statements.

ACADEMY ART MUSEUM, INC.  
STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED AUGUST 31, 2016

|                                     | Program<br>Services | General<br>Administration | Fundraising       | Public<br>Relations | Special<br>Events | Total<br>Expenses   |
|-------------------------------------|---------------------|---------------------------|-------------------|---------------------|-------------------|---------------------|
| Advertising                         | \$ 26,016           | \$ 3,029                  | \$ 1,481          | \$ 4,778            | \$ 6,309          | \$ 41,613           |
| Artwork Exhibit Expense             | 5,186               | -                         | -                 | -                   | -                 | 5,186               |
| Bank Service Charges                | 24                  | 9,433                     | (130)             | -                   | -                 | 9,327               |
| Bad Debt                            | -                   | -                         | 11,500            | -                   | -                 | 11,500              |
| Equipment Rental/Repair             | -                   | 7,569                     | -                 | -                   | -                 | 7,569               |
| Fees-Artist                         | 54,261              | -                         | -                 | -                   | -                 | 54,261              |
| Fees-Instructors                    | 96,741              | -                         | -                 | -                   | -                 | 96,741              |
| Fees-Professional                   | 47,532              | 45,225                    | 3,017             | 1,147               | 3,271             | 100,192             |
| Investment Management Fees          | -                   | 18,616                    | -                 | -                   | -                 | 18,616              |
| Interest                            | -                   | 4,933                     | -                 | -                   | -                 | 4,933               |
| Miscellaneous                       | -                   | 1,627                     | 1,430             | -                   | -                 | 3,057               |
| Official Entertainment              | 13,168              | 1,597                     | 11,406            | -                   | 969               | 27,140              |
| Postage                             | 269                 | 3,881                     | 1,108             | 2,692               | 259               | 8,209               |
| Printing                            | 8,650               | 831                       | 4,414             | 23,663              | 1,292             | 38,850              |
| Program Trips Expense               | 1,476               | -                         | -                 | -                   | -                 | 1,476               |
| Shipping and Delivery Charges       | 18,578              | 27                        | -                 | -                   | -                 | 18,605              |
| Space Rental                        | -                   | 4,440                     | -                 | -                   | -                 | 4,440               |
| Subscriptions and Professional Dues | 1,258               | 28,026                    | 690               | 912                 | 125               | 31,011              |
| Supplies and Materials              | 14,460              | 9,723                     | 4,040             | 185                 | 92,973            | 121,381             |
| Travel                              | 19,094              | 209                       | -                 | 55                  | 37                | 19,395              |
|                                     | <u>306,713</u>      | <u>139,166</u>            | <u>38,956</u>     | <u>33,432</u>       | <u>105,235</u>    | <u>623,502</u>      |
| Personnel Cost:                     |                     |                           |                   |                     |                   |                     |
| Salaries                            | 209,162             | 220,799                   | 74,525            | -                   | 31,598            | 536,084             |
| Payroll Taxes                       | 17,680              | 18,664                    | 6,299             | -                   | 2,671             | 45,314              |
| Retirement                          | 5,485               | 5,790                     | 1,954             | -                   | 829               | 14,058              |
| Benefits                            | 20,808              | 21,965                    | 7,414             | -                   | 3,143             | 53,330              |
| Total Personnel Cost                | <u>253,135</u>      | <u>267,218</u>            | <u>90,192</u>     | <u>-</u>            | <u>38,241</u>     | <u>648,786</u>      |
| Facility Expenses:                  |                     |                           |                   |                     |                   |                     |
| Utilities                           | 57,223              | 4,368                     | -                 | -                   | 806               | 62,397              |
| Maintenance and Supplies            | 18,416              | 1,398                     | 135               | -                   | 258               | 20,207              |
| Personnel Expense                   | 47,831              | 3,651                     | -                 | -                   | 674               | 52,156              |
| Insurance                           | 25,567              | 2,926                     | -                 | -                   | -                 | 28,493              |
| Service Agreements                  | 7,944               | 1,702                     | 1,702             | -                   | -                 | 11,348              |
| Telephone and Internet              | 4,195               | 1,747                     | 1,048             | -                   | -                 | 6,990               |
| Total Facility Expenses             | <u>161,176</u>      | <u>15,792</u>             | <u>2,885</u>      | <u>-</u>            | <u>1,738</u>      | <u>181,591</u>      |
| Depreciation                        | 119,398             | 8,987                     | -                 | -                   | -                 | 128,385             |
| Total Functional Expenses           | <u>\$ 840,422</u>   | <u>\$ 431,163</u>         | <u>\$ 132,033</u> | <u>\$ 33,432</u>    | <u>\$ 145,214</u> | <u>\$ 1,582,264</u> |

See independent auditor's report and accompanying notes to financial statements.



