

ELMHURST ART MUSEUM

**FINANCIAL STATEMENTS
AS OF JUNE 30, 2014 AND 2013**

TOGETHER WITH AUDITOR'S REPORT

Dugan & Lopatka

Certified Public Accountants & Consultants
A Professional Corporation
104 East Roosevelt Road
Wheaton, Illinois 60187
(630) 665-4440
Fax (630) 665-5030
www.duganlopatka.com
e-mail: info@duganlopatka.com

Michael J. Dugan
Jerry L. Lopatka
Mark F. Schultz
Peter J. Zich
Leo M. Misdom

T. Brett Flickinger
Karen M. Olson
Hugh E. Elliott

Gwen S. Henry

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Elmhurst Art Museum:

We have audited the accompanying financial statements of Elmhurst Art Museum (the Museum) (an Illinois nonprofit organization) which comprise the statement of financial position as of June 30, 2014 and 2013, and the related statements of activities, cash flows and functional expenses 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 of material misstatement.

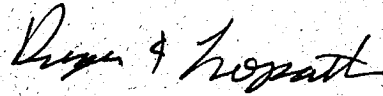
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or 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.

To the Board of Directors of
Elmhurst Art Museum
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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Elmhurst Art Museum as of June 30, 2014, and 2013, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.



DUGAN & LOPATKA

Wheaton, Illinois
March 20, 2015

ELMHURST ART MUSEUM
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2014 AND 2013

<u>ASSETS</u>	<u>2014</u>	<u>2013</u>
CURRENT ASSETS:		
Cash and cash equivalents	\$ 88,136	\$ 69,098
Gift shop inventory	7,133	7,349
Grants receivable	-	21,500
Accounts receivable	60,189	19,706
Pledges receivable	3,250	2,000
Prepaid expenses	7,731	8,283
Total current assets	166,439	127,936
PROPERTY AND EQUIPMENT:		
Building	1,998,661	1,883,717
McCormick House	911,000	911,000
Building improvements	404,717	404,717
Land improvements	106,725	106,725
Furniture and fixtures	84,820	84,820
Office equipment	45,056	45,056
Computer software	21,257	21,257
Museum fixtures	110,211	110,211
	3,682,447	3,567,503
Less - Accumulated depreciation	1,707,216	1,617,300
Net property and equipment	1,975,231	1,950,203
OTHER ASSETS:		
Cash and cash equivalents - permanently restricted	36,507	60,525
Investments - permanently restricted	575,166	521,231
Total other assets	611,673	581,756
Total assets	\$ 2,753,343	\$ 2,659,895
 <u>LIABILITIES AND NET ASSETS</u> 		
CURRENT LIABILITIES:		
Line of credit	\$ 50,000	\$ 50,000
Accounts payable	69,893	20,021
Accrued liabilities	21,926	25,251
Deferred revenue	29,722	-
Total current liabilities	171,541	95,272
COMMITMENTS		
NET ASSETS:		
Unrestricted	1,915,061	1,926,306
Temporarily restricted	55,068	56,561
Permanently restricted	611,673	581,756
Total net assets	2,581,802	2,564,623
Total liabilities and net assets	\$ 2,753,343	\$ 2,659,895

The accompanying notes are an integral part of this statement.

ELMHURST ART MUSEUM
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2014

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
PUBLIC SUPPORT AND REVENUE:				
Public support -				
Contributions	\$ 245,011	\$ 25,040	\$ 5,000	\$ 275,051
Contributions in-kind	-	-	-	-
Memberships	12,410	-	-	12,410
Fundraising	129,066	-	-	129,066
Grants -				
City of Elmhurst	25,000	-	-	25,000
Other Illinois agencies	125,994	-	-	125,994
Other revenues -				
Gift shop sales	9,753	-	-	9,753
Other programs	132,858	-	-	132,858
Facility	48,751	-	-	48,751
Investment income -				
Interest and dividend income	16,688	-	-	16,688
Realized gain on investments	13,603	-	-	13,603
Unrealized gain on investments	4,279	-	24,917	29,196
(Loss) on disposal of fixed assets	-	-	-	-
Net assets released from restrictions	26,533	(26,533)	-	-
	<u>789,946</u>	<u>(1,493)</u>	<u>29,917</u>	<u>818,370</u>
Total public support and revenue				
FUNCTIONAL EXPENSES:				
Program services	552,588	-	-	552,588
Management and general	104,640	-	-	104,640
Fundraising	143,963	-	-	143,963
	<u>801,191</u>	<u>-</u>	<u>-</u>	<u>801,191</u>
Total functional expenses				
CHANGE IN NET ASSETS	(11,245)	(1,493)	29,917	17,179
NET ASSETS, Beginning of year	<u>1,926,306</u>	<u>56,561</u>	<u>581,756</u>	<u>2,564,623</u>
NET ASSETS, End of year	<u>\$ 1,915,061</u>	<u>\$ 55,068</u>	<u>\$ 611,673</u>	<u>\$ 2,581,802</u>

