



PHILADELPHIA MUSEUM OF ART

Financial Statements

June 30, 2015

(With Independent Auditors' Report Thereon)

PHILADELPHIA MUSEUM OF ART

Table of Contents

	Page
Independent Auditors' Report	1
Statement of Financial Position, June 30, 2015	3
Statement of Activities, year ended June 30, 2015	4
Statement of Cash Flows, year ended June 30, 2015	5
Notes to Financial Statements	6



KPMG LLP
1601 Market Street
Philadelphia, PA 19103-2499

Independent Auditors' Report

The Board of Trustees
Philadelphia Museum of Art:

We have audited the accompanying financial statements of the Philadelphia Museum of Art, which comprise the statement of financial position as of June 30, 2015, and the related statements of activities and cash flows for the year 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 U.S. generally accepted accounting principles; 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the 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 auditors' 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 the Philadelphia Museum of Art as of June 30, 2015, and the results of its activities and its cash flows for the year then ended in accordance with U.S. generally accepted accounting principles.



Report on Summarized Comparative Information

We have previously audited the financial statements of the Philadelphia Museum of Art as of and for the year ended June 30, 2014 and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 13, 2014. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2014 is consistent, in all material respects, with the audited financial statements from which it has been derived.

KPMG LLP

Philadelphia, Pennsylvania
October 14, 2015

PHILADELPHIA MUSEUM OF ART

Statement of Financial Position

June 30, 2015

(with comparative amounts for 2014)

Assets	2015	2014
Cash and cash equivalents	\$ 52,964,692	49,003,901
Short-term investments	15,147,980	15,048,901
Accounts receivable and accrued income, net	958,196	1,842,395
Inventories and supplies	2,151,668	2,484,550
Prepaid expenses and other assets	4,028,942	3,436,599
Contributions and grants receivable, net	68,109,957	69,857,879
Funds held in trust by others	11,290,942	11,423,491
Endowment investments	454,571,342	451,468,293
Property and equipment at cost, less accumulated depreciation and amortization of \$75,791,323 in 2015 and \$69,234,512 in 2014	274,062,266	266,524,596
Collections (note 1)	—	—
Total assets	<u>\$ 883,285,985</u>	<u>871,090,605</u>
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	\$ 14,627,148	12,346,359
Obligations under split-interest agreements	2,140,690	2,280,522
Notes payable	60,913,093	58,102,592
Contractual obligations	2,007,040	4,751,065
Deferred revenue	1,192,873	1,047,706
Total liabilities	<u>80,880,844</u>	<u>78,528,244</u>
Net assets:		
Unrestricted net assets	318,807,269	317,115,526
Temporarily restricted net assets	180,483,782	177,780,293
Permanently restricted net assets	303,114,090	297,666,542
Total net assets	<u>802,405,141</u>	<u>792,562,361</u>
Total liabilities and net assets	<u>\$ 883,285,985</u>	<u>871,090,605</u>

See accompanying notes to financial statements.

PHILADELPHIA MUSEUM OF ART

Statement of Activities

Year ended June 30, 2015
(with comparative totals for 2014)

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>	
				<u>2015</u>	<u>2014</u>
Operating revenue and support:					
Endowment, trusts, and estates income	\$ 17,089,939	3,255,473	—	20,345,412	18,726,433
Contributions and grants	6,350,025	9,713,842	—	16,063,867	18,081,819
Gifts, grants, and other revenue for special exhibitions and publications:					
Net assets released from restrictions	4,814,609	(4,814,609)	—	—	—
Other revenue for special exhibitions and publications	189,647	—	—	189,647	127,021
Memberships	5,252,455	—	—	5,252,455	5,197,755
Admissions	4,242,857	—	—	4,242,857	3,890,785
Sales of retail operations	2,130,958	—	—	2,130,958	2,566,108
City appropriations for expenses:					
Funding provided for operations	2,550,000	—	—	2,550,000	2,550,000
Value of utilities provided	3,250,000	—	—	3,250,000	3,500,000
Other revenue and support	2,861,093	112,286	—	2,973,379	3,636,145
Net assets released from restrictions to fund operating expenses	6,573,616	(6,573,616)	—	—	—
Total operating revenue and support	<u>55,305,199</u>	<u>1,693,376</u>	<u>—</u>	<u>56,998,575</u>	<u>58,276,066</u>
Operating expenses:					
Curatorial, conservation, and registrarial	8,818,625	—	—	8,818,625	8,298,709
Education, library, and community programs	6,367,068	—	—	6,367,068	6,104,543
Special exhibitions and publications	4,854,389	—	—	4,854,389	4,740,845
Cost of sales and expenses of retail operations	2,387,268	—	—	2,387,268	2,802,290
Development, public relations, membership, and visitor services	9,500,466	—	—	9,500,466	9,505,303
General and administrative	8,115,459	—	—	8,115,459	7,967,950
Building and security	14,544,925	—	—	14,544,925	14,640,229
Interest and debt expense	575,730	—	—	575,730	689,358
Total operating expenses before depreciation and amortization	<u>55,163,930</u>	<u>—</u>	<u>—</u>	<u>55,163,930</u>	<u>54,749,227</u>
Operating surplus before depreciation and amortization	141,269	1,693,376	—	1,834,645	3,526,839
Depreciation and amortization	7,750,046	—	—	7,750,046	7,902,723
Change in net assets from operations	<u>(7,608,777)</u>	<u>1,693,376</u>	<u>—</u>	<u>(5,915,401)</u>	<u>(4,375,884)</u>
Nonoperating revenue, support, gains, and losses:					
Gifts and grants designated for long-term investment, capital expenditures, and art purchases	7,085,701	11,779,472	5,580,097	24,445,270	48,385,212
Proceeds from sales of art objects	368,681	—	—	368,681	784,658
Endowment and trust income for art purchases	—	1,269,648	—	1,269,648	1,220,620
Acquisitions of art objects	(2,410,522)	—	—	(2,410,522)	(2,530,948)
Net assets released from restriction to fund nonoperating activities	6,950,528	(6,950,528)	—	—	—
Investment return (less than) in excess of amounts distributed under spending policy	(1,439,129)	(4,784,277)	(132,549)	(6,355,955)	56,161,444
Change in fair value of interest rate exchange agreements and effect of interest rate swaps	(895,094)	—	—	(895,094)	(761,508)
Other	(359,645)	(304,202)	—	(663,847)	(215,136)
Change in net assets	1,691,743	2,703,489	5,447,548	9,842,780	98,668,458
Net assets at beginning of year	317,115,526	177,780,293	297,666,542	792,562,361	693,893,903
Net assets at end of year	\$ <u>318,807,269</u>	<u>180,483,782</u>	<u>303,114,090</u>	<u>802,405,141</u>	<u>792,562,361</u>

See accompanying notes to financial statements.

