

The accompanying financial statements and report are intended for the original recipient. They must be presented in their entirety and may not be modified in any manner.



YELLOWSTONE ART MUSEUM

FINANCIAL REPORT

JUNE 30, 2016 and 2015



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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Yellowstone Art Museum
Billings, Montana

We have audited the accompanying financial statements of Yellowstone Art Museum (a non-profit corporation), which comprise the statements of financial position as of June 30, 2016 and 2015, and the related statements of activities, 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 audits 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 Yellowstone Art Museum as of June 30, 2016 and 2015, and the changes in its net assets and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Anderson Zurmuehlen + Co, P.C.

Billings, Montana
March 27, 2017

FINANCIAL STATEMENTS

YELLOWSTONE ART MUSEUM
STATEMENT OF FINANCIAL POSITION
June 30, 2016

| <u>ASSETS</u> | <u>Unrestricted</u> | <u>Temporarily Restricted</u> | <u>Permanently Restricted</u> | <u>Total</u> |
|------------------------------------|---------------------|-----------------------------------|-----------------------------------|---------------------|
| CURRENT ASSETS | | | | |
| Cash and cash equivalents | \$ 390,642 | \$ 79,631 | \$ - | \$ 470,273 |
| Certificate of deposit | 111,897 | - | - | 111,897 |
| Receivables: | | | | |
| Accounts receivable | 91,394 | - | - | 91,394 |
| Grant receivable | 85,800 | - | - | 85,800 |
| Pledges, current portion | 64,928 | - | - | 64,928 |
| Prepaid expenses | 28,419 | - | - | 28,419 |
| Inventory held for resale | 3,647 | - | - | 3,647 |
| Total current assets | <u>776,727</u> | <u>79,631</u> | <u>-</u> | <u>856,358</u> |
| PROPERTY AND EQUIPMENT | | | | |
| Land and improvements | 726,300 | - | - | 726,300 |
| Building improvements | 8,618,215 | - | - | 8,618,215 |
| Furniture, fixtures, and equipment | 485,008 | - | - | 485,008 |
| | 9,829,523 | - | - | 9,829,523 |
| Less: accumulated depreciation | <u>(3,760,414)</u> | <u>-</u> | <u>-</u> | <u>(3,760,414)</u> |
| Net property and equipment | <u>6,069,109</u> | <u>-</u> | <u>-</u> | <u>6,069,109</u> |
| OTHER ASSETS | | | | |
| Net pledges receivable, | | | | |
| less current portion | - | 417,878 | - | 417,878 |
| Endowment fund investments | <u>-</u> | <u>278,493</u> | <u>2,886,569</u> | <u>3,165,062</u> |
| Total other assets | <u>-</u> | <u>696,371</u> | <u>2,886,569</u> | <u>3,582,940</u> |
| Total assets | <u>\$ 6,845,836</u> | <u>\$ 776,002</u> | <u>\$ 2,886,569</u> | <u>\$10,508,407</u> |

The Notes to Financial Statements are an integral part of this statement.

YELLOWSTONE ART MUSEUM
STATEMENT OF FINANCIAL POSITION
(CONTINUED)
June 30, 2016

| <u>LIABILITIES AND NET ASSETS</u> | <u>Unrestricted</u> | <u>Temporarily Restricted</u> | <u>Permanently Restricted</u> | <u>Total</u> |
|---|---------------------|-----------------------------------|-----------------------------------|---------------------|
| CURRENT LIABILITIES | | | | |
| Accounts payable | \$ 5,503 | \$ - | \$ - | \$ 5,503 |
| Endowment payable | 31,827 | - | - | 31,827 |
| Accrued payroll | 45,190 | - | - | 45,190 |
| Deferred revenue | 170,570 | - | - | 170,570 |
| Obligations under split-interest agreements, current portion | 9,112 | - | - | 9,112 |
| Other payables | 10,058 | - | - | 10,058 |
| Line of credit | 21,693 | - | - | 21,693 |
| Current maturities of long-term debt | 28,101 | - | - | 28,101 |
| Total current liabilities | <u>322,054</u> | <u>-</u> | <u>-</u> | <u>322,054</u> |
| NON-CURRENT LIABILITIES | | | | |
| Obligations under split-interest agreements | 234,097 | - | - | 234,097 |
| Total non-current liabilities | <u>234,097</u> | <u>-</u> | <u>-</u> | <u>234,097</u> |
| Total liabilities | <u>556,151</u> | <u>-</u> | <u>-</u> | <u>556,151</u> |
| NET ASSETS | | | | |
| Unrestricted | 6,289,685 | - | - | 6,289,685 |
| Temporarily restricted | - | 776,002 | - | 776,002 |
| Permanently restricted | - | - | 2,886,569 | 2,886,569 |
| Total net assets | <u>6,289,685</u> | <u>776,002</u> | <u>2,886,569</u> | <u>9,952,256</u> |
| Total liabilities and net assets | <u>\$ 6,845,836</u> | <u>\$ 776,002</u> | <u>\$ 2,886,569</u> | <u>\$10,508,407</u> |

The Notes to Financial Statements are an integral part of this statement.