The accompanying notes are an integral part of this statement.

ELMHURST ART MUSEUM
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2013

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
PUBLIC SUPPORT AND REVENUE:				
Public support -				
Contributions	\$ 181,270	\$ 847	\$ -	\$ 182,117
Contributions in-kind	63,565	-	-	63,565
Memberships	10,978	-	-	10,978
Fundraising	134,600	-	-	134,600
Grants -				
City of Elmhurst	43,500	-	-	43,500
Other Illinois agencies	37,128	-	-	37,128
Other revenues -				
Gift shop sales	10,993	-	-	10,993
Other Programs	106,722	-	-	106,722
Facility	45,668	-	-	45,668
Investment income -				
Interest and dividend income	20,402	-	65	20,467
Realized gain on investments	3,807	-	-	3,807
Unrealized gain on investments	13,786	-	-	13,786
(Loss) on disposal of fixed assets	(8,265)	-	-	(8,265)
Net assets released from restrictions	24,140	(24,140)	-	-
	<u>688,294</u>	<u>(23,293)</u>	<u>65</u>	<u>665,066</u>
FUNCTIONAL EXPENSES:				
Program services	443,441	-	-	443,441
Management and general	216,388	-	-	216,388
Fundraising	157,221	-	-	157,221
	<u>817,050</u>	<u>-</u>	<u>-</u>	<u>817,050</u>
CHANGE IN NET ASSETS	(128,756)	(23,293)	65	(151,984)
NET ASSETS, Beginning of year	<u>2,055,062</u>	<u>79,854</u>	<u>581,691</u>	<u>2,716,607</u>
NET ASSETS, End of year	<u>\$ 1,926,306</u>	<u>\$ 56,561</u>	<u>\$ 581,756</u>	<u>\$ 2,564,623</u>

The accompanying notes are an integral part of this statement.

ELMHURST ART MUSEUM
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2014 AND 2013

	<u>2014</u>	<u>2013</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 17,179	\$ (151,984)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	89,916	83,330
Unrealized (gain) loss on investments	(29,196)	(13,786)
Realized (gain) loss on investments	(13,603)	(3,807)
Loss on disposal of fixed assets	-	8,265
Changes in assets and liabilities -		
(Increase) decrease in gift shop inventory	216	(1,159)
(Increase) decrease in grants receivable	21,500	(8,477)
(Increase) in accounts receivable	(40,483)	(1,450)
(Increase) in pledges receivable	(1,250)	(2,000)
Decrease in prepaid expenses	552	825
Increase (decrease) in accounts payable	49,872	(4,136)
Increase (decrease) in accrued liabilities	(3,325)	6,447
Increase in deferred revenue	29,722	-
Net cash provided by (used in) operating activities	<u>121,100</u>	<u>(87,932)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	(114,944)	(5,882)
Proceeds from sale of investments	34,757	108,216
Purchase of investments	(45,893)	(567,138)
Decrease in permanently restricted cash	24,018	476,450
Net cash provided by (used in) investing activities	<u>(102,062)</u>	<u>11,646</u>
CASH FLOW FROM FINANCING ACTIVITIES		
Net borrowings on line of credit	-	50,000
NET CHANGE IN CASH AND CASH EQUIVALENTS	19,038	(26,286)
CASH AND CASH EQUIVALENTS, Beginning of year	<u>69,098</u>	<u>95,384</u>
CASH AND CASH EQUIVALENTS, End of year	<u>\$ 88,136</u>	<u>\$ 69,098</u>
SUPPLEMENTAL CASH FLOW INFORMATION:		
Interest paid	<u>\$ 2,468</u>	<u>\$ 272</u>

The accompanying notes are an integral part of this statement.