PHILADELPHIA MUSEUM OF ART

Statement of Cash Flows

Year ended June 30, 2015

(with comparative amounts for 2014)

	2015	2014
Cash flows from operating activities:		
Change in net assets	\$ 9,842,780	98,668,458
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation and amortization	7,750,046	7,902,723
Gifts designated for long-term investment, capital expenditures, and art purchases	(25,341,084)	(29,342,290)
Endowment and trust income for art purchases	(1,269,648)	(1,220,620)
Proceeds from sales of art objects	(368,681)	(784,658)
Acquisitions of art objects	2,410,522	2,530,948
Net realized and unrealized losses (gains) on long-term investments	(13,515,844)	(74,227,915)
Amortization of debt discount and debt issuance costs	198,143	162,108
Changes in assets and liabilities:		
Accounts receivable and accrued income, net	884,199	(654,600)
Short-term investments	(99,079)	(15,048,901)
Inventories and supplies	332,882	61,549
Prepaid expenses and other assets	(592,343)	(387,878)
Contributions and grants receivable, net	1,747,922	(20,284,649)
Accounts payable and accrued expenses	2,280,789	(5,717,203)
Obligations under split-interest agreements	(139,832)	(145,448)
Contractual obligations, net of discount	—	271,924
Deferred revenue	145,167	(188,991)
Net cash used in operating activities	(15,734,061)	(38,405,443)
Cash flows from investing activities:		
Investments in property and equipment	(15,287,716)	(9,958,084)
Proceeds from sales of art objects	368,681	784,658
Acquisitions of art objects	(2,410,522)	(2,530,948)
Purchase of investments	(103,999,510)	(67,737,815)
Proceeds from sales of investments	114,544,854	70,933,192
Net cash used in investing activities	(6,784,213)	(8,508,997)
Cash flows from financing activities:		
Gifts designated for long-term investment, capital expenditures, and art purchases	25,341,084	29,342,290
Endowment and trust income for art purchases	1,269,648	1,220,620
Proceeds of notes payable	5,500,000	500,000
Payments on long-term debt	(2,740,000)	(2,655,000)
Payments on contractual obligations	(2,891,667)	(1,891,666)
Net cash provided by financing activities	26,479,065	26,516,244
Net decrease in cash and cash equivalents	3,960,791	(20,398,196)
Cash and cash equivalents, beginning of year	49,003,901	69,402,097
Cash and cash equivalents, end of year	\$ 52,964,692	49,003,901

See accompanying notes to financial statements.

PHILADELPHIA MUSEUM OF ART

Notes to Financial Statements

June 30, 2015

(1) General Matters, Significant Accounting Policies, and Financial Statement Presentation

(a) General

The Board of Trustees of the Philadelphia Museum of Art (the Museum) administer, pursuant to an agreement with the City of Philadelphia, certain Museum buildings and art collections. The City of Philadelphia (the City) directly pays all utilities and certain capital costs of maintaining these buildings. The amount of utilities costs is estimated to be \$3,250,000 in 2015 and \$3,500,000 in 2014 and has been recorded in the financial statements in the revenue caption City appropriations for expenses and offset by an equal amount of expense that has been charged to building and security expenses. The City also provides appropriations for the general operating support of the Museum. Such appropriations amounted to \$2,550,000 in 2015 and 2014.

(b) Not-for-Profit Accounting

The accompanying financial statements have been prepared in accordance with U.S. generally accepted accounting principles for not-for-profit organizations. Under those accounting principles, resources are classified for accounting and reporting purposes into net asset categories, based on the existence or absence of donor-imposed restrictions.

The net assets of the Museum are reported in three categories as follows:

Unrestricted net assets include those resources that have not been restricted by donors and resources for which the donor restriction has expired. The Board of Trustees has designated certain unrestricted net assets as funds functioning as endowment. As such, the principal of these funds is invested and only the income is made available for operating purposes.

Temporarily restricted net assets include those resources the use of which is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the Museum. Contributions and other revenue with donor-imposed restrictions are reported as temporarily restricted revenue and are reclassified to unrestricted net assets when an expense is incurred that satisfies the donor-imposed restriction. Contributions restricted for the acquisition of plant and equipment are reported as temporarily restricted revenue. These contributions are reclassified to unrestricted net assets when the asset has been acquired or placed in service.

Permanently restricted net assets include those resources subject to donor instruments requiring that the principal be invested in perpetuity and that only the income be utilized either for operations or for some specified purpose.

(c) Prior Year Summarized Information

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Museum's financial statements for the year ended June 30, 2014, from which the summarized information was derived. Certain prior year amounts have been reclassified to conform to current year presentation.

PHILADELPHIA MUSEUM OF ART

Notes to Financial Statements

June 30, 2015

(d) *Cash, Cash Equivalents, and Short-Term Investments*

Cash equivalents consist of short term interest bearing investments, including mutual funds and money market accounts with original maturities of three months or less. Short-term investments primarily consist of U.S. Government and Government Agency issues and corporate notes. These investments are readily convertible to cash, and are stated at fair value. Cash equivalents in the Museum's endowment are considered long term investments. At June 30, 2015, cash, cash equivalents, and short-term investments restricted for capital expenditures amounted to approximately \$29,000,000.