YELLOWSTONE ART MUSEUM
STATEMENT OF FINANCIAL POSITION
June 30, 2015

| <u>ASSETS</u> | <u>Unrestricted</u> | <u>Temporarily Restricted</u> | <u>Permanently Restricted</u> | <u>Total</u> |
|------------------------------------|---------------------|-----------------------------------|-----------------------------------|----------------------|
| CURRENT ASSETS | | | | |
| Cash and cash equivalents | \$ 542,588 | \$ 153,507 | \$ - | \$ 696,095 |
| Certificate of deposit | 111,618 | - | - | 111,618 |
| Receivables: | | | | |
| Accounts receivable | 50,262 | - | - | 50,262 |
| Pledges, current portion | 53,778 | - | - | 53,778 |
| Prepaid expenses | 38,962 | - | - | 38,962 |
| Inventory held for resale | <u>4,304</u> | <u>-</u> | <u>-</u> | <u>4,304</u> |
| Total current assets | <u>801,512</u> | <u>153,507</u> | <u>-</u> | <u>955,019</u> |
| PROPERTY AND EQUIPMENT | | | | |
| Land and improvements | 726,300 | - | - | 726,300 |
| Building improvements | 8,447,363 | - | - | 8,447,363 |
| Furniture, fixtures, and equipment | <u>481,209</u> | <u>-</u> | <u>-</u> | <u>481,209</u> |
| | 9,654,872 | - | - | 9,654,872 |
| Less: accumulated depreciation | <u>(3,481,883)</u> | <u>-</u> | <u>-</u> | <u>(3,481,883)</u> |
| Net property and equipment | <u>6,172,989</u> | <u>-</u> | <u>-</u> | <u>6,172,989</u> |
| OTHER ASSETS | | | | |
| Net pledges receivable, | | | | |
| less current portion | - | 480,592 | - | 480,592 |
| Endowment fund investments | <u>-</u> | <u>353,516</u> | <u>2,824,681</u> | <u>3,178,197</u> |
| Total other assets | <u>-</u> | <u>834,108</u> | <u>2,824,681</u> | <u>3,658,789</u> |
| Total assets | <u>\$ 6,974,501</u> | <u>\$ 987,615</u> | <u>\$ 2,824,681</u> | <u>\$ 10,786,797</u> |

The Notes to Financial Statements are an integral part of this statement.

YELLOWSTONE ART MUSEUM
STATEMENT OF FINANCIAL POSITION
(CONTINUED)
June 30, 2015

| <u>LIABILITIES AND NET ASSETS</u> | <u>Unrestricted</u> | <u>Restricted</u> | <u>Restricted</u> | <u>Total</u> |
|---|---------------------|-------------------|---------------------|---------------------|
| CURRENT LIABILITIES | | | | |
| Accounts payable | \$ 40,782 | \$ - | \$ - | \$ 40,782 |
| Accrued payroll | 36,420 | - | - | 36,420 |
| Deferred revenue | 179,962 | - | - | 179,962 |
| Obligations under split-interest agreements, current portion | 9,112 | - | - | 9,112 |
| Other payables | 1,573 | - | - | 1,573 |
| Current maturities of long-term debt | <u>15,000</u> | <u>-</u> | <u>-</u> | <u>15,000</u> |
| Total current liabilities | <u>282,849</u> | <u>-</u> | <u>-</u> | <u>282,849</u> |
| NON-CURRENT LIABILITIES | | | | |
| Obligations under split-interest agreements | 237,715 | - | - | 237,715 |
| Long-term debt, less current maturities | <u>28,101</u> | <u>-</u> | <u>-</u> | <u>28,101</u> |
| Total non-current liabilities | <u>265,816</u> | <u>-</u> | <u>-</u> | <u>265,816</u> |
| Total liabilities | <u>548,665</u> | <u>-</u> | <u>-</u> | <u>548,665</u> |
| NET ASSETS | | | | |
| Unrestricted | 6,425,836 | - | - | 6,425,836 |
| Temporarily restricted | - | 987,615 | - | 987,615 |
| Permanently restricted | <u>-</u> | <u>-</u> | <u>2,824,681</u> | <u>2,824,681</u> |
| Total net assets | <u>6,425,836</u> | <u>987,615</u> | <u>2,824,681</u> | <u>10,238,132</u> |
| Total liabilities and net assets | <u>\$ 6,974,501</u> | <u>\$ 987,615</u> | <u>\$ 2,824,681</u> | <u>\$10,786,797</u> |

The Notes to Financial Statements are an integral part of this statement.

YELLOWSTONE ART MUSEUM
STATEMENT OF ACTIVITIES
Year Ended June 30, 2016

| | Unrestricted | Temporarily Restricted | Permanently Restricted | Total |
|---|---------------------|---------------------------|---------------------------|---------------------|
| REVENUES, GAINS, AND OTHER SUPPORT | | | | |
| Admissions | \$ 47,209 | \$ - | \$ - | \$ 47,209 |
| Contributions | 104,212 | - | - | 104,212 |
| County appropriations | 158,703 | - | - | 158,703 |
| Other government support | 71,783 | 19,525 | - | 91,308 |
| Grants and donations | 204,350 | 218,494 | - | 422,844 |
| Investment income | 56,737 | (43,359) | - | 13,378 |
| Membership dues | 80,170 | - | - | 80,170 |
| In-kind donations | 101,881 | 8,260 | - | 110,141 |
| Consignment gallery, net of discounts | 24,346 | 2,365 | - | 26,711 |
| Other income | 68,362 | 5,249 | - | 73,611 |
| Special events | 340,958 | 868 | - | 341,826 |
| Rental income | 35,847 | - | - | 35,847 |
| Gifts to annuities | - | - | 29,773 | 29,773 |
| Gifts to endowment | - | - | 32,115 | 32,115 |
| Net assets released from restrictions | <u>423,015</u> | <u>(423,015)</u> | <u>-</u> | <u>-</u> |
| Total revenues, gains, and other support | <u>1,717,573</u> | <u>(211,613)</u> | <u>61,888</u> | <u>1,567,848</u> |
| EXPENSES | | | | |
| Program services: | | | | |
| Development | 480,015 | - | - | 480,015 |
| Education | 182,533 | - | - | 182,533 |
| Curatorial | 540,750 | - | - | 540,750 |
| Support services: | | | | |
| Development | 127,332 | - | - | 127,332 |
| General | 473,059 | - | - | 473,059 |
| Expansion campaign | 50,035 | - | - | 50,035 |
| Total expenses | <u>1,853,724</u> | <u>-</u> | <u>-</u> | <u>1,853,724</u> |
| Change in net assets | (136,151) | (211,613) | 61,888 | (285,876) |
| Net assets, beginning of year | <u>6,425,836</u> | <u>987,615</u> | <u>2,824,681</u> | <u>10,238,132</u> |
| Net assets, end of year | <u>\$ 6,289,685</u> | <u>\$ 776,002</u> | <u>\$ 2,886,569</u> | <u>\$ 9,952,256</u> |

The Notes to Financial Statements are an integral part of this statement.