ELMHURST ART MUSEUM
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED JUNE 30, 2014 AND 2013

	2014			2013				
	Program Services	Management and General	Fundraising	Total	Program Services	Management and General	Fundraising	Total
Salaries and wages	\$ 223,579	\$ 27,947	\$ 27,947	\$ 279,473	\$ 192,833	\$ 55,094	\$ 27,548	\$ 275,475
Employee benefits	5,091	636	636	6,363	3,964	1,133	566	5,663
Payroll taxes	23,226	2,903	2,903	29,032	22,824	6,521	3,261	32,606
Advertising and promotion	12,411	1,551	1,551	15,513	13,417	-	1,491	14,908
Art conservation	3,468	-	-	3,468	2,998	-	-	2,998
Art transport and storage	2,283	-	-	2,283	7,360	-	-	7,360
Bank and credit card processing fees	13,853	1,732	1,732	17,317	-	11,054	-	11,054
Depreciation	71,932	8,992	8,992	89,916	58,331	16,666	8,333	83,330
Dues and publications	295	1,235	-	1,530	120	1,173	700	1,993
Equipment rental	4,490	975	-	5,465	1,640	2,248	27,114	31,002
Equipment purchase	952	1,489	-	2,441	1,957	1,554	174	3,685
Fees for service/non-employee (instructional)	2,254	5,269	10,302	17,825	390	40,244	31,952	72,586
Gift shop	-	6,623	-	6,623	-	4,906	-	4,906
Insurance - Property and casualty	20,575	2,572	2,572	25,719	12,549	3,585	1,793	17,927
- Workers' compensation	613	77	77	767	536	153	77	766
- Directors and officers	1,952	244	244	2,440	1,708	488	244	2,440
Interest	1,974	247	247	2,468	-	272	-	272
Maintenance and repairs	6,042	16,146	-	22,188	2,580	22,598	2,997	28,175
Postage	4,542	553	2,324	7,419	3,983	542	2,669	7,194
Professional fees	64,583	16,994	15,368	96,945	44,848	33,802	13,778	92,428
Printing	14,815	1,230	6,115	22,160	11,391	945	6,251	18,587
Supplies - Maintenance	1,279	160	160	1,599	1,718	491	245	2,454
- Office	2,530	316	316	3,162	1,887	539	270	2,696
- Project	13,991	531	111	14,633	11,181	19	1,031	12,231
- Event	5,883	-	56,479	62,362	4,485	1,156	20,946	26,587
Travel	2,064	331	-	2,395	3,304	509	433	4,246
Utilities	47,911	5,887	5,887	59,685	37,437	10,696	5,348	53,481
Total functional expenses	\$ 552,588	\$ 104,640	\$ 143,963	\$ 801,191	\$ 443,441	\$ 216,388	\$ 157,221	\$ 817,050

The accompanying notes are an integral part of this statement.

ELMHURST ART MUSEUM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The Elmhurst Art Museum (the Museum) was created to promote the visual arts through exhibitions, classes, and the preservation of objects and documents. The Museum was incorporated in 1990 under the Illinois General Not-For-Profit Act. Funding for the Museum comes from individuals, organizations, businesses, government grants and private and corporate foundations.

The financial statements were available to be issued on March 20, 2015, with subsequent events being evaluated through this date.

Accounting Method -

The accounting records are maintained on the accrual basis which recognizes revenues as they are earned and expenses as they are incurred.

Basis of Presentation -

Financial statement presentation follows the recommendations of the Accounting Standards Codification (ASC) for Financial Statements of Not-for-Profit Organizations. Under the ASC, the Museum is required to report information regarding its financial position and activities according to three classes of net assets, which are unrestricted, temporarily restricted and permanently restricted net assets.

Unrestricted and Restricted Resources -

The Museum reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a 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 as net assets released from restrictions.

The Museum reports gifts of land, buildings, and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Museum reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Contributed Materials and Services -

Donated materials and services are recorded as support and expenses at fair market value when determinable, otherwise, at values indicated by the donor. No amounts have been reflected in the financial statements for contributed services that do not meet the criteria for recognition under the ASC for Accounting for Contributions Received and Contributions Made, which prohibits the recording of donated services unless they create or enhance a non-financial asset or have specialized skills that would have been purchased if they were not donated. The Museum recognized \$63,565 of in-kind contributions for supplies and other materials donated to them during the year ended June 30, 2013.