(e) *Inventories*

Inventories of the Museum's wholesale and retail operations are stated at the lower of average cost or market value.

(f) *Prepaid Expenses and Other Assets*

Prepaid expenses and other assets include certain expenditures made in connection with the development of future exhibitions. The future exhibition expenditures generally include such items as curatorial research, travel, insurance, transportation costs, and other costs related to the development of the exhibition.

(g) *Contributions*

Unconditional contributions including cash, promises to give, certain contributed services and gifts of long-lived and other assets are recorded when received as revenue at their fair value, which is determined based on the present value of future cash flows as described in note 2 using level 3 inputs (see note 1(j)) and reported net of estimated uncollectible amounts. Contributions receivable are not measured at fair value subsequent to this initial measurement. Conditional contributions are recognized as revenue when the conditions on which they depend have been substantially met.

(h) *Property and Equipment*

Property and equipment are stated at cost, if purchased or at fair value at date of acquisition, if donated. Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the assets ranging from 3 to 50 years. The landmark main Museum building on Fairmount, the Rodin Museum building, the Mount Pleasant and Cedar Grove mansions in Fairmount Park, and The Ruth and Raymond G. Perelman Building are owned by the City of Philadelphia and operated by the Museum. The value of the original main Museum building, the original Rodin Museum building, and the original Mount Pleasant and Cedar Grove mansions are not recognized in the accompanying financial statements, since they are fully depreciated. The Perelman Building, purchased in June 2000 by the City in conjunction with the Museum, has been recognized in the accompanying financial statements.

(i) *Collections*

The collections, which were acquired through purchases and contributions since the Museum's inception, are not recognized as assets on the statement of financial position. Purchases of collection items are recorded as decreases in net assets in the year in which the items are acquired. Unexpended proceeds from deaccessions are reflected in the unrestricted net asset class. Their use is limited, however, by museum professional standards, which require that such proceeds be made available for acquisition of other art objects.

PHILADELPHIA MUSEUM OF ART

Notes to Financial Statements

June 30, 2015

(j) ***Fair Value***

The carrying amount of accounts receivable and accrued income and accounts payable and accrued expenses approximates fair value due to the short maturity of these financial instruments. The Museum reports its investments, certain split-interest agreements, interest rate swaps related to its debt, and contributions receivable at inception at fair value using a three-level hierarchy that prioritizes the inputs used to measure fair value. This hierarchy requires that entities maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The three levels of inputs used to measure fair value are as follows:

Level 1: Quoted prices in active markets for identical assets or liabilities. Level 1 assets and liabilities include debt and equity securities that are traded in an active exchange market, as well as U.S. Treasury securities.

Level 2: Quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active and model-derived valuations whose inputs are observable or whose primary values are observable. This category generally includes certain U.S. government and agency mortgage-backed debt securities, and corporate-debt securities.

Level 3: Instruments whose primary inputs to fair value are unobservable.

(k) ***Investments***

Investments are carried at fair value. Equity securities traded on a national securities exchange (or reported on the NASDAQ national market) are stated at the last reported sales price on the day of valuation. To the extent these securities are actively traded, they are categorized in Level 1 of the fair value hierarchy. Equity securities traded on inactive markets or valued by reference to similar instruments are categorized in Level 2.

U.S. Treasuries and registered mutual funds are classified in Level 1 of the fair value hierarchy because their fair values are based on quoted prices for identical securities. Other debt securities are valued at the closing price reported in the active market in which the bond is traded, if available. If such information is not available, debt is valued based on yields currently available on comparable securities for issuers with similar credit ratings or it is estimated based on models considering the estimated cash flows and expected yield. Accordingly, the inputs or methodology used for valuing or classifying investments for financial reporting purposes are not necessarily an indication of the risks associated with those investments or a reflection of the liquidity of or degree of difficulty in estimating the fair value of each fund's underlying assets and liabilities.

The Museum generally uses unadjusted net asset value per share as reported by investment managers as a practical expedient to fair value for its investments in alternative investment funds for which there is no readily determinable market value. Net asset values provided by external investment managers are based on quoted prices for the funds' underlying securities (some of which are marketable), estimates, appraisals, assumptions, and methods that are reviewed by management. The Museum considers adjustment of net asset value as reported by the external investment managers in circumstances in which the reported net assets value is not as of the Museum's measurement date or in which the investment does not measure net asset value or fair value on a recurring basis. Net asset value may differ from fair value.

PHILADELPHIA MUSEUM OF ART

Notes to Financial Statements

June 30, 2015

Purchases and sales of securities are reflected on a trade date basis. Gain or loss on sales of securities is based on average historical cost basis, where such basis represents the cost of securities purchased or the fair value at the date of gift if received by donation. Dividend and interest income is recorded on the accrual basis.

(l) *Split-Interest Agreements*

The Museum's split-interest agreements with donors consist primarily of charitable gift annuities. Assets are invested and payments are made to donors and/or other beneficiaries in accordance with the respective agreements.

Contribution revenue for charitable gift annuities is recognized at the date the agreement is established, net of the liability recorded for the present value of the estimated future payments.

The present value of payments to beneficiaries of charitable gift annuities are calculated using discount rates which approximate the rate of return on similarly termed securities in existence at the date of the gift. Gains or losses resulting from changes in actuarial assumptions and accretions of the discount are recorded as increases or decreases in the respective net asset category in the accompanying financial statements.

(m) *Debt and Related Interest Rate Swaps*

The carrying value of the Museum's debt (note 7) approximates its fair value.

The fair value of the Museum's interest rate swap related to its debt obligations (note 7) is primarily based on Level 2 observable inputs.

Debt discount and debt issuance costs are being amortized over the term of the related debt.

(n) *Advertising Expense*

Advertising costs are expensed in the period incurred. Total advertising expense amounted to \$1,135,557 in 2015 and \$1,409,381 in 2014.

(o) *Interest Expense*

Interest on borrowings applicable to major construction projects in progress is capitalized and depreciated. Interest not capitalized is charged to operating activities.