ACADEMY ART MUSEUM, INC.  
STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED AUGUST 31, 2015

|                                     | Program<br>Services | General<br>Administration | Fundraising       | Public<br>Relations | Special<br>Events | Total<br>Expenses   |
|-------------------------------------|---------------------|---------------------------|-------------------|---------------------|-------------------|---------------------|
| Advertising                         | \$ 30,634           | \$ 3,880                  | \$ 130            | \$ 14,024           | \$ 8,177          | \$ 56,845           |
| Artwork Exhibit Expense             | 29,414              | -                         | -                 | -                   | -                 | 29,414              |
| Bank Service Charges                | 268                 | 13,941                    | -                 | -                   | 133               | 14,342              |
| Equipment Rental/Repair             | 193                 | 8,138                     | 105               | -                   | -                 | 8,436               |
| Executive Search and Moving         | -                   | 62,138                    | -                 | -                   | -                 | 62,138              |
| Fees-Artist                         | 20,829              | -                         | -                 | -                   | 500               | 21,329              |
| Fees-Instructors                    | 118,289             | -                         | -                 | -                   | -                 | 118,289             |
| Fees-Professional                   | 60,449              | 64,429                    | 6,036             | 2,237               | 1,676             | 134,827             |
| Investment Management Fees          | -                   | 19,723                    | -                 | -                   | -                 | 19,723              |
| Miscellaneous                       | 3,478               | 1,856                     | 478               | 200                 | 1,600             | 7,612               |
| Official Entertainment              | 13,005              | 1,153                     | 14,680            | -                   | -                 | 28,838              |
| Postage                             | 452                 | 3,409                     | 1,391             | 2,465               | 24                | 7,741               |
| Printing                            | 8,898               | 3,160                     | 6,166             | 23,131              | 2,047             | 43,402              |
| Program Trips Expense               | 10,531              | -                         | -                 | -                   | -                 | 10,531              |
| Shipping and Delivery Charges       | 10,208              | -                         | -                 | -                   | -                 | 10,208              |
| Space Rental                        | -                   | 4,440                     | -                 | -                   | -                 | 4,440               |
| Subscriptions and Professional Dues | 4,994               | 23,989                    | 1,390             | 39                  | -                 | 30,412              |
| Supplies and Materials              | 17,148              | 8,628                     | 6,136             | 59                  | 194,953           | 226,924             |
| Travel                              | 24,510              | 1,659                     | 87                | -                   | 874               | 27,130              |
|                                     | <u>353,300</u>      | <u>220,543</u>            | <u>36,599</u>     | <u>42,155</u>       | <u>209,984</u>    | <u>862,581</u>      |
| Personnel Cost:                     |                     |                           |                   |                     |                   |                     |
| Salaries                            | 172,284             | 182,729                   | 65,014            | -                   | 41,089            | 461,116             |
| Payroll Taxes                       | 13,206              | 13,985                    | 4,984             | -                   | 3,150             | 35,325              |
| Retirement                          | 5,738               | 6,076                     | 2,165             | -                   | 1,368             | 15,347              |
| Benefits                            | 10,998              | 11,647                    | 4,150             | -                   | 2,623             | 29,418              |
| Total Personnel Cost                | <u>202,226</u>      | <u>214,437</u>            | <u>76,313</u>     | <u>-</u>            | <u>48,230</u>     | <u>541,206</u>      |
| Facility Expenses:                  |                     |                           |                   |                     |                   |                     |
| Utilities                           | 58,874              | 4,494                     | -                 | -                   | 829               | 64,197              |
| Maintenance and Supplies            | 36,481              | 2,727                     | -                 | -                   | 503               | 39,711              |
| Personnel Expense                   | 42,812              | 3,268                     | -                 | -                   | 603               | 46,683              |
| Insurance                           | 27,843              | 3,186                     | -                 | -                   | -                 | 31,029              |
| Service Agreements                  | 4,504               | 966                       | 965               | -                   | -                 | 6,435               |
| Telephone and Internet              | 4,524               | 1,885                     | 1,131             | -                   | -                 | 7,540               |
| Total Facility Expenses             | <u>175,038</u>      | <u>16,526</u>             | <u>2,096</u>      | <u>-</u>            | <u>1,935</u>      | <u>195,595</u>      |
| Depreciation                        | <u>129,620</u>      | <u>9,756</u>              | <u>-</u>          | <u>-</u>            | <u>-</u>          | <u>139,376</u>      |
| Total Functional Expenses           | <u>\$ 860,184</u>   | <u>\$ 461,262</u>         | <u>\$ 115,008</u> | <u>\$ 42,155</u>    | <u>\$ 260,149</u> | <u>\$ 1,738,758</u> |

See independent auditor's report and accompanying notes to financial statements.