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Contributed Materials and Services - (Continued)

The Museum receives donated services from a variety of unpaid volunteers each week. As of June 30, 2014 and 2013, approximately 3,099 and 2,150 hours, respectively, were donated to the Museum by persons working as volunteers, members of various committees, and members of the Board of Directors.

Cash and Cash Equivalents -

For purposes of the statement of cash flows, all highly liquid instruments with an original maturity of three months or less are considered to be cash equivalents.

Receivables -

Receivables represent grants, program revenue and donations due to the Museum. These receivables were reviewed at year end and amounts deemed uncollectible were written off.

Art Collections -

The art 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 art collection items are recorded as decreases in unrestricted net assets in the year in which the items are acquired or as temporarily restricted net assets if the assets used to purchase the items are restricted by donors. Contributed collection items are not reflected on the financial statements. Proceeds from deaccessions or insurance recoveries are reflected as increases in the appropriate net asset classes.

Inventories -

Gift shop items are stated at the lower of cost.

Property and Equipment -

Property and equipment are stated at cost or if donated, at the estimated market value at the date of donation. The Museum generally capitalizes assets costing \$1,000 or more and have a useful life in excess of one year. Depreciation is provided over the estimated useful lives of the assets, which range from 3 to 39 years, using the straight-line method, and is allocated among program and supporting services. Repairs and maintenance charges are expensed as incurred.

Income Taxes -

The Museum has been determined by the Internal Revenue Service to be exempt from income tax under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income tax has been established.

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Income Taxes - (Continued)

The Museum files income tax returns in the U.S. federal jurisdiction and Illinois. With few exceptions, the Museum is no longer subject to U.S. federal, state and local, or non-U.S. income tax examinations by tax authorities for years before 2010. The Museum does not expect a material net change in unrecognized tax benefits in the next twelve months.

Estimates -

The Museum prepares its financial statements according to generally accepted accounting principles which require the use of estimates and assumptions that affect reported amounts and disclosures. Actual results may differ from those estimates.

Reclassification -

Prior year amounts have been reclassified to be consist with the current year presentation.

(2) INVESTMENTS:

Investments are carried at fair market value and principally consist of the following at June 30, 2014 and 2013.

	<u>2014</u>		<u>2013</u>	
	<u>Fair Market Value</u>	<u>Cost</u>	<u>Fair Market Value</u>	<u>Cost</u>
Community Foundation Fund	\$ 56,257	\$ 40,000	\$ 48,917	\$ 40,000
Common stocks	301,208	261,660	265,310	243,047
Mutual funds	<u>217,701</u>	<u>219,363</u>	<u>207,004</u>	<u>217,470</u>
	<u>\$ 575,166</u>	<u>\$ 521,023</u>	<u>\$ 521,231</u>	<u>\$ 500,517</u>

(3) FAIR VALUE MEASUREMENTS:

The Accounting Standards Codification for Fair Value Measurement established a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described as follows:

(3) FAIR VALUE MEASUREMENTS: (Continued)

Level 1:

Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets.

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 inactive markets;
- inputs other than quoted prices that are observable for the asset or liability;
- inputs that are derived principally from or corroborated by observable market data by correlation or other means.

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

Level 3:

Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

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

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2014 and 2013.

Common Stocks: Valued at the closing price reported on the active market on which the individual securities are traded.

Mutual Funds: Valued at the net assets value (NAV) of shares held by the Museum at year end.

Community Foundation Fund: Valued at the fair value of the Museum's share of net assets of the Community Foundation as of June 30, 2014 and 2013.