(p) *Tax Status*

The Museum has been recognized by the Internal Revenue Service (IRS) as exempt from federal income tax under Section 501(c)(3) of the U.S. Internal Revenue Code, except for taxes on income from activities unrelated to its exempt purpose. Accordingly, no provision for income taxes has been made in the accompanying financial statements. Accounting principles generally accepted in the United States require management to evaluate tax positions taken by the Museum and recognize a tax liability (or asset) if the museum has an uncertain tax position that more likely than not would not be sustained upon examination by the IRS. Management has concluded that as of June 30, 2015 and 2014, there are no uncertain tax positions taken or expected to be taken by the Museum that would require recognition of a liability (or asset) or disclosure in the financial statements.

PHILADELPHIA MUSEUM OF ART

Notes to Financial Statements

June 30, 2015

(q) Allocation of Expenses

The Museum allocates its expenses on a functional basis among its various programs and supporting services. Expenses that can be identified with a specific program or supporting service are allocated directly. Other expenses that are common to several functions are allocated based on various bases.

Included in the various categories of expenses shown in note 13 are expenses related to building maintenance, operation, security, interest, and depreciation in the aggregate amounts of \$22,870,701 in 2015 and \$23,232,310 in 2014.

(r) Use of Estimates

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

(s) Recent Accounting Pronouncements

In April 2015, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2015-03, "Simplifying the Presentation of Debt Issuance Costs" (ASU 2015-03). ASU 2015-03 requires that debt issuance costs be presented as a direct deduction from the carrying amount of the related debt liability, consistent with the presentation of debt discounts. Prior to the issuance of ASU 2015-03, debt issuance costs were required to be presented as deferred charge assets, separate from the related debt liability. ASU 2015-03 does not change the recognition and measurement requirements for debt issuance costs. The Museum early adopted ASU 2015-03 as of June 30, 2015, and applied its provisions retrospectively. The adoption of ASU 2015-03 resulted in the reclassification of \$381,907 and \$432,508 unamortized debt issuance costs related to the Museum's notes payable shown in note 7 from other assets to notes payable within its statements of financial position as of June 30, 2015 and June 30, 2014, respectively.

In May 2015, the FASB issued ASU No. 2015-07, "Disclosures for Investments in Certain Entities that Calculate Net Asset Value per share (or its Equivalent)". ASU 2015-07 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 as a practical expedient. It also removes the requirement to make certain disclosures for all investments valued using NAV as a practical expedient. The Museum has elected to early adopt ASU 2015-07 as permitted, and the presentation in note 3 has been applied retrospectively.

PHILADELPHIA MUSEUM OF ART

Notes to Financial Statements

June 30, 2015

(2) Contributions and Grants Receivable

Contributions and grants receivable at June 30, 2015 and 2014 consist principally of promises to give that have been made for the following purposes:

	2015	2014
Endowment	\$ 22,182,724	26,124,326
Restricted for special purposes	59,109,889	56,630,085
Grants receivable from Commonwealth of Pennsylvania and City of Philadelphia	3,011,517	937,500
Less unamortized discount for present value	(14,524,982)	(12,066,843)
Total promises to give at estimated present values	69,779,148	71,625,068
Less allowance for possible uncollectible contributions	(1,669,191)	(1,767,189)
Total contributions and grants receivable, net	\$ 68,109,957	69,857,879

The discount rate used to measure present value ranges from 0.75% to 4.875%. The promises to give are payable over an extended period of years as indicated by the donors or their estates. Maturities of these promises to give (reflected in the financial statements on a present value basis of approximately \$84.3 million at June 30, 2015 and shown below at their committed values) are anticipated to be as follows:

Maturing in:	
Less than one year	\$ 21,178,012
One to five years	30,505,559
More than five years	32,620,559
	\$ 84,304,130

The Museum has been awarded grants from the Commonwealth of Pennsylvania in the amount of \$80,000,000 to support its capital program. The grant awards require a complex application and execution process. During 2015 and 2014, support from the grants of \$2,731,014 and \$1,854,253, respectively, has been recognized in the accompanying financial statements; and as of June 30, 2015, cumulative support from the grants of \$77,731,014 has been recognized.

The Museum has also received grants from the City of Philadelphia in the amount of \$11,627,143 to support its capital program. During 2015 and 2014, support from the grants of \$3,600,000 and \$33,018, respectively, has been recognized in the accompanying financial statements; and as of June 30, 2015, cumulative support from the grants of \$11,626,992 has been recognized.

(3) Investments

Investment Objective

The overall investment objective of the Museum is to attain a long-term rate of return sufficient to fund a portion of its annual activities and to preserve and enhance the real (inflation-adjusted) purchasing power of the investment portfolio. The Museum diversifies its investments among various asset classes incorporating multiple strategies and managers. Major investment decisions are authorized by the Investment Committee

PHILADELPHIA MUSEUM OF ART

Notes to Financial Statements

June 30, 2015

of the Board of Trustees, which oversees the Museum's investment program in accordance with established guidelines.

Investment Strategies

In addition to traditional stocks and fixed income securities, the Museum may also hold shares or units in traditional institutional funds as well as in alternative investment funds involving hedged strategies, private equity, and real asset strategies. Hedged strategies involve funds whose managers have the authority to invest in various asset classes at their discretion, including the ability to invest long and short. Funds with hedged strategies generally hold securities or other financial instruments for which a ready market exists and may include stocks, bonds, put or call options, swaps, currency hedges, and other instruments, and are valued accordingly. Private equity funds employ buyout and venture capital strategies. Real asset funds generally hold interests in public real asset funds, commercial real estate limited partnerships, and oil and gas limited partnerships.