ACADEMY ART MUSEUM, INC.  
STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED AUGUST 31, 2016 AND 2015

|   | <u>2016</u>       | <u>2015</u>       |
|---|-------------------|-------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>   |                   |                   |
| Total Change in Net Assets  | \$ 888,647        | \$ (421,414)      |
| Adjustments to Reconcile Change in Net Assets to Net Cash<br>Provided (Used) by Operating Activities: |                   |                   |
| Depreciation  | 128,385           | 139,376           |
| Realized Loss on Sale of Investments  | 68,855            | 46,671            |
| Unrealized (Gain) Loss on Investments   | (177,856)         | 120,492           |
| (Gain) Loss on Disposal of Fixed Assets   | -                 | 1,716             |
| (Increase) Decrease in:   |                   |                   |
| Pledges and Grants Receivable   | (691,736)         | 112,834           |
| Program Service Fees Receivable   | 3,309             | (3,309)           |
| Prepaid Expenses  | (215)             | (2,786)           |
| Increase (Decrease) in:   |                   |                   |
| Accounts Payable  | 21,263            | (9,940)           |
| Accrued Expenses  | 310               | (7,184)           |
| Deferred Revenue  | (62,920)          | 19,059            |
| Net Cash Provided (Used) by Operating Activities  | <u>178,042</u>    | <u>(4,485)</u>    |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>   |                   |                   |
| Investment in Equipment   | (78,416)          | (240,174)         |
| Proceeds (Reinvestment) from Redemption of Certificates of Deposit                                    | (30)              | 81,814            |
| Proceeds from Sale of Long Term Investments   | 753,507           | 848,037           |
| Purchase of Investments   | <u>(833,378)</u>  | <u>(844,657)</u>  |
| Net Cash Used by Investing Activities   | <u>(158,317)</u>  | <u>(154,980)</u>  |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>   |                   |                   |
| Draws on Line of Credit   | 100,000           | -                 |
| Payments on Line of Credit  | <u>(7,073)</u>    | <u>-</u>          |
| Net Cash Provided for Financing Activities  | <u>92,927</u>     | <u>-</u>          |
| Net Increase (Decrease) in Cash and Cash Equivalents  | 112,652           | (159,465)         |
| Cash and Cash Equivalents, Beginning of Year  | <u>113,636</u>    | <u>273,101</u>    |
| Cash and Cash Equivalents, End of Year  | <u>\$ 226,288</u> | <u>\$ 113,636</u> |
| <b>SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION</b>  |                   |                   |
| Interest Paid   | <u>\$ -</u>       | <u>\$ -</u>       |
| Income Taxes Paid   | <u>\$ -</u>       | <u>\$ -</u>       |

See independent auditor's report and accompanying notes to financial statements.

ACADEMY ART MUSEUM, INC.  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED AUGUST 31, 2016 AND 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Academy Art Museum, Inc. (the "Museum") is a tax-exempt, nonprofit organization established in 1958 to promote the knowledge, practice, and appreciation of the arts on the Eastern Shore of Maryland. The Museum is a regional arts center serving the greater Eastern Shore community. The Museum offers a broad spectrum of programs and arts related services including the museum galleries used to display pieces of its permanent collection as well as works of art on loan from other organizations. The Museum has a library and offers various visual and performing arts presentations, performances, and lessons open to children and adults in the Eastern Shore community.

Basis of Accounting

The financial statements of the Museum have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Accordingly, the financial statements reflect all significant receivables, payables, and other liabilities.

Basis of Presentation

The Museum's financial reporting classifies resources, for accounting and reporting purposes, into three net asset categories according to externally (donor) imposed restrictions. The Museum records unconditional promises to give (pledges) as receivables and revenues and distinguishes between contributions received for each net asset category in accordance with donor-imposed restrictions. A description of the three net asset categories follows.

- Permanently Restricted - the portion of the net assets resulting from contributions and other inflows of assets whose use is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled and removed by actions of the Museum pursuant to those stipulations.
- Temporarily Restricted - the portion of the net assets resulting from contributions or other inflows of assets whose use by the Museum is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the Museum pursuant to those stipulations.
- Unrestricted - the portion of the net assets that is neither permanently restricted nor temporarily restricted by donor-imposed stipulations.

ACADEMY ART MUSEUM, INC.  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED AUGUST 31, 2016 AND 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the financial statements, and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash, Cash Equivalents, and Certificates of Deposit

Cash and cash equivalents include demand deposits and certificates of deposit with an original maturity of three months or less (when purchased). Interest income on certificates of deposit is recorded as income when earned.

Revenue and Support

Annual member dues are recognized as revenue when such income is received. Conditional promises are recognized as revenue when the donor's conditions are substantially met.

Unconditional promises to give are recorded in the period pledged. Amounts expected to be collected within one year are recorded at their net realizable value. Amounts expected to be collected in future years are recorded at the present value of the estimated future cash flows discounted at the risk-free interest rate at the date of the contribution. The Museum does not generally experience collectability issues regarding its contributions. Management has provided no allowance for uncollectible pledges for the years ended August 31, 2016 and 2015.

Grants and other contributions of cash and other assets are reported as temporarily or permanently restricted support if they are received with donor stipulations limiting the use of the donated assets. When donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities and changes in net assets as net assets released from restrictions. Grants are recorded as revenue when received or when conditions of the grant agreement are met. Contributions received with temporary restrictions that are met in the same reporting period are reported as unrestricted support and an increase in unrestricted net assets.