YELLOWSTONE ART MUSEUM
STATEMENT OF ACTIVITIES
Year Ended June 30, 2015

| | Unrestricted | Temporarily Restricted | Permanently Restricted | Total |
|---|---------------------|---------------------------|---------------------------|---------------------|
| REVENUES, GAINS, AND OTHER SUPPORT | | | | |
| Admissions | \$ 63,329 | \$ - | \$ - | \$ 63,329 |
| Contributions | 25,590 | 7,754 | - | 33,344 |
| County appropriations | 152,181 | - | - | 152,181 |
| Other government support | 49,530 | - | - | 49,530 |
| Grants and donations | 138,181 | 362,187 | - | 500,368 |
| Investment income | 91,487 | 60,264 | - | 151,751 |
| Membership dues | 103,022 | - | - | 103,022 |
| In-kind donations | 128,928 | - | - | 128,928 |
| Consignment gallery, net of discounts | 21,522 | - | - | 21,522 |
| Other income | 104,082 | - | - | 104,082 |
| Special events | 388,017 | - | - | 388,017 |
| Rental income | 39,593 | - | - | 39,593 |
| Gifts to annuities | - | - | 86,499 | 86,499 |
| Gifts to endowment | - | - | 51,677 | 51,677 |
| Net assets released from restrictions | <u>438,572</u> | <u>(438,572)</u> | <u>-</u> | <u>-</u> |
| Total revenues, gains, and other support | <u>1,744,034</u> | <u>(8,367)</u> | <u>138,176</u> | <u>1,873,843</u> |
| EXPENSES | | | | |
| Program services: | | | | |
| Education | 165,495 | - | - | 165,495 |
| Curatorial | 1,168,065 | - | - | 1,168,065 |
| Support services: | | | | |
| Development | 121,715 | - | - | 121,715 |
| General | 447,713 | - | - | 447,713 |
| Expansion campaign | <u>51,775</u> | <u>-</u> | <u>-</u> | <u>51,775</u> |
| Total expenses | <u>1,954,763</u> | <u>-</u> | <u>-</u> | <u>1,954,763</u> |
| Change in net assets | (210,729) | (8,367) | 138,176 | (80,920) |
| Net assets, beginning of year | <u>6,636,565</u> | <u>995,982</u> | <u>2,686,505</u> | <u>10,319,052</u> |
| Net assets, end of year | <u>\$ 6,425,836</u> | <u>\$ 987,615</u> | <u>\$ 2,824,681</u> | <u>\$10,238,132</u> |

The Notes to Financial Statements are an integral part of this statement.

YELLOWSTONE ART MUSEUM
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2016

| | Program Services | | | Total Program Services |
|---------------------------|-------------------|-------------------|-------------------|------------------------------|
| | Development | Education | Curatorial | |
| Advertising | \$ 25,113 | \$ 305 | \$ 6,251 | \$ 31,669 |
| Bank charges | 6,355 | - | 1 | 6,356 |
| Catering and reception | 23,407 | 2,870 | 4,977 | 31,254 |
| Commissions | 80,653 | - | - | 80,653 |
| Consignment | - | - | 1,630 | 1,630 |
| Depreciation | 7,882 | 21,140 | 146,387 | 175,409 |
| Equipment | 3,728 | 1,407 | 3,859 | 8,994 |
| Exhibits | 289 | 4,688 | 26,411 | 31,388 |
| Human resources | 10 | 1,005 | 1,361 | 2,376 |
| In-kind | 78,036 | 9,626 | 11,546 | 99,208 |
| Insurance | 2,028 | 3,019 | 23,225 | 28,272 |
| Other | 5,828 | 2,332 | 19,665 | 27,825 |
| Postage and freight | 5,888 | 272 | 2,953 | 9,113 |
| Printing | 23,063 | 2,255 | 19,375 | 44,693 |
| Professional fees | 19,059 | 2,093 | 18,315 | 39,467 |
| Rental | 4,507 | - | - | 4,507 |
| Repair and maintenance | 869 | 3,159 | 16,870 | 20,898 |
| Salaries and benefits | 175,295 | 107,050 | 185,848 | 468,193 |
| Scholarships/sponsorships | - | 2,108 | 1,000 | 3,108 |
| Supplies | 14,511 | 6,498 | 7,687 | 28,696 |
| Utilities | 2,783 | 7,519 | 42,125 | 52,427 |
| Vehicle | 711 | 5,187 | 1,264 | 7,162 |
| Total expenses | <u>\$ 480,015</u> | <u>\$ 182,533</u> | <u>\$ 540,750</u> | <u>\$ 1,203,298</u> |

The Notes to Financial Statements are an integral part of this statement.