PHILADELPHIA MUSEUM OF ART

Notes to Financial Statements

June 30, 2015

The Museum's investments by major category in the fair value hierarchy as of June 30, 2015 and 2014, as well as related strategy, liquidity, and funding commitments are as follows:

Investment strategy	June 30, 2015				Redemption or liquidation	Days' notice
	Level 1	Level 2	Level 3	Total		
Cash and cash equivalents	\$ 6,076,778	—	—	6,076,778	Daily	One
Fixed income:						
U.S. Treasuries funds	24,592,320	—	—	24,592,320	Daily	One
U.S. Government bond funds	4,836,538	—	—	4,836,538	Daily	One
Total	29,428,858	—	—	29,428,858		
Equities:						
Common stocks	16,166,946	—	—	16,166,946	Daily	One
Common stock funds	11,510,756	—	—	11,510,756	Daily	One
Emerging market funds	14,678,848	—	—	14,678,848	Daily	One
Total	42,356,550	—	—	42,356,550		
Real asset funds	15,744,192	—	—	15,744,192	Daily	One
	\$ 93,606,378	—	—	93,606,378		
Investments measured at net asset value as a practical expedient:						
Global bond funds				14,065,010	Monthly	10
Mortgage backed securities fund				11,578,714	Monthly	5
U.S. Stock Funds				47,495,761	Quarterly/Locked-up (1)	60/90
Global stock funds				42,305,659	Monthly/Quarterly	One/5/30
Global (ex-U.S.) stock funds				58,431,370	Monthly	30
Emerging market funds				21,828,215	Monthly	30
Alternative investments:						
Hedge funds				101,598,925	Locked-up (2)	60/90
Real asset funds				2,480,163	Quarterly	60
Private equity and venture capital funds				34,607,542	Illiquid (3)	N/A
Private real estate funds				18,116,689	Illiquid (4)	N/A
Oil and gas funds				12,271,932	Illiquid (5)	N/A
Other investments				796,317		
				459,182,675		
Less amount attributable to Samuel S. Fleisher Art Memorial, Inc. (note 6)				(4,611,333)		
Total investments				\$ 454,571,342		

- (1) \$10,158,289 subject to a 3-year rolling lock-up available April 2018; \$37,337,472 available quarterly.
- (2) \$11,306,968 subject to a 3-year rolling lock-up with \$6,421,867 available March 2016 and \$4,885,101 available December 2016; \$3,449,260 subject to a 2-year lock-up available December 2016; \$26,238,694 subject to a 1-year rolling with \$22,850,147 available December 2015 and \$3,388,547 available March 2016; \$55,815,101 available quarterly; and \$4,788,902 available monthly.
- (3) These funds are expected to liquidate within 2-10 years. Unfunded future commitments aggregate \$20,168,000.
- (4) These funds are expected to liquidate within 1-2 years. Unfunded future commitments aggregate \$5,536,000.
- (5) These funds are expected to liquidate within 2-7 years. Unfunded future commitments aggregate \$1,665,000.

PHILADELPHIA MUSEUM OF ART

Notes to Financial Statements

June 30, 2015

Investment strategy	June 30, 2014				Redemption or liquidation	Days' notice
	Level 1	Level 2	Level 3	Total		
Cash and cash equivalents	\$ 10,359,957	—	—	10,359,957	Daily	One
Fixed income:						
U.S. Treasuries funds	17,704,670	—	—	17,704,670	Daily	One
U.S. Government bond funds	4,860,577	—	—	4,860,577	Daily	One
U.S. bond funds	8,340,983	—	—	8,340,983	Daily	One
Total	30,906,230	—	—	30,906,230		
Equities:						
Common stocks	32,304,029	—	—	32,304,029	Daily	One
Emerging market funds	15,071,674	—	—	15,071,674	Daily	One
Total	47,375,703	—	—	47,375,703		
Real asset funds	9,460,598	—	—	9,460,598	Monthly	8
	\$ 98,102,488	—	—	98,102,488		
Investments measured at net asset value as a practical expedient:						
Global bond funds				21,006,693	Daily/Monthly	One/30/60/90
U.S. stock Funds				36,450,220	Quarterly	60
Global stock funds				45,550,757	Monthly/Quarterly	One/30
Global (ex-U.S.) stock funds				53,823,015	Monthly	30
Emerging market funds				33,250,388	Monthly	30
Alternative investments:						
Hedge funds				95,518,252	Locked-up (1)	30/90
Real asset funds				3,439,313	Quarterly	60
Private equity and venture capital funds				35,109,500	Illiquid (2)	N/A
Private real estate funds				18,624,710	Illiquid (3)	N/A
Oil and gas funds				14,422,900	Illiquid (3)	N/A
Other investments				611,848		
				455,910,084		
Less amount attributable to Samuel S. Fleisher Art Memorial, Inc. (note 6)				(4,441,791)		
Total investments				\$ 451,468,293		

- (1) \$10,097,789 subject to a 3-year rolling lock-up with \$5,888,979 available December 2015 and \$4,208,810 available December 2016; \$3,433,012 subject to a 2-year lock-up available March 2015; \$26,032,230 subject to a 1-year rolling with \$22,643,612 available December 2014 and \$3,388,617 available March 2015; \$51,669,993 available quarterly; and \$4,285,228 available monthly.
- (2) These funds are expected to liquidate within 3-10 years. Unfunded future commitments aggregate \$13,323,000.
- (3) These funds are expected to liquidate within 1-2 years. Unfunded future commitments aggregate \$5,868,000.
- (4) These funds are expected to liquidate within 2-6 years. Unfunded future commitments aggregate \$2,011,000.

The fair values of alternative investments represent the Museum's ownership interests in the net asset value (NAV) as reported by the external investment managers as a practical expedient to fair value. They are included in the tables above to provide a reconciliation to total investments.

A portion of the investments of the Samuel S. Fleisher Art Memorial, Inc., are invested with Museum funds and is deducted in the tables above.

PHILADELPHIA MUSEUM OF ART

Notes to Financial Statements

June 30, 2015

Other than the adoption of ASU 2015-07, there were no transfers into or out of Level 1, Level 2, or Level 3 for the year ended June 30, 2015.