Marketable securities received as contributions are usually sold, with the proceeds allocated as specified by the donor or designated by the Board of Trustees. Contributions of marketable securities totaled \$211,799 and \$97,670 for the years ended August 31, 2016 and 2015, respectively.

ACADEMY ART MUSEUM, INC.  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED AUGUST 31, 2016 AND 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue and Support (Continued)

Restrictions on gifts of fixed assets or cash for the purpose of fixed assets expire when the asset is placed in service.

Donated materials and property are reflected as contributions in the financial statements at their estimated values on the date of receipt when there is a measurable and objective basis for determining the value. During the years ended August 31, 2016 and 2015 the Museum received donations of materials, property, and service with an estimated fair value of \$14,839 and \$42,027, respectively.

Pledges and Grants Receivable

Support receivables consist of commitments for future contributions to the Museum's programs or operations. Grants receivable are expected to be collected within the year. Unconditional promises to give are recorded as receivables and revenue when received. The Museum distinguishes between contributions received for each net asset category in accordance with donor-imposed restrictions. Pledges are recorded after being discounted to the anticipated net present value of the future cash flows.

Contributed Services

The value of volunteer time and certain donated services is not reflected in the accompanying financial statements since there is no objective basis available by which to measure the value of such services. However, approximately 125 volunteers donate over 11,750 hours of their time annually on behalf of the Museum's efforts.

Permanent Collection

The Museum's permanent collection consists of works of art held for educational, exhibition, and research purposes. Pieces in the collection are cataloged, preserved, and cared for; activities to inventory and assess their condition are performed regularly. The collection is subject to a policy that requires proceeds from the sale of deaccessioned items to be used solely for the acquisition of other objects for the collection.

During the years ended August 31, 2016 and 2015, the Museum added 36 and 53 works of art to its collection, respectively.

ACADEMY ART MUSEUM, INC.  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED AUGUST 31, 2016 AND 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Permanent Collection (Continued)

In conformity with the practice followed by many museums, the collection, which has been acquired through contributions and purchases since the Museum's inception, is not recognized as an asset on the statements of financial position. Purchases of artwork for the permanent collection are recorded as an unrestricted expense in the year in which the items are acquired or as a release of temporarily or permanently restricted net assets if the assets to purchase the items are so restricted by donors. Contributed permanent collection items are not reflected in the financial statements. Proceeds from sales and insurance recoveries are reflected as income in the appropriate net asset classes.

Property and Equipment

Properties are carried at cost if purchased, and at fair market or appraised value if donated. The Museum's policy is to charge all additions greater than \$1,000 to the asset account but to charge the cost of repairs, maintenance and minor betterments to operations in the year in which the cost is incurred. Asset and accumulated depreciation accounts are relieved upon disposition or retirement of properties. Gains and losses from the sale or disposal of property are included in income.

Depreciation is calculated using the straight line method over the following estimated useful lives of the assets:

|                            |                |
|----------------------------|----------------|
| Buildings and Improvements | 10 to 40 years |
| Equipment and Furniture    | 5 to 10 years  |

Fair Value Measurements

FASB ASC 820-10-20 establishes a three level hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The fair value hierarchy gives priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the assets or liabilities fall within different levels of the hierarchy, the classification is based on the lowest level input that is significant to the fair value measurement of the asset or liability. Classification of assets and liabilities are traded and the reliability and transparency of the assumptions used to determine fair value. The hierarchy requires the use of observable market data when available. The levels of the hierarchy are defined as follows:

Level 1 – inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities traded in active markets.

ACADEMY ART MUSEUM, INC.  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED AUGUST 31, 2016 AND 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value Measurements (Continued)

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 markets that are not active, inputs other than quoted prices that are observable for the asset or liability and market-corroborated inputs.

Level 3 – inputs to the valuation methodology are unobservable for the asset or liability and are significant to the fair value measurement.

Investments

The Museum’s investments include both donor-restricted funds and funds designated by the Board of Trustees to function as endowments. A significant portion of the Museum’s investments are managed by professional investment management firms, but the Museum also owns stock outside of its endowment investment accounts. Investments in debt and equity securities with readily determinable fair values are carried at fair value based on quoted prices in active markets (all level 1 measurements).

The Museum established a fund with the Mid-Shore Community Foundation, Inc. (“MSCF”) to encourage additional contributions to the Museum. According to the agreement, the principal of the fund, including third party contributions directly to the fund, cannot be distributed unless certain extraordinary circumstances are encountered and then only at the discretion of the board of directors of MSCF. The net income of the fund is subject to annual distribution to the Museum at the discretion of the Board of Directors of MSCF. Distributions from the fund will be recorded as contribution revenue in the period received.

Endowment

The Museum’s endowment consists of funds functioning as endowment through donor-restricted funds and funds designated by the Board of Trustees to function as endowments. The earnings of the Museum’s endowment funds support education and art programs and the mission of the Museum. As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

ACADEMY ART MUSEUM, INC.  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED AUGUST 31, 2016 AND 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Endowment (Continued)

The Board of Trustees of the Museum has interpreted the Maryland Uniform Prudent Management of Institutional Funds Act (“UPMIFA”) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Museum classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent 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 organization in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Museum considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic condition, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other reasons of the Museum, and (7) the Museum’s investment policies.