YELLOWSTONE ART MUSEUM
STATEMENT OF FUNCTIONAL EXPENSES
 (CONTINUED)
 Year Ended June 30, 2016

| | Support Services | | | | Total Expenses |
|---------------------------|-------------------|-------------------|-----------------------|------------------------------|---------------------|
| | Development | General | Expansion Campaign | Total Support Services | |
| Advertising | \$ 1,500 | \$ 2,000 | \$ - | \$ 3,500 | \$ 35,169 |
| Bank charges | - | 3,482 | 26,344 | 29,826 | 36,182 |
| Catering and reception | 3,747 | 1,768 | 2,410 | 7,925 | 39,179 |
| Commissions | - | 7,130 | 14,250 | 21,380 | 102,033 |
| Consignment | - | 2,064 | - | 2,064 | 3,694 |
| Depreciation | 19,859 | 86,247 | - | 106,106 | 281,515 |
| Equipment | 2,127 | 3,839 | 330 | 6,296 | 15,290 |
| Exhibits | - | - | - | - | 31,388 |
| Human resources | 1,009 | 2,444 | - | 3,453 | 5,829 |
| In-kind | 1,302 | 8,524 | 1,107 | 10,933 | 110,141 |
| Insurance | 2,924 | 14,181 | - | 17,105 | 45,377 |
| Other | 1,262 | 10,434 | 9 | 11,705 | 39,530 |
| Postage and freight | 853 | 1,307 | 60 | 2,220 | 11,333 |
| Printing | 2,414 | 461 | - | 2,875 | 47,568 |
| Professional fees | - | 20,518 | - | 20,518 | 59,985 |
| Rental | - | - | - | - | 4,507 |
| Repair and maintenance | 3,378 | 33,506 | 750 | 37,634 | 58,532 |
| Salaries and benefits | 79,667 | 238,209 | 4,762 | 322,638 | 790,831 |
| Scholarships/sponsorships | - | - | - | - | 3,108 |
| Supplies | 513 | 3,763 | - | 4,276 | 32,972 |
| Utilities | 6,685 | 32,566 | - | 39,251 | 91,678 |
| Vehicle | 92 | 616 | 13 | 721 | 7,883 |
| Total expenses | <u>\$ 127,332</u> | <u>\$ 473,059</u> | <u>\$ 50,035</u> | <u>\$ 650,426</u> | <u>\$ 1,853,724</u> |

The Notes to Financial Statements are an integral part of this statement.

YELLOWSTONE ART MUSEUM
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2015

| | Program Services | | |
|---------------------------|------------------|--------------|------------------------------|
| | Education | Curatorial | Total Program Services |
| Advertising | \$ 535 | \$ 42,215 | \$ 42,750 |
| Bank charges | 125 | 6,726 | 6,851 |
| Catering and reception | 1,393 | 38,896 | 40,289 |
| Commissions | - | 93,663 | 93,663 |
| Consignment | - | 7,072 | 7,072 |
| Depreciation | 33,376 | 126,945 | 160,321 |
| Equipment | 1,087 | 4,950 | 6,037 |
| Exhibits | 348 | 70,921 | 71,269 |
| Human resources | 265 | 2,580 | 2,845 |
| In-kind | 831 | 111,119 | 111,950 |
| Insurance | 4,188 | 26,788 | 30,976 |
| Other | 1,532 | 34,875 | 36,407 |
| Postage and freight | 829 | 16,954 | 17,783 |
| Printing | 1,475 | 103,113 | 104,588 |
| Professional fees | 4,749 | 55,781 | 60,530 |
| Rental | - | 8,164 | 8,164 |
| Repair and maintenance | 4,721 | 18,061 | 22,782 |
| Salaries and benefits | 91,633 | 339,375 | 431,008 |
| Scholarships/sponsorships | 1,653 | 1,086 | 2,739 |
| Supplies | 4,234 | 15,371 | 19,605 |
| Utilities | 8,617 | 40,859 | 49,476 |
| Vehicle | 3,904 | 2,551 | 6,455 |
| Total expenses | \$ 165,495 | \$ 1,168,065 | \$ 1,333,560 |

The Notes to Financial Statements are an integral part of this statement.

YELLOWSTONE ART MUSEUM
STATEMENT OF FUNCTIONAL EXPENSES
(CONTINUED)
Year Ended June 30, 2015

| | Support Services | | | | Total Expenses |
|---------------------------|-------------------|-------------------|-----------------------|------------------------------|---------------------|
| | Development | General | Expansion Campaign | Total Support Services | |
| Advertising | \$ 1,394 | \$ 288 | \$ - | \$ 1,682 | \$ 44,432 |
| Bank charges | 30 | 5,095 | 28,532 | 33,657 | 40,508 |
| Catering and reception | 8,474 | 428 | 78 | 8,980 | 49,269 |
| Commissions | 1,348 | 4,900 | - | 6,248 | 99,911 |
| Consignment | - | 3,223 | - | 3,223 | 10,295 |
| Depreciation | 19,903 | 92,432 | - | 112,335 | 272,656 |
| Equipment | 1,023 | 4,233 | 3,280 | 8,536 | 14,573 |
| Exhibits | 25 | 219 | - | 244 | 71,513 |
| Human resources | 859 | 2,241 | - | 3,100 | 5,945 |
| In-kind | 1,775 | 14,672 | 531 | 16,978 | 128,928 |
| Insurance | 2,496 | 10,556 | - | 13,052 | 44,028 |
| Other | 1,368 | 21,016 | 4,124 | 26,508 | 62,915 |
| Postage and freight | 663 | 1,118 | 182 | 1,963 | 19,746 |
| Printing | 2,653 | 832 | 1,185 | 4,670 | 109,258 |
| Professional fees | - | 16,032 | - | 16,032 | 76,562 |
| Rental | 302 | - | - | 302 | 8,466 |
| Repair and maintenance | 2,816 | 24,854 | 875 | 28,545 | 51,327 |
| Salaries and benefits | 70,920 | 215,451 | 12,828 | 299,199 | 730,207 |
| Scholarships/sponsorships | - | - | - | - | 2,739 |
| Supplies | 389 | 3,335 | 155 | 3,879 | 23,484 |
| Utilities | 5,138 | 26,654 | - | 31,792 | 81,268 |
| Vehicle | 139 | 134 | 5 | 278 | 6,733 |
| Total expenses | <u>\$ 121,715</u> | <u>\$ 447,713</u> | <u>\$ 51,775</u> | <u>\$ 621,203</u> | <u>\$ 1,954,763</u> |

The Notes to Financial Statements are an integral part of this statement.