The investment returns for the years ended June 30, 2015 and 2014 are summarized as follows:

	<u>2015</u>	<u>2014</u>
Investment return:		
Interest and dividends, net of certain investment management expenses	\$ 1,230,425	1,424,784
Net realized and unrealized gains (losses)	<u>13,648,393</u>	<u>72,672,183</u>
Investment return	<u>\$ 14,878,818</u>	<u>74,096,967</u>

The unrestricted and temporarily restricted investment returns for the years ended June 30, 2015 and 2014 are included in the statements of activities as follows:

	<u>2015</u>	<u>2014</u>
Investment return:		
Endowment, trust, and estates income	\$ 19,832,576	18,320,635
Endowment and trust income for art purchases	1,269,648	1,220,620
Investment return (less than) in excess of amounts distributed under spending policy	<u>(6,223,406)</u>	<u>54,555,712</u>
Investment return	<u>\$ 14,878,818</u>	<u>74,096,967</u>

Private equity and venture capital investments are generally made through limited partnerships. Under the terms of such agreements, the Museum may be required to provide additional funding when capital or liquidity calls are made by fund managers. These partnerships have a limited existence, and they may provide for annual extensions for the purpose of disposing portfolio positions and returning capital to investors. However, depending on market conditions, the inability to execute the fund's strategy, or other factors, a manager may extend the terms of a fund beyond its originally anticipated existence or may wind the fund down prematurely. The Museum cannot anticipate such changes because they generally arise from unforeseeable events, but should they occur they could reduce liquidity or originally anticipated investment returns. Accordingly, the timing and amount of future capital or liquidity calls in any particular future year are uncertain.

Certain hedge funds contain "rolling" lock-up provisions. Under such provisions, tranches of the investment are available for redemption generally at calendar year-end once every two or three years, if the Museum makes a redemption request prior to the next available withdrawal date in accordance with the notification terms of the agreement.

PHILADELPHIA MUSEUM OF ART

Notes to Financial Statements

June 30, 2015

Investment liquidity as of June 30, 2015 is aggregated below based on redemption or sale period:

Investment redemption or sale period:	
Daily	\$ 93,606,378
Monthly	121,151,501
Quarterly	127,479,105
Subject to rolling lock-ups	51,153,211
Illiquid	<u>65,792,480</u>
	<u>\$ 459,182,675</u>

(4) Funds Held in Trust by Others

The Museum receives income from funds held in trust by others. The Museum does not invest these funds or have responsibility for their management and their fair value at June 30, 2015 and 2014 is considered a Level 3 measurement because, although the trusts are invested primarily in marketable securities, the Museum is unlikely to receive the trust assets. When the Museum is notified of the trust's existence, contribution revenue and an asset are recorded based on the fair value of the trust's assets. Changes in the fair value are recognized as permanently restricted gains and losses. The income received on these funds was \$475,859 and \$405,798 for the years ended June 30, 2015 and 2014, respectively.

(5) Property and Equipment

Property and equipment at June 30, 2015 and 2014 are as follows:

	2015	2014
Land	\$ 2,983,347	2,983,347
Building and improvements	285,110,658	284,814,242
Equipment, furniture, and fixtures	11,616,126	12,484,218
Construction in progress	<u>50,143,458</u>	<u>35,477,301</u>
Total property and equipment	349,853,589	335,759,108
Less accumulated depreciation and amortization	<u>(75,791,323)</u>	<u>(69,234,512)</u>
Net property and equipment	<u>\$ 274,062,266</u>	<u>266,524,596</u>

(6) Samuel S. Fleisher Art Memorial, Inc.

The Samuel S. Fleisher Art Memorial, Inc. (the Memorial) is administered by the Museum under terms of the will of the late Samuel S. Fleisher. The approximate market value of the principal of the estate of Samuel S. Fleisher, at values furnished by the trustee, is \$15,559,000 and \$15,425,000 at June 30, 2015 and 2014, respectively. Such amounts are not included in the accompanying financial statements.

Revenues of the Memorial were approximately \$2,300,000 and \$1,900,000 in 2015 and 2014, respectively. Total assets of the Memorial, including the trust assets, were \$18,270,000 and \$18,586,000 at June 30, 2015 and 2014, respectively.

PHILADELPHIA MUSEUM OF ART

Notes to Financial Statements

June 30, 2015

(7) Notes Payable and Lines of Credit

Notes payable at June 30, 2015 and 2014, are summarized as follows:

	2015	2014
Philadelphia Authority for Industrial Development		
Revenue Bonds, Series of 2008	\$ 55,295,000	58,035,000
Line of credit	6,000,000	500,000
Less debt discount and debt issuance costs	(381,907)	(432,408)
Total notes payable	\$ 60,913,093	58,102,592

In June 2008, the Museum entered into a loan agreement with the Philadelphia Authority for Industrial Development (the Authority) to refund its prior Series 2000 and Series 2005 Revenue Bonds and to finance, in part, the construction and renovation of certain facilities of the Museum.

Pursuant to the loan agreement, the Authority issued \$68,560,000 Series 2008 Revenue Bonds, payable July 1, 2032, which have adjustable methods of interest rate determination and interest payment dates. On June 23, 2010, the trust indenture under which the Bonds were issued was amended to establish a new variable rate interest mode (the Index Rate) in which the interest rate borne by the Bonds will be calculated on a monthly basis as a percentage of one-month LIBOR plus a spread determined periodically by the long-term unsecured credit rating of the Museum. On the same date, the Museum elected to (i) convert the interest rate borne by the Bonds from the Daily Rate to the Index Rate and (ii) the bonds were purchased by a bank pursuant to a Continuing Covenants Agreement, between the bank and the Museum, whereby the Bonds were subject to mandatory tender for purchase at par plus accrued interest by the Museum on June 30, 2015. On January 2, 2013, the Continuing Covenants Agreement was amended whereby the date that the Bonds shall be subject to mandatory tender for purchase was extended to January 1, 2018. The Museum may remarket the bonds to the bank or new investors at any of the interest rate options provided in the trust indenture. At June 30, 2015 and 2014, the interest rate on the Bonds was 0.83% and 0.81%, respectively.