Endowment Investment Return Objectives, Risk Parameters and Strategies

The Museum has adopted investment and spending policies, approved by the Board of Trustees, for endowment assets; such policies attempt to provide a predictable stream of funding to programs supported by its endowment funds while also maintaining the purchasing power of those endowment assets over the long term. Accordingly, the investment process seeks to achieve an after-cost total real rate of return, including investment income as well as capital appreciation, which exceeds the annual distribution with acceptable levels of risk. Endowment assets are invested in a well-diversified asset mix of securities, which is intended to result in a consistent inflation-protected rate of return that has sufficient liquidity to make an annual distribution up to 5% (historically 3%-4%), while maintaining the corpus. Investment risk is measured in terms of the total endowment fund; investment assets and allocation between asset classes and strategies are managed to not expose the fund to unacceptable levels of risk.



ACADEMY ART MUSEUM, INC.  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED AUGUST 31, 2016 AND 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Endowment Spending Policy

The Museum has a policy of appropriating for distribution each year up to 5% of its endowment fund's trailing three year average of the fund's total asset value at the calendar year end preceding the fiscal year in which the distribution is planned. In establishing this policy, the Museum considered the long term expected return on its investment assets, the nature and duration of the individual endowment funds, some of which must be maintained in perpetuity because of donor-restrictions, and the possible effect of inflation.

Deferred Revenue

The Museum receives advance registrations and deposits for events and programs held subsequent to the fiscal year end. These revenues are recorded as a liability of the Museum until the fundraising event or the program occurs.

Functional Allocation of Expenses

The costs of providing various programs and other activities have been summarized on the statements of activities and changes in net assets and functional expenses. Accordingly, certain costs have been allocated among the categories presented.

Risk Management

The Museum carries commercial general, property, and liability insurance coverage as well as workers' compensation and employee bonding insurance. Insurance needs and coverage are reviewed periodically.

Advertising

All advertising costs are expensed as incurred.

Income Taxes

The Museum is exempt from income taxes under Internal Revenue Code 501(c)(3). In addition, the Museum has been classified as an organization that is not a private foundation under Section 509(a)(1). For the years ended August 31, 2016 and 2015 no income taxes were due. However, income from certain activities not directly related to the Museum's tax-exempt purpose may be subject to taxation as unrelated business income.

ACADEMY ART MUSEUM, INC.  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED AUGUST 31, 2016 AND 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes (Continued)

The Museum believes it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements.

The Museum's informational return is subject to examination by the Internal Revenue Service, generally for three years after it is filed.

Reclassifications

Certain reclassifications have been made to the 2015 financial statement presentation to correspond to the current year's format. Net assets and changes in net assets are unchanged due to these reclassifications.

Concentration of Credit Risk

The Museum invests funds in common stocks and professionally managed mutual funds that contain various types of marketable securities. Such investments are exposed to various risks, such as fluctuations in market value and credit risk. Thus, it is at least reasonably possible that changes in the near term could materially affect investment balances and the amounts reported in the financial statements.

Subsequent Events

The Museum evaluated subsequent events through the date that the financial statements were available to be issued. The Museum is not aware of any significant events that occurred subsequent to the statement of financial position date but prior to February 17, 2017 that would have a material impact on the financial statements.

NOTE 2 - CREDIT RISK

Demand deposits and certificates of deposit held at commercial banking institutions are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per bank. The museum's cash balances on deposit at August 31, 2016 were not in excess of balances insured by the FDIC.

ACADEMY ART MUSEUM, INC.  
 NOTES TO FINANCIAL STATEMENTS  
 FOR THE YEARS ENDED AUGUST 31, 2016 AND 2015

NOTE 3 - PLEDGES AND GRANTS RECEIVABLE

Unconditional promises to give at fair value on August 31, 2016 and 2015 are as follows:

|                                      | <u>2016</u>       | <u>2015</u>       |
|--------------------------------------|-------------------|-------------------|
| Receivable in less than one year     | \$ 266,395        | \$ 94,667         |
| Receivable in one to five years      | <u>660,973</u>    | <u>113,958</u>    |
| Total unconditional promises to give | 927,368           | 208,625           |
| Discount to net present value        | <u>(33,081)</u>   | <u>(6,074)</u>    |
| Net contributions receivable         | \$ <u>894,287</u> | \$ <u>202,551</u> |

Unconditional promises to give with due dates extending beyond one year are discounted using Treasury rates for similar term investments. The applicable rates at August 31, 2016 and 2015 ranged from 1.5% to 1.04%.

At August 31, 2016 and 2015, approximately 70% and 9%, respectively, of outstanding promises to give were due from members of the Board of Trustees.

Specific pledges are written off when management deems collection is not likely. There were \$11,500 and \$0 uncollectible pledges written off during the years ended August 31, 2016 and 2015.