YELLOWSTONE ART MUSEUM
STATEMENTS OF CASH FLOWS
Years Ended June 30, 2016 and 2015

| | <u>2016</u> | <u>2015</u> |
|---|------------------|------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Change in net assets | \$ (285,876) | \$ (80,920) |
| Adjustments to reconcile change in net assets to net cash flows from operating activities: | | |
| Depreciation | 281,515 | 272,656 |
| Gain on sale of equipment | (1,200) | - |
| Realized loss/(gain) on investments, net | 10,839 | (112,989) |
| Contributions of mineral rights | - | 19,736 |
| Change in value of split interest agreements | (3,618) | (249) |
| Loss on sale of property and equipment | - | 736 |
| Net unrealized loss on investments | 86,691 | 77,261 |
| Contributions restricted for long-term purposes | (61,888) | (138,176) |
| Change in operating assets and liabilities: | | |
| Accounts receivable | (41,132) | (8,513) |
| Grant receivable | (85,800) | - |
| Certificate of deposit | (279) | (278) |
| Pledges receivable | 51,564 | 32,246 |
| Inventories | 657 | - |
| Prepaid expenses | 10,543 | (2,963) |
| Accounts payable | (35,279) | 9,747 |
| Endowment payable | 31,827 | - |
| Other payables | 8,485 | 1,573 |
| Accrued expenses | 8,770 | (2,882) |
| Deferred revenue | <u>(9,392)</u> | <u>(57,060)</u> |
| Net cash flows from operating activities | <u>(33,573)</u> | <u>9,925</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Property and equipment purchases | (177,635) | (88,771) |
| Proceeds from sale of equipment | 1,200 | - |
| Purchase of investments | (201,271) | (211,581) |
| Proceeds from sale of long-term investments | <u>116,876</u> | <u>161,398</u> |
| Net cash flows from investing activities | <u>(260,830)</u> | <u>(138,954)</u> |

The Notes to Financial Statements are an integral part of these statements.

YELLOWSTONE ART MUSEUM
 STATEMENTS OF CASH FLOWS
 (CONTINUED)
 Years Ended June 30, 2016 and 2015

| | <u>2016</u> | <u>2015</u> |
|--|-------------------|-------------------|
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Contributions restricted for long-term purposes: | | |
| Gift value of annuities | 29,773 | 86,499 |
| Contributions to endowment | 32,115 | 51,677 |
| Proceeds from line of credit | 122,199 | - |
| Payments on line of credit | (100,506) | - |
| Payment on long-term debt | <u>(15,000)</u> | <u>(20,000)</u> |
| Net cash flows from financing activities | <u>68,581</u> | <u>118,176</u> |
| Net change in cash and cash equivalents | (225,822) | (10,853) |
| Cash and cash equivalents, beginning of year | <u>696,095</u> | <u>706,948</u> |
| Cash and cash equivalents, end of year | <u>\$ 470,273</u> | <u>\$ 696,095</u> |
| SUPPLEMENTAL CASH FLOWS INFORMATION | | |
| Cash paid during the year for interest | <u>\$ 6,726</u> | <u>\$ 8,041</u> |

The Notes to Financial Statements are an integral part of these statements.

YELLOWSTONE ART MUSEUM
NOTES TO FINANCIAL STATEMENTS
June 30, 2016 and 2015

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES

Organization

Yellowstone Art Museum (the Museum) is a non-profit corporation operating an art museum whose purpose is to exhibit, document, collect, and preserve contemporary and historic art, with a primary focus on the local region. As an educational institution, the Museum has the responsibility to generate and foster an understanding for visual arts with the purpose of enlightening, inspiring, and enriching the widest possible audience. The Museum serves a region encompassing Montana and northern Wyoming with historic and contemporary art exhibitions, a comprehensive education program for children and adults, and a 7,300 piece collection. The collection focuses primarily on the recent art of the region, historic Western art—in particular the Snook Collection of paintings and drawings of cowboy author/illustrator Will James and the Poindexter Collection of Abstract Expressionist art of the New York School. The Museum is controlled by a Board of Trustees, which is comprised of various community leaders. The Museum is primarily supported by individuals, private foundations, businesses, and governmental agencies through donations, grants and appropriations, membership dues, and promotional dues.

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 (GAAP), as codified by the Financial Accounting Standards Board.

Income Taxes

The Museum is organized as a non-profit corporation in the state of Montana and is exempt from federal and state income taxes under Section 501(c) (3) of the Internal Revenue Code.

Estimates

The preparation of the financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates. Significant estimates included in the accompanying financial statements include, primarily, the valuation of gift annuities.

Cash and Cash Equivalents

For purposes of preparing the statements of cash flows, the Museum considers all highly liquid investments purchased with a maturity of three months or less to be cash equivalents. Certain short-term investments held by the Museum have not been classified as cash equivalents as they are considered an integral part of the Museum's investment strategy. The Museum's cash is deposited in various accounts in which FDIC coverage is limited to \$250,000 per account holder. At June 30, 2016 and 2015, the balance of these deposits was in excess of federally insured limits by approximately \$174,974 and \$239,154, respectively.

YELLOWSTONE ART MUSEUM
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)
June 30, 2016 and 2015

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Pledges Receivable

Unconditional promises to give are recognized as an asset and contribution revenue in the period the promise is received. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Pledges receivable are recorded at their net realizable value, which is net of a discount and loss allowance. Pledges are discounted using the applicable risk-free rate at the date the pledge was recognized. The discount rates are based on the federal applicable rates for the time period during which the promise is outstanding, which were 1.6% and 2.2% as of June 30, 2016 and 2015, respectively.

An allowance for uncollectible pledges is estimated based on management's analysis of outstanding obligations and the Museum's collection history and is recorded as an adjustment to contribution support and the allowance for uncollectible pledges during the fiscal year when the allowance is deemed necessary. Management has determined that no allowance is necessary at June 30, 2016 and 2015.

Inventory

Inventory is stated at lower of cost (first in, first out) or market. Inventory identified in excess, slow-moving, obsolete, or defective is reduced to net realizable value.

Property and Equipment

Property and equipment are recorded at cost or estimated fair expenditures at the date of the gift or purchase. The Museum follows the practice of capitalizing expenditures for property and equipment in excess of \$1,000.

Donations of property and equipment are recorded as support at their estimated fair value. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support.