Although the Revenue Bonds are not direct indebtedness of the Museum, the loan agreement with the Authority obligates the Museum to make payments equal to the interest and redemption payment provisions of the Revenue Bonds, which are general obligations of the Museum. A liability equal to the principal amount of the Authority's outstanding Revenue Bonds is reflected in the statement of financial position at June 30, 2015 and 2014.

In April 2010, the Museum entered into an interest rate swap agreement with a bank to replace two similar interest swap agreements with another financial institution, which creates a synthetic fixed interest rate on part of the outstanding variable rate Revenue Bonds. The initial notional amount of the swap was \$30,000,000 and is being reduced in amounts ranging from \$578,571 in July 2011 to \$1,671,429 per year through July 1, 2029. Under the terms of the interest rate swap agreement, the Museum receives a variable rate comparable to the rate on the outstanding Revenue Bonds, and pays a fixed rate of 3.363%. At June 30, 2015 and 2014, the fair value of the swap agreement amounted to (\$3,634,743) and (\$3,560,280), respectively, and has been recognized in accounts payable and accrued expenses in the statement of financial position. The change in the fair value of the swap agreement is recognized in change in fair value of interest rate exchange agreements and effect of interest rate swaps on the statement of activities.

PHILADELPHIA MUSEUM OF ART

Notes to Financial Statements

June 30, 2015

In addition, the Museum has a revolving line of credit with a bank in the amount of \$25,000,000 to be used for construction and renovation costs associated with its capital program. The line expires June 1, 2017 and, if used, bears interest at prime or upon a LIBOR-based formula. At June 30, 2015 and 2014, \$6,000,000 and \$500,000 was outstanding under the line of credit with interest at 0.69% and 0.65%, respectively

The Museum's debt agreements contain restrictive covenants, including the maintenance of certain debt ratios and other matters. The Museum was in compliance with these covenants at June 30, 2015 and 2014. Further, the Museum's interest rate swap agreement contains provisions that require the Museum to maintain certain credit ratings from either of the major credit rating agencies. If the Museum were to violate these provisions, the counterparty to the swap agreement could request next-day collateralization if the swap was in a net liability position. To date, the Museum has not posted collateral for any interest rate swap agreements. If the credit risk related contingent features underlying this agreement were triggered on June 30, 2015, the Museum would be required to post up to \$3,630,000 of collateral to the counterparty.

Annual principal payments under the loan agreements due during the next five years and in total thereafter are as follows:

Year ending June 30:	
2016	\$ 2,825,000
2017	8,915,000
2018	3,025,000
2019	3,115,000
2020	3,200,000
Thereafter	<u>40,215,000</u>
	<u>\$ 61,295,000</u>

The above amounts assume that the bonds will be remarketed prior to January 1, 2018. If the bonds are not remarketed by that date and are subject to mandatory tender, annual principal payments in each of the fiscal years 2019, 2020, and 2021 would be \$16,518,000.

(8) Contractual Obligations

The Museum enters into contractual obligations with various parties for the acquisition of art for its collection from time to time. These contractual obligations are unsecured and noninterest bearing, and require annual payments of \$1,081,667 in 2016, \$1,010,000 in 2017, and \$10,000 in 2018. The contractual obligations are reflected in the accompanying financial statements, net of unamortized discount of \$94,627.

(9) Endowments

The Museum's endowment consists of approximately 230 individual funds established for a variety of purposes. Its endowment includes both donor-restricted endowment funds and funds designated by the Board of Trustees to function as endowments. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

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 additional gifts to the existing permanent endowment funds; 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.

PHILADELPHIA MUSEUM OF ART

Notes to Financial Statements

June 30, 2015

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 Museum in a manner consistent with the standard of prudence prescribed by relevant law. The Museum's endowment is generally governed by Commonwealth of Pennsylvania law. Such law permits the Board of Trustees to make an annual election to appropriate for expenditure a selected percentage between 2% and 7% of the fair value of the assets related to donor-restricted endowment funds averaged over a period of three or more preceding years, provided the Board has determined that such percentage is consistent with the long-term preservation of the real value of such assets.

The Museum has adopted investment and spending policies for endowment assets that are intended to provide a predictable stream of funding for programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets.

To satisfy its long-term rate of return objectives, the Museum relies on a total return strategy in which investment returns are achieved through both capital appreciation and current yield. The Museum's investment policy includes a target asset allocation, well diversified among suitable asset classes, that is expected to generate, on average, the level of expected return necessary to meet endowment objectives at a responsible level of volatility consistent with achieving that return.

According to the Museum's spending policy, a portion of the total investment return derived from investments is available to support current activities, while the remainder is reinvested. Under this spending policy, annual distributions are based on the prior year spending plus 3% subject to a floor of 4.5% and a ceiling of 5.5% of the average market value of endowment assets at the end of the three preceding years.

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the original gift amount maintained as permanently restricted net assets. These deficiencies result from unfavorable market fluctuations that occur shortly after the investment of new permanently restricted contributions by the Museum. There were no such deficiencies at June 30, 2015 and 2014.

Endowment funds classified by type as of June 30, 2015 and 2014 are as follows:

	2015		2014	
	Donor- restricted	Board- designated	Donor- restricted	Board- designated
Unrestricted	\$ —	87,856,956	—	89,692,356
Temporarily restricted	93,773,344	—	98,707,105	—
Permanently restricted	272,941,042	—	263,068,832	—
	<u>\$ 366,714,386</u>	<u>87,856,956</u>	<u>361,775,937</u>	<u>89,692,356</u>

PHILADELPHIA MUSEUM OF ART

Notes to Financial Statements

June 30, 2015

Changes in endowment funds for the years ended June 30, 2015 and 2014 are as follows:

	Year ended June 30, 2015			
	Unrestricted	Temporarily restricted	Permanently restricted	Total
Net assets, beginning of year	\$ 89,692,356	98,707,105	263,068,832	451,468,293
Dividends and interest, net of certain investment management expenses	226,403	1,004,022	—	1,230,425
Realized gains	2,754,613	12,085,684	—	14,840,297
Changes in unrealized appreciation	(503,619)	(688,285)	—	(1,191,904)
Total return on long-term investments	2,477,397	12,401,421	—	14,878,818
Contributions	759,687	—	10,130,564	10,890,251
Investment return designated for current activities	(3,916,526)	(17,185,698)	—	(21,102,224)
Other changes	(1,155,958)	(149,484)	(258,354)	(1,563,796)
Net assets, end of year	<u>\$ 87,856,956</u>	<u>93,773,344</u>	<u>272,941,042</u>	<u>454,571,342</u>
	Year ended June 30, 2014			
	Unrestricted	Temporarily restricted	Permanently restricted	Total
Net assets, beginning of year	\$ 77,999,207	56,527,579	247,514,701	382,041,487
Dividends and interest, net of certain investment management expenses	279,401	1,145,383	—	1,424,784
Realized gains	3,005,447	12,737,326	—	15,742,773
Changes in unrealized appreciation	12,575,589	44,353,821	—	56,929,410
Total return on long-term investments	15,860,437	58,236,530	—	74,096,967
Contributions	439,266	—	15,594,242	16,033,508
Investment return designated for current activities	(3,821,274)	(15,719,981)	—	(19,541,255)
Other changes	(785,280)	(337,023)	(40,111)	(1,162,414)
Net assets, end of year	<u>\$ 89,692,356</u>	<u>98,707,105</u>	<u>263,068,832</u>	<u>451,468,293</u>

PHILADELPHIA MUSEUM OF ART

Notes to Financial Statements

June 30, 2015

(10) Analysis of Restricted Net Assets

As of June 30, 2015 and 2014, restricted net assets consisted of the following:

	2015		2014	
	Temporarily restricted	Permanently restricted	Temporarily restricted	Permanently restricted
Acquisitions of art objects	\$ 13,888,385	23,197,508	13,902,908	23,332,076
Curatorial and conservation	33,692,181	108,777,783	34,142,502	104,865,406
Education, library, and community programs	9,033,010	13,485,636	8,993,816	13,490,454
Special exhibitions and publications	14,708,972	31,922,120	14,811,794	31,939,294
Building improvements and equipment	53,741,977	527,228	48,150,672	527,228
General operations and other	43,310,015	125,203,815	45,479,664	123,512,084
To be designated	12,109,242	—	12,298,937	—
	<u>\$ 180,483,782</u>	<u>303,114,090</u>	<u>177,780,293</u>	<u>297,666,542</u>

(11) Pension Plan

The Museum has a defined contribution retirement plan provided through the Teachers Insurance Annuity Association and College Retirement Equities Fund covering substantially all employees. The total pension expense under this plan amounted to \$821,781 in 2015 and \$834,870 in 2014.

(12) Postretirement Benefits

The Museum provides healthcare benefits to retired employees for two years after the date of retirement. Substantially all of the Museum's employees will become eligible for this benefit if they reach retirement age while working for the Museum.

The Museum recognizes the cost of such postretirement benefits other than pensions on an accrual basis as employees perform services to earn the benefits. The postretirement benefit cost includes the following components:

	2015	2014
Service cost	\$ 47,685	43,562
Interest cost	28,528	25,934
Amortization of transition obligation	—	—
Amortization of unrecognized net gain	(9,402)	(11,202)
Net postretirement benefit cost	<u>\$ 66,811</u>	<u>58,294</u>

PHILADELPHIA MUSEUM OF ART

Notes to Financial Statements

June 30, 2015

Changes in the benefit obligation for the Museum’s postretirement benefit plan for the years ended June 30, 2015 and 2014 (the measurement date) are as follows:

	<u>2015</u>	<u>2014</u>
Benefit obligation at beginning of year	\$ 449,346	510,558
Service cost	47,685	43,562
Interest cost on projected benefit obligation	28,528	25,934
Net loss (gain)	24,801	(92,251)
Benefits paid	<u>(42,867)</u>	<u>(38,457)</u>
Benefit obligation at end of year	\$ <u>507,493</u>	<u>449,346</u>

The healthcare cost trend rate assumptions used in determining the projected benefit obligation are 8% for fiscal years 2016 through 2020, and 5% thereafter. The discount rate used in determining the accumulated postretirement benefit obligation was 6% at June 30, 2015 and 2014.

The benefits expected to be paid in each year from 2016 – 2020 are \$119,726, \$111,053, \$1,964, \$12,728 and \$27,492, respectively. The aggregate benefits expected to be paid in the five years from 2021 – 2025 are \$166,282.

(13) Functional Allocation of Expenses

Expenses by functional classification for the years ended June 30, 2015 and 2014 are as follows:

	<u>2015</u>	<u>2014</u>
Program expenses:		
Curatorial, conservation, and registrarial	\$ 25,748,465	25,481,501
Education, library, and community programs	7,892,089	7,655,515
Special exhibitions and publications	6,040,558	5,940,208
Cost of sales and expenses of wholesale and retail operations	2,931,264	3,352,337
Public services and other	<u>9,428,156</u>	<u>9,448,123</u>
Total program expenses	52,040,532	51,877,684
Development	4,413,721	4,499,587
General and administrative	<u>6,459,723</u>	<u>6,274,679</u>
Total expenses	\$ <u>62,913,976</u>	<u>62,651,950</u>

PHILADELPHIA MUSEUM OF ART

Notes to Financial Statements

June 30, 2015

(14) Supplemental Disclosures

Supplemental disclosure of noncash investing and financing activities:

During the year ended June 30, 2014, the Museum acquired certain art objects for cash and contractual obligations as follows:

	<u>2014</u>
Art objects acquired	\$ 295,000
Less contractual obligations	<u>(285,000)</u>
Cash paid	<u><u>\$ 10,000</u></u>

No contractual obligations resulting from the acquisition of art objects were incurred in 2015.

Supplemental disclosure of cash flow information:

	<u>2015</u>	<u>2014</u>
Cash paid during the year for interest	\$ 525,229	637,182

(15) Subsequent Events

The Museum has evaluated subsequent events through October 14, 2015, which is the date the financial statements were issued, noting no events that affect the financial statements as of June 30, 2015.