NOTE 4 - PROPERTY AND EQUIPMENT

Following is a summary of property and equipment, at cost:

|                                | <u>2016</u>         | <u>2015</u>         |
|--------------------------------|---------------------|---------------------|
| Land and Improvements          | \$ 127,645          | \$ 127,645          |
| Building and Improvements      | 4,530,415           | 4,272,626           |
| Equipment and Furniture        | 518,604             | 529,800             |
| Construction in Progress       | <u>---</u>          | <u>182,063</u>      |
| Total Property and Equipment   | 5,176,664           | 5,112,134           |
| Less: Accumulated Depreciation | <u>(2,485,388)</u>  | <u>(2,370,889)</u>  |
| Net Property and Equipment     | \$ <u>2,691,276</u> | \$ <u>2,741,245</u> |

ACADEMY ART MUSEUM, INC.  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED AUGUST 31, 2016 AND 2015

NOTE 5 - INVESTMENTS

No income distribution was made from the Mid-Shore Community Foundation, Inc. (“MSCF”) fund during the years ended August 31, 2016 and 2015. The fair market value of the MSCF fund at August 31, 2016 and 2015, reported below, includes the third party contributions made directly to the fund. This investment is carried at fair value of the underlying investments as determined by MSCF.

All of the Museum’s investments are governed by the Museum’s investment policy.

Long term investments are comprised of the following:

| <u>2016</u>            | Quoted Market<br>Prices in<br>Active Markets<br>(Level 1) | Other<br>Observable<br>Inputs<br>(Level 2) | Unobservable<br>Inputs<br>(Level 3) | <u>Total</u>        |
|------------------------|---|--|-------------------------------------|---------------------|
| Money Market Funds     | \$ 122,962  | \$ ---                                     | \$ ---                              | \$ 122,962          |
| Domestic Common Stocks | 992,053   | ---  | ---                                 | 992,053             |
| Foreign Common Stocks  | 93,322  | ---  | ---                                 | 93,322              |
| Mutual Funds           | 1,423,266   | ---  | ---                                 | 1,423,266           |
| Bond Funds             | 1,074,663   | ---  | ---                                 | 1,074,663           |
| MSCF Investment        | <u>---</u>  | <u>48,023</u>                              | <u>---</u>                          | <u>48,023</u>       |
| Total Investments      | \$ <u>3,706,266</u>                                       | \$ <u>48,023</u>                           | \$ <u>---</u>                       | \$ <u>3,754,289</u> |

| <u>2015</u>            | Quoted Market<br>Prices in<br>Active Markets<br>(Level 1) | Other<br>Observable<br>Inputs<br>(Level 2) | Unobservable<br>Inputs<br>(Level 3) | <u>Total</u>        |
|------------------------|---|--|-------------------------------------|---------------------|
| Money Market Funds     | \$ 101,239  | \$ ---                                     | \$ ---                              | \$ 101,239          |
| Domestic Common Stocks | 897,054   | ---  | ---                                 | 897,054             |
| Foreign Common Stocks  | 109,552   | ---  | ---                                 | 109,552             |
| Mutual Funds           | 1,352,581   | ---  | ---                                 | 1,352,581           |
| Bond Funds             | 1,060,066   | ---  | ---                                 | 1,060,066           |
| MSCF Investment        | <u>---</u>  | <u>44,925</u>                              | <u>---</u>                          | <u>44,925</u>       |
| Total Investments      | \$ <u>3,520,492</u>                                       | \$ <u>44,925</u>                           | \$ <u>---</u>                       | \$ <u>3,565,417</u> |

ACADEMY ART MUSEUM, INC.  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED AUGUST 31, 2016 AND 2015

NOTE 5 - INVESTMENTS (CONTINUED)

There were no investments deemed by management to be classified as level 3 investments at August 31, 2016 and 2015, respectively.

Investment activity was comprised of the following for the years ended August 31:

| <u>Classification</u>          | <u>2016</u>       | <u>2015</u>        |
|--------------------------------|-------------------|--------------------|
| Dividend and Interest Income   | \$ 105,088        | \$ 141,878         |
| Realized Gains (Loss)          | (68,855)          | (46,671)           |
| Unrealized Loss                | <u>177,856</u>    | <u>(120,492)</u>   |
| Total Investment Income (Loss) | \$ <u>214,089</u> | \$ <u>(25,285)</u> |

NOTE 6 - LINE OF CREDIT

The Museum has available a \$250,000 unsecured line of credit with Talbot Bank to be drawn upon as needed through March 2017. Interest on the outstanding balance accrues at the lender's determined prime rate. The line of credit had an outstanding balance of \$92,927 and \$0 at August 31, 2016 and 2015.

NOTE 7 - EMPLOYEE RETIREMENT PLANS

The Museum has a Simplified Employee Pension Plan ("SEP"). This plan covers all full-time employees. The Board determines the amount of the annual contribution to this plan based on the Museum's financial position at the end of each fiscal year. Retirement expense was \$14,058 and \$15,347, respectively, at August 31, 2016 and 2015.