Absent donor stipulations regarding how long those donated assets must be maintained, the Museum reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Museum then reclassifies temporarily restricted net assets to unrestricted net assets at that time.

Depreciation of property and equipment is computed using the straight-line method over the following estimated useful lives:

| | |
|-------------------------------------|--------------|
| Buildings and building improvements | 5 - 39 years |
| Equipment | 5 - 7 years |
| Furniture and fixtures | 5 - 7 years |

YELLOWSTONE ART MUSEUM
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)
June 30, 2016 and 2015

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments and Investment Income

Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value. Investment income or loss, including realized and unrealized gains and losses on investments, interest, and dividends is included in the change in unrestricted net assets, unless the income or loss is restricted by a donor.

Fair Value Measurements

The Museum has determined the fair value of its marketable securities through the application of GAAP. This standard establishes a fair value hierarchy that prioritizes inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted observable quoted prices in active markets for identical assets (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

- Level 1 Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities;
- Level 2 Quoted prices in markets that are not considered to be active or financial instruments for which all significant inputs are observable, either directly or indirectly;
- Level 3 Prices or valuations that require inputs that are both significant to fair value measurement and unobservable.

The Museum's policy for determining the timing of significant transfers between Levels 1, 2, and 3 is the end of the reporting period. Following is a description of the valuation methodologies used for investments at fair value.

- Cash and money fund: Valued at fair value by discounting the related cash flows based on current yields of similar instruments considering the credit-worthiness of the issuer.
- Bonds: Valued using a market approach based on quoted market prices.
- Mutual funds: Valued at net asset value (NAV). NAV is based on the value of the underlying assets owned by the fund, minus its liabilities, and then divided by the number of shares held at year-end. The NAV is quoted in an active market.

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.

A financial instrument's level, within the fair value hierarchy, is based on the lowest level of any input that is significant to the fair value measurement.

YELLOWSTONE ART MUSEUM
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)
June 30, 2016 and 2015

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Public Support and Revenue

Public support and revenue is generally available for unrestricted use unless specifically restricted by the donor. Unconditional promises to give are recorded when the written promise to give is received. Unconditional promises to give due in the next year are reflected as current promises to give and are recorded at their net realizable value. Unconditional promises to give that are due in subsequent years are reflected as long-term promise to give. The majority of the promises to give are received from a broad base of contributors. An allowance for uncollectible promises is provided based on management's evaluation of potential uncollectible promises receivable at the end of each fiscal year.

Revenue and other contributions of cash and other assets are reported as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets or have time restrictions. 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 to the statements of activities as net assets released from restrictions. The Board of Trustees adopted a policy whereby if temporary restrictions are accomplished within the fiscal year, the support shall be classified as unrestricted.

Admissions reported as unrestricted revenues include only those paid visits to the Museum that are not pursuant to a special event or promotion. Paid attendance by patrons to special events or promotions are included in the revenues of the special events or promotions.

Contributions of donated non-cash assets are recorded at their fair values in the period received. Contributions of donated services that create or enhance non-financial assets or that require specialized skills, which would typically need to be purchased if not provided by donation, are recorded at their fair values in the period received.

Collections

The Museum has collections of art that are held for public exhibitions and education. The collection consists of items that were donated, purchased using donated or appropriated funds, or on loan from individuals, organizations, or other museums. The Museum provides for the protection and preservation for the collection.

In conformity with GAAP, the value of the Museum's collections has been excluded from the statements of financial position, and gifts for art objects are excluded from revenue in the statements of activities. Purchase of art objects by the Museum are recorded as a decrease in unrestricted net assets in the statements of activities. The Museum recognized all proceeds from the sale of collection items as restricted for the purpose of reinvestment in other collection items.

YELLOWSTONE ART MUSEUM
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)
June 30, 2016 and 2015

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Advertising

The Museum expenses marketing and promotional costs as incurred, which are included in “advertising” on the statements of functional expenses. Advertising costs totaled \$35,169 and \$44,432 for the years ended June 30, 2016 and 2015, respectively.

Subsequent Events

Management has evaluated subsequent events through March 27, 2017, the date which the financial statements were available for issue.

NOTE 2. ENDOWMENT FUND INVESTMENTS

Endowment fund investments are all measured at Level 1 inputs and are comprised of the following:

| | <u>2016</u> | <u>2015</u> |
|-------------------------|-------------|-------------|
| Cash and money funds | \$ 172,424 | \$ 65,334 |
| Equity securities: | | |
| US equity | 823,596 | 820,513 |
| Developed foreign | 107,624 | 137,678 |
| Emerging foreign | 38,067 | 38,495 |
| Hedged | 88,230 | 82,193 |
| US large cap | 824,091 | 842,103 |
| US small & mid cap | 145,081 | 149,622 |
| International developed | 119,088 | 111,492 |
| International emerging | 43,372 | 48,611 |
| International small cap | - | 26,336 |
| Foreign common stock | - | 17,037 |

YELLOWSTONE ART MUSEUM
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)
June 30, 2016 and 2015

NOTE 2. ENDOWMENT FUND INVESTMENTS (CONTINUED)

| | <u>2016</u> | <u>2015</u> |
|----------------------------|---------------------|---------------------|
| Fixed income: | | |
| Bond mutual funds | - | 51,413 |
| Corporate bonds | 153,199 | 125,240 |
| Taxable U.S. | 154,682 | 152,416 |
| Taxable high yield | 22,052 | 22,792 |
| Taxable foreign sovereign | 111,729 | 139,481 |
| US treasuries | 25,447 | 24,567 |
| Government agencies | 25,142 | - |
| Floating rate | 23,387 | 24,272 |
| High yield bond | 48,389 | 49,945 |
| International bond | 91,803 | 94,642 |
| Alternatives: | | |
| Commodities | 47,177 | 25,139 |
| U.S. listed real estate | 25,530 | 22,510 |
| Foreign listed real estate | 21,389 | 22,093 |
| Real estate/REIT | <u>53,563</u> | <u>84,273</u> |
| Total endowment fund | <u>\$ 3,165,062</u> | <u>\$ 3,178,197</u> |