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

(3) FAIR VALUE MEASUREMENTS: (Continued)

The following table sets forth by level, within the fair value hierarchy, the assets at fair value as of June 30, 2014 and 2013:

Description	2014			Total
	Level 1	Level 2	Level 3	
Common stocks:				
Healthcare	\$ 32,917	\$ -	\$ -	\$ 32,917
Consumer goods	56,315	-	-	56,315
Technology	65,638	-	-	65,638
Basic materials	43,570	-	-	43,570
Utilities	32,189	-	-	32,189
Financial	41,808	-	-	41,808
Industrial goods	11,458	-	-	11,458
Services	17,313	-	-	17,313
Total common stock	<u>301,208</u>	<u>-</u>	<u>-</u>	<u>301,208</u>
Mutual funds:				
Bond funds	208,975	-	-	208,975
Government funds	8,726	-	-	8,726
Total mutual funds	<u>217,701</u>	<u>-</u>	<u>-</u>	<u>217,701</u>
Community Foundation Fund	-	-	56,257	56,257
Total assets at fair value	<u>\$ 518,909</u>	<u>\$ -</u>	<u>\$ 56,257</u>	<u>\$ 575,166</u>

Description	2013			Total
	Level 1	Level 2	Level 3	
Common stocks:				
Healthcare	\$ 25,940	\$ -	\$ -	\$ 25,940
Consumer goods	50,792	-	-	50,792
Technology	59,427	-	-	59,427
Basic materials	37,213	-	-	37,213
Utilities	31,847	-	-	31,847
Financial	33,959	-	-	33,959
Industrial goods	10,459	-	-	10,459
Services	15,673	-	-	15,673
Total common stock	<u>265,310</u>	<u>-</u>	<u>-</u>	<u>265,310</u>

(3) FAIR VALUE MEASUREMENTS: (Continued)

<u>Description</u>	<u>2013</u>			<u>Total</u>
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	
Mutual Funds:				
Bond funds	\$ 196,630	\$ -	\$ -	\$ 196,630
Government funds	10,374	-	-	10,374
Total mutual funds	207,004	-	-	207,004
Community Foundation Fund	-	-	48,917	48,917
Total assets at fair value	\$ 472,314	\$ -	\$ 48,917	\$ 521,231

Level 3 Gains and Losses:

The following table sets forth a summary of changes in the fair value of the Museum's level 3 assets for the years ended June 30, 2014 and 2013:

	<u>2014</u>	<u>2013</u>
Balance, beginning of year	\$ 48,917	\$ 44,716
Interest and dividends	1,009	996
Unrealized gains relating to instruments still held at the reporting date	3,199	2,041
Purchases, sales, issuances, and settlements (net)	3,132	1,164
Balance, end of year	\$ 56,257	\$ 48,917

(4) COMMITMENTS:

The Museum leases office equipment at a rate of \$75 per month under a lease that expires in January, 2015. Lease expense for the years ended June 30, 2014 and 2013 was \$975 and \$2,248, respectively.

Future minimum lease payments are as follows:

2015	\$ 450
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(5) COLLECTIONS:

The Museum maintains a collection of visual art materials or objects, supporting archive materials, a teaching collection, and a resource library. The collection is eclectic in scope with a concentration of, but not limited to, later 20th century American art. Each of the items is cataloged, preserved, and cared for, and activities verifying their existence and assessing their condition are performed continuously. The collections are subject to a policy that requires proceeds from their sales to be deposited to the credit of "Collection Management and Development Funds." The Museum does not accept any acquisitions with any donor imposed restrictions. The value of the Museum's permanent collection is not generally subject to a reasonable estimation.

(6) LINE OF CREDIT:

The Museum has a \$50,000 line of credit from a bank, bearing interest at prime plus 1.25%, unsecured, and due on demand. As of June 30, 2014 and 2013, the Museum had a balance of \$50,000.

(7) NET ASSETS:

Temporarily restricted net assets as of June 30, 2014 and 2013 are as follow:

<u>Project</u>	<u>2014</u>	<u>2013</u>
McCormick House Restoration Fund	\$ 1,526	\$ 1,494
Contemporary Works from the Cleve Carney Collection Exhibition Catalog	18,378	18,378
Cleve Carney Exhibition Fund	1,604	3,605
Education Fund	-	732
Eleanor King Hookham Fund	-	39
Front entrance renovation - repair	13,599	13,599
- lighting	565	565
Miscellaneous project funds	2,048	2,048
Sliwa Bequest Funds	10,520	13,120
Testa Sculpture	1,820	-
McDonald's Scholarship of Three Steps	5,008	-
Artwork, presentation and purchases	-	2,981
	<u>\$ 55,068</u>	<u>\$ 56,561</u>

(8) ENDOWMENT:

The ASC provides guidance on the net asset classification of donor-restricted endowment funds for a non-profit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA). The ASC also requires additional disclosures about an organization's endowment funds (both donor-restricted endowment funds and board-designated endowment funds) whether or not the organization is subject to UPMIFA.