The Museum has a 403(b)(7) retirement plan. All salaried employees are eligible to participate in this deferred compensation plan through a salary reduction plan. The Museum does not contribute to this plan.

NOTE 8 - POST-RETIREMENT BENEFITS

Other than its retirement plans, the Museum does not provide post-retirement benefits. By paying 100% of the premiums, retirees have the opportunity to continue group health insurance coverage for twelve months. For continued coverage after that time, the retiree may convert to an individual policy.

ACADEMY ART MUSEUM, INC.  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED AUGUST 31, 2016 AND 2015

NOTE 9 - BOARD DESIGNATED RESERVES

The Board of Trustees has designated certain unrestricted net assets as a maintenance reserve and a cash reserve. At August 31, 2014, the balance in these reserves was approximately \$43,000. During the year ended August 31, 2015, the Board utilized these funds for significant exterior maintenance projects, therefore, there is no balance in the reserve at August 31, 2015. These assets were invested in certificates of deposit and were included in certificates of deposit on the statements of financial position.

NOTE 10 - ENDOWMENT

Endowment net asset composition by type of fund is as follows:

| <u>2016</u>                                | <u>Unrestricted</u> | <u>Temporarily<br/>Restricted</u> | <u>Permanently<br/>Restricted</u> | <u>Endowment<br/>Net Assets</u>   |                                 |
|--|---------------------|-----------------------------------|-----------------------------------|-----------------------------------|---------------------------------|
| Donor-Restricted<br>Endowment Funds        | \$ ---              | \$ ---                            | \$ 197,850                        | \$ 197,850                        |                                 |
| Board-Designated<br>Endowment Funds        | <u>3,553,830</u>    | <u>---</u>                        | <u>---</u>                        | <u>---</u>                        |                                 |
| Total                                      | \$ <u>3,553,830</u> | \$ <u>---</u>                     | \$ <u>197,850</u>                 | \$ <u>3,751,680</u>               |                                 |
|  | <u>2016</u>         | <u>Unrestricted</u>               | <u>Temporarily<br/>Restricted</u> | <u>Permanently<br/>Restricted</u> | <u>Endowment<br/>Net Assets</u> |
| Endowment Net Assets,<br>Beginning of Year | \$ 3,364,960        | \$ ---                            | \$ 197,850                        | \$ 3,562,810                      |                                 |
| Contributions                              | 145,781             | ---                               | ---                               | 145,781                           |                                 |
| Investment Income                          | 36,233              | ---                               | ---                               | 36,233                            |                                 |
| Net Appreciation<br>(Depreciation)         | 177,856             | ---                               | ---                               | 177,856                           |                                 |
| Amounts Appropriated<br>For Expenditure    | <u>(171,000)</u>    | <u>---</u>                        | <u>---</u>                        | <u>(171,000)</u>                  |                                 |
| Endowment Net Assets,<br>End of Year       | \$ <u>3,553,830</u> | \$ <u>---</u>                     | \$ <u>197,850</u>                 | \$ <u>3,751,680</u>               |                                 |

ACADEMY ART MUSEUM, INC.  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED AUGUST 31, 2016 AND 2015

NOTE 10 - ENDOWMENT (CONTINUED)

| <u>2015</u>                                | <u>Unrestricted</u> | <u>Temporarily<br/>Restricted</u> | <u>Permanently<br/>Restricted</u> | <u>Endowment<br/>Net Assets</u>   |                                 |
|--|---------------------|-----------------------------------|-----------------------------------|-----------------------------------|---------------------------------|
| Donor-Restricted<br>Endowment Funds        | \$ ---              | \$ ---                            | \$ 197,850                        | \$ 197,850                        |                                 |
| Board-Designated<br>Endowment Funds        | <u>3,364,960</u>    | ---                               | ---                               | <u>3,364,960</u>                  |                                 |
| Total                                      | \$ <u>3,364,960</u> | \$ ---                            | \$ <u>197,850</u>                 | \$ <u>3,562,810</u>               |                                 |
|  | <u>2015</u>         | <u>Unrestricted</u>               | <u>Temporarily<br/>Restricted</u> | <u>Permanently<br/>Restricted</u> | <u>Endowment<br/>Net Assets</u> |
| Endowment Net Assets,<br>Beginning of Year | \$ 3,534,527        | \$ 1,383                          | \$ 197,850                        | \$ 3,733,760                      |                                 |
| Additional Board<br>Designation of Funds   | 93,350              | ---                               | ---                               | 93,350                            |                                 |
| Investment Income                          | 95,207              | ---                               | ---                               | 95,207                            |                                 |
| Net Appreciation<br>(Depreciation)         | (120,492)           | ---                               | ---                               | (120,492)                         |                                 |
| Amounts Appropriated<br>For Expenditure    | (239,015)           | ---                               | ---                               | (239,015)                         |                                 |
| Release from<br>Restrictions               | <u>1,383</u>        | <u>(1,383)</u>                    | ---                               | ---                               |                                 |
| Endowment Net Assets,<br>End of Year       | \$ <u>3,364,960</u> | \$ ---                            | \$ <u>197,850</u>                 | \$ <u>3,562,810</u>               |                                 |