Investment Income

Investment income and losses on assets limited as to use and investments consist of the following for the years ended June 30, 2016 and 2015:

| | <u>2016</u> | <u>2015</u> |
|----------------------|------------------|-------------------|
| Interest income | \$ 130,923 | \$ 136,152 |
| Unrealized losses | (86,691) | (77,261) |
| Investment fees | (19,085) | (20,129) |
| Realized gain/(loss) | <u>(11,769)</u> | <u>112,989</u> |
| | <u>\$ 13,378</u> | <u>\$ 151,751</u> |

YELLOWSTONE ART MUSEUM
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)
June 30, 2016 and 2015

NOTE 3. PLEDGES RECEIVABLE

Pledges receivable consist of the following for the years ended June 30, 2016 and 2015:

| | <u>2016</u> | <u>2015</u> |
|---|-------------------|-------------------|
| Total pledges receivable | \$ 503,067 | \$ 536,610 |
| Less discount for pledges due in excess of one year | <u>(20,261)</u> | <u>(2,240)</u> |
| Net pledges receivable | 482,806 | 534,370 |
| Less portion that is due in less than one year | <u>(64,928)</u> | <u>(53,778)</u> |
| | <u>\$ 417,878</u> | <u>\$ 480,592</u> |

As of June 30, 2016, pledges receivables due in one to five years are as follows:

| <u>Year Ending June 30,</u> | |
|-----------------------------|-------------------|
| 2017 | \$ 64,928 |
| 2018 | 5,716 |
| 2019 | 1,937 |
| 2020 | - |
| 2021 | - |
| Thereafter | <u>410,225</u> |
| | <u>\$ 482,806</u> |

The pledges receivable has been discounted to reflect the net present value of payments to be received according to established payment schedules or actuarial (life expectancy) tables, based on a federally mandated rate per IRC Section 7520.

Management has considered the collectability of such promises and determined that no allowance for bad debts is deemed necessary.

NOTE 4. PROPERTY AND EQUIPMENT

A summary of property and equipment follows:

| | <u>2016</u> | <u>2015</u> |
|-------------------------------------|---------------------|---------------------|
| Land | \$ 726,300 | \$ 726,300 |
| Buildings and building improvements | 8,618,215 | 8,447,363 |
| Furniture and equipment | 441,223 | 437,424 |
| Computer | <u>43,785</u> | <u>43,785</u> |
| | 9,829,523 | 9,654,872 |
| Less accumulated depreciation | <u>(3,760,414)</u> | <u>(3,481,883)</u> |
| Net property and equipment | <u>\$ 6,069,109</u> | <u>\$ 6,172,989</u> |

YELLOWSTONE ART MUSEUM
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)
June 30, 2016 and 2015

NOTE 5. DEFERRED REVENUE

Deferred revenue represents amounts received in advance of being earned and are recorded as a current liability on the statements of financial position until earned. Deferred revenue as of June 30, 2016 and 2015, consisted of the following:

| | <u>2016</u> | <u>2015</u> |
|---------------------------|-------------------|-------------------|
| Promotions/special events | \$ 155,930 | \$ 165,322 |
| Rentals | - | 4,150 |
| Membership | 60 | 65 |
| Education | <u>14,580</u> | <u>10,425</u> |
| | <u>\$ 170,570</u> | <u>\$ 179,962</u> |

NOTE 6. NOTES PAYABLE

Notes payable at June 30, 2016 and 2015, consisted of the following:

| | <u>2016</u> | <u>2015</u> |
|---|-----------------|------------------|
| Note payable to First Interstate Bank, bearing a fixed interest rate of 5%. The loan is collateralized with underlying assets and requires monthly interest payments and quarterly principal payments of \$5,000. Note expires December 2017, when the outstanding principal and interest is due in full. | \$ 28,101 | \$ 43,101 |
| Less current maturities | <u>(28,101)</u> | <u>(15,000)</u> |
| | <u>\$ -</u> | <u>\$ 28,101</u> |

As of June 30, 2016, long-term debt maturities are as follows:

| | |
|-----------------------------|-----------|
| <u>Year Ending June 30,</u> | |
| 2017 | \$ 28,101 |

YELLOWSTONE ART MUSEUM
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)
June 30, 2016 and 2015

NOTE 7. ASSETS HELD UNDER SPLIT INTEREST AGREEMENTS

The Museum currently administers certain charitable gift annuities. The assets contributed under the charitable gift annuities are invested in equities and bonds and are carried at fair value. Contribution support is recognized at the date the annuities are established after recording liabilities for the present value of the estimated future payments to be made to the donors and/or other beneficiaries. The present value of the estimated annuity payments associated with the gift annuities is calculated using 120% of the stated applicable federal rate at time the gift was received and the applicable mortality tables as shown in the table below.

| | <u>2016</u> | <u>2015</u> |
|---|-------------------|-------------------|
| Type of Contract | | |
| Charitable gift annuities | \$ 188,354 | \$ 197,465 |
| Deferred charitable gift annuities | <u>54,855</u> | <u>49,362</u> |
| | 243,209 | 246,827 |
| Less current scheduled principal payments | <u>(9,112)</u> | <u>(9,112)</u> |
| | <u>\$ 234,097</u> | <u>\$ 237,715</u> |

Aggregate, scheduled principal payments required under annuity agreements for each of the succeeding five years ending June 30 are as follows:

| <u>Year Ending June 30,</u> | |
|-----------------------------|-------------------|
| 2017 | \$ 9,112 |
| 2018 | 9,112 |
| 2019 | 9,112 |
| 2020 | 9,112 |
| 2021 | 9,112 |
| Thereafter | <u>197,649</u> |
| | <u>\$ 243,209</u> |

NOTE 8. PENSION PLAN

The Museum has adopted a SIMPLE retirement plan. The Museum matches employee elective contributions up to the maximum of 3% of the employee's gross annual compensation as defined by the plan. Employer contributions were \$12,548 and \$10,956 for the years ended June 30, 2016 and 2015, respectively.