(8) ENDOWMENT: (Continued)

The Museum's endowment consists of one fund established to cover operating expenses. Its endowment consists of donor-restricted funds. As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions

Interpretation of Relevant Law -

The Board of Directors of the Museum has interpreted Illinois Prudent Management of Institutional Funds Act (IPMIFA) 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 and the Museum's bylaws 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 Museum in a manner consistent with the standard of prudence prescribed by IPMIFA. In accordance with IPMIFA, 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 fund;
- (2) The purposes of the Museum and the donor-restricted endowment fund;
- (3) General economic conditions;
- (4) The possible effect of inflation and deflation;
- (5) The expected total return from income and the appreciation of investments;
- (6) Other resources of the Museum;
- (7) The investment policies of the Museum.

Composition of endowment net assets by type of fund as of June 30, 2014 and 2013 is as follows:

	2014			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Donor-restricted endowment funds	\$ (26,030)	\$ -	\$ 611,673	\$ 585,643
	2013			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	\$ (25,621)	\$ -	\$ 581,756	\$ 556,135

(8) ENDOWMENT: (Continued)

Changes in endowment net assets for the years ended June 30, 2014 and 2013 are as follow:

	2014			Total
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	
Endowment net assets - beginning	\$ (25,621)	\$ -	\$ 581,756	\$ 556,135
Contribution	-	-	5,000	5,000
Investment return:				
Investment income	9,925	-	-	9,925
Net appreciation (realized and unrealized)	17,882	-	24,917	42,799
	<u>27,807</u>	<u>-</u>	<u>24,917</u>	<u>52,724</u>
Appropriation of endowment assets	<u>(28,216)</u>	<u>-</u>	<u>-</u>	<u>(28,216)</u>
Endowment net assets - ending	<u>\$ (26,030)</u>	<u>\$ -</u>	<u>\$ 611,673</u>	<u>\$ 585,643</u>
	2013			
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	Total
Endowment net assets - beginning	\$ (52,101)	\$ -	\$ 581,691	\$ 529,590
Investment return:				
Investment income	26,480	-	65	26,545
Endowment net assets - ending	<u>\$ (25,621)</u>	<u>\$ -</u>	<u>\$ 581,756</u>	<u>\$ 556,135</u>

Investment Policies -

The Museum has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment. Endowment assets include those assets of donor-restricted funds that the Museum must hold in perpetuity or for donor-specified periods as well as board-designated funds. The Museum expects its endowment funds over time, to provide an average rate of return of approximately five percent annually. Actual returns in any given year may vary from this amount.

(8) ENDOWMENT: (Continued)

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 (realized and unrealized) and current yield (interest and dividends).

Spending Policies -

The Museum has a policy that in each calendar year, distributions of 5% of the fair market value of the donor-restricted endowment fund determined as of the close of business on the last day of the prior calendar year shall be made from the endowment to the Museum's general operating fund (only if it has investment earnings of more than 5%). This is consistent with the Museum's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

(9) AFFILIATED ORGANIZATIONS:

Legal title to the land upon which the Museum is situated is vested with the Elmhurst Park District (the Park District), but the Museum is vested with the sole right to utilize the identified real property in Wilder Park, which is located in the City of Elmhurst. The original land transfer agreement further required that the Museum have a Commissioner of the Park District, a member of the Elmhurst Library Board, and two directors from the Elmhurst Artists' Guild (the Guild) on the Museum's Board of Directors.

In January, 1996, the Guild paid \$150,000 for the construction of the Museum building in exchange for lifetime use of one of its galleries at no cost. The Museum also sells Guild gift shop items on consignment and receives twenty percent of the sales.

The Museum has a contract with the Park District, in which the Park District remits an agreed upon amount from the Park District's Organization Tax Fund to support the operations of the Museum, including joint arts programming. During the year ended June 30, 2012, the contract was renewed for an additional five years and expires on December 31, 2015. The future minimum payments to be received from the Park District on September 1 of each year are as follows:

2015	\$	20,000
2016		10,000