NOTE 11 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consist of contributions received to fund certain donor stipulated purposes as follows:

|   | <u>2016</u>         | <u>2015</u>       |
|---|---------------------|-------------------|
| Piano Retuning and Restoration          | \$ 1,317            | \$ 2,742          |
| Art Acquisitions                        | 70,344              | 91,072            |
| Time Restriction on Donated Asset       | 32,000              | 32,000            |
| Capital Campaign                        | <u>1,035,503</u>    | ---               |
| Total Temporarily Restricted Net Assets | \$ <u>1,139,164</u> | \$ <u>125,814</u> |

ACADEMY ART MUSEUM, INC.  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED AUGUST 31, 2016 AND 2015

NOTE 12 - INTENTIONS TO GIVE

The Museum has received indications of revocable gifts as described below:

1. The Museum was named as a revocable beneficiary of a charitable remainder trust.
2. The Museum has been named the owner and beneficiary of several term life insurance policies on individual supporters.
3. The Museum has been named as a beneficiary in several supporters' wills.

Due to the uncertain nature of these intentions, the Museum has not recognized an asset or contribution revenue for these gifts. The estimated total intentions to give were approximately \$1,385,000 and \$1,385,000 at August 31, 2016 and 2015, respectively.



SUPPLEMENTARY INFORMATION

ACADEMY ART MUSEUM, INC.  
SCHEDULE I - REVENUES AND SUPPORT  
FOR THE YEAR ENDED AUGUST 31, 2016  
(WITH COMPARATIVE TOTALS FOR 2015)

|   | <u>Unrestricted</u> | <u>Temporarily<br/>Restricted</u> | <u>Permanently<br/>Restricted</u> | <u>2016<br/>Total</u> | <u>2015<br/>Total</u> |
|---|---------------------|-----------------------------------|-----------------------------------|-----------------------|-----------------------|
| <b>REVENUES AND SUPPORT EARNED</b>          |                     |                                   |                                   |                       |                       |
| Admissions                                  | \$ 48,556           | \$ -                              | \$ -                              | \$ 48,556             | \$ 57,604             |
| Sales                                       | 56,337              | -                                 | -                                 | 56,337                | 19,396                |
| Rentals                                     | 7,192               | -                                 | -                                 | 7,192                 | 7,887                 |
| Tuition                                     | <u>167,737</u>      | <u>-</u>                          | <u>-</u>                          | <u>167,737</u>        | <u>171,868</u>        |
| Total Revenues and Support Earned           | 279,822             | -                                 | -                                 | 279,822               | 256,755               |
| <b>CONTRIBUTED SUPPORT</b>                  |                     |                                   |                                   |                       |                       |
| Individuals                                 | 234,609             | 1,269,321                         | -                                 | 1,503,930             | 441,641               |
| Corporations                                | 4,250               | 10,200                            | -                                 | 14,450                | 5,952                 |
| Foundations                                 | 45,326              | 38,137                            | -                                 | 83,463                | 14,731                |
| Civic and Other Organizations               | 1,400               | -                                 | -                                 | 1,400                 | 2,050                 |
| Government Grants - State and County        | 107,384             | -                                 | -                                 | 107,384               | 109,344               |
| Memberships                                 | 109,209             | -                                 | -                                 | 109,209               | 99,040                |
| Special Events                              | 367,239             | -                                 | -                                 | 367,239               | 442,267               |
| Assets Released from Restrictions           | <u>304,308</u>      | <u>(304,308)</u>                  | <u>-</u>                          | <u>-</u>              | <u>-</u>              |
| Total Contributed Support                   | 1,173,725           | 1,013,350                         | -                                 | 2,187,075             | 1,115,025             |
| <b>INVESTMENT INCOME</b>                    |                     |                                   |                                   |                       |                       |
| Interest and Dividends                      | 105,088             | -                                 | -                                 | 105,088               | 141,878               |
| Realized Gain (Loss) on Sale of Investments | (68,855)            | -                                 | -                                 | (68,855)              | (46,671)              |
| Unrealized Gain (Loss) on Investments       | <u>177,856</u>      | <u>-</u>                          | <u>-</u>                          | <u>177,856</u>        | <u>(120,492)</u>      |
| Total Investment Income                     | 214,089             | -                                 | -                                 | 214,089               | (25,285)              |
| <b>LOSS ON DISPOSAL OF ASSETS</b>           |                     |                                   |                                   |                       |                       |
|   | <u>-</u>            | <u>-</u>                          | <u>-</u>                          | <u>-</u>              | <u>(1,716)</u>        |
| Total Revenues and Support                  | <u>\$ 1,667,636</u> | <u>\$ 1,013,350</u>               | <u>\$ -</u>                       | <u>\$ 2,680,986</u>   | <u>1,344,779</u>      |