YELLOWSTONE ART MUSEUM
 NOTES TO FINANCIAL STATEMENTS
 (CONTINUED)
 June 30, 2016 and 2015

NOTE 9. CONTRIBUTED GOODS AND SERVICES

Contributions of services are recognized in the Museum's financial statements only if (1) the services enhance or create non-financial assets or require specialized skills (2) are provided by individuals possessing those skills, and (3) would typically need to be purchased if not provided by donation.

NOTE 10. RESTRICTIONS ON ASSETS

Temporarily restricted net assets at June 30, 2016 and 2015, were:

| | <u>2016</u> | <u>2015</u> |
|--|-------------------|-------------------|
| On-going campaign projects | \$ 79,631 | \$ 153,507 |
| Pledges receivable, less current portion | 417,878 | 480,592 |
| Endowment earnings unappropriated | <u>278,493</u> | <u>353,516</u> |
| | <u>\$ 776,002</u> | <u>\$ 987,615</u> |

Permanently restricted net assets at June 30, 2016 and 2015, were:

| | <u>2016</u> | <u>2015</u> |
|---------------------------|---------------------|---------------------|
| Charitable gift annuities | \$ 718,949 | \$ 653,438 |
| General endowment | <u>2,167,620</u> | <u>2,171,243</u> |
| | <u>\$ 2,886,569</u> | <u>\$ 2,824,681</u> |

NOTE 11. BENEFICIAL INTERESTS

The Museum is a beneficiary of funds contributed to and held by the Montana Community Foundation (MCF), a non-profit organization which provides investment management for charitable organizations. Since title of these funds is owned by and under the control of the MCF, the funds are not recorded as an asset of the Museum. The Museum receives 5% of the principal as payout each year with respect to the Yellowstone Art Center Endowment Fund.

The balances in the MCF endowment at June 30, 2016 and 2015, were \$1,003,928 and \$1,043,013, respectively. The June 30, 2016 and 2015, balance in the Sandra Banks endowment was \$51,040 and \$53,151, respectively. The Museum received distributions in 2016 and 2015 of \$47,686 and \$45,421, respectively.

YELLOWSTONE ART MUSEUM
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)
June 30, 2016 and 2015

NOTE 12. ENDOWMENT FUNDS

The Museum's endowments include both donor-restricted endowment funds and funds designated by the Board of Trustees to function as endowments. As required by GAAP, 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.

The Board of Trustees has interpreted the Montana Uniform Prudent Management of Institutional Funds Act (MUPMIFA) 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 Museum in a manner consistent with the standard of prudence prescribed by MUPMIFA.

In accordance with MUPMIFA, 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 organization 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) The investment policy of the Museum.

YELLOWSTONE ART MUSEUM
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)
June 30, 2016 and 2015

NOTE 12. ENDOWMENT FUNDS (CONTINUED)

The following represents the net asset classes of the Museum's endowment funds as of June 30, 2016 and 2015:

| | Unrestricted | Temporarily Restricted | Permanently Restricted | Total |
|----------------------|--------------|---------------------------|---------------------------|--------------|
| <u>June 30, 2016</u> | | | | |
| Donor restricted | \$ - | \$ 278,493 | \$ 2,886,569 | \$ 3,165,062 |
| <u>June 30, 2015</u> | | | | |
| Donor restricted | \$ - | \$ 353,516 | \$ 2,824,681 | \$ 3,178,197 |

The following table presents the changes in the endowment for the years ended June 30, 2016 and 2015:

| | Unrestricted | Temporarily Restricted | Permanently Restricted | Total |
|---------------------------------------|--------------|---------------------------|---------------------------|--------------|
| Endowment net assets, June 30, 2015 | \$ - | \$ 353,516 | \$ 2,824,681 | \$ 3,178,197 |
| Investment return: | | | | |
| Investment income | - | 33,238 | - | 33,238 |
| Net depreciation of investments | - | (86,692) | - | (86,692) |
| Net appropriation for expenditure | - | (21,569) | - | (21,569) |
| Contributions and collapsed annuities | - | - | 61,888 | 61,888 |
| Endowment net assets at June 30, 2016 | \$ - | \$ 278,493 | \$ 2,886,569 | \$ 3,165,062 |
| | | | | |
| | Unrestricted | Temporarily Restricted | Permanently Restricted | Total |
| Endowment net assets, June 30, 2014 | \$ - | \$ 405,781 | \$ 2,686,505 | \$ 3,092,286 |
| Investment return: | | | | |
| Investment income | - | 137,985 | - | 137,985 |
| Net depreciation of investments | - | (77,261) | - | (77,261) |
| Net appropriation for expenditure | - | (112,989) | - | (112,989) |
| Contributions and collapsed annuities | - | - | 138,176 | 138,176 |
| Endowment net assets at June 30, 2015 | \$ - | \$ 353,516 | \$ 2,824,681 | \$ 3,178,197 |

YELLOWSTONE ART MUSEUM
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)
June 30, 2016 and 2015

NOTE 12. ENDOWMENT FUNDS (CONTINUED)

Spending Policy

The Museum's endowment spending policy requires that not more than 5% of the endowment's total assets, based on a rolling average of the previous 13 quarters, may be distributed, and will be determined by the budgetary demands of the Museum. The investment objective is to achieve a total return consistent with the maximization of the distribution policy. The policy included a ROR performance benchmark following the Total Return Concept whereby investment methods contemplate growth of principal to be utilized to augment dividend and interest yield during periods when net income is beneath targeted levels. The investment alternatives allowed by the policy include equities, investment-grade fixed income securities, and cash equivalents. The Museum's policy requires that the investment committee work with investment managers to analyze the behavior of the funds' assets within different economic environments to ensure a moderate risk strategy.



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