

ORLANDO MUSEUM OF ART, INC.

FINANCIAL STATEMENTS

**YEAR ENDED JUNE 30, 2016
(WITH SUMMARIZED FINANCIAL INFORMATION
FOR THE YEAR ENDED JUNE 30, 2015)**

**ORLANDO MUSEUM OF ART, INC.
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YEAR ENDED JUNE 30, 2016**

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INDEPENDENT AUDITORS' REPORT

Board of Trustees
Orlando Museum of Art, Inc.
Orlando, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of Orlando Museum of Art, Inc. (OMA) (a nonprofit organization), which comprise the statement of financial position as of June 30, 2016, and the related statements of activities, functional expenses, 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 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.

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.

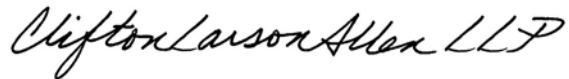
Board of Trustees
Orlando Museum of Art, Inc.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Orlando Museum of Art, Inc. as of June 30, 2016, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited Orlando Museum of Art, Inc.'s 2015 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 10, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2015, is consistent, in all material respects, with the audited financial statements from which it has been derived.



CliftonLarsonAllen LLP

Orlando, Florida
December 29, 2016

ORLANDO MUSEUM OF ART, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2016
(WITH COMPARATIVE TOTALS AS OF JUNE 30, 2015)

ASSETS	<u>2016</u>	<u>2015</u>
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 573,890	\$ 644,733
Promises to Give and Other Receivables	72,285	1,200,268
Museum Shop Inventory	31,650	29,453
Prepaid and Other Assets	82,700	66,263
Total Current Assets	<u>760,525</u>	<u>1,940,717</u>
ENDOWMENT ASSETS		
Cash and Cash Equivalents Designated or Restricted for Endowment	122,320	90,592
Investments Restricted for Endowment	5,142,354	4,384,361
Total Endowment Assets	<u>5,264,674</u>	<u>4,474,953</u>
BENEFICIAL INTEREST IN ASSETS HELD BY OTHERS	1,768,317	2,014,859
PROPERTY AND EQUIPMENT, NET	<u>8,835,991</u>	<u>9,105,899</u>
Total Assets	<u><u>\$ 16,629,507</u></u>	<u><u>\$ 17,536,428</u></u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable and Accrued Expenses	\$ 82,606	\$ 207,439
Deferred Revenue	164,890	151,401
Capital Lease Obligations, Current Portion	8,275	7,417
Total Current Liabilities	<u>255,771</u>	<u>366,257</u>
LONG-TERM LIABILITIES		
Capital Lease Obligations, Net of Current Portion	<u>24,171</u>	<u>32,446</u>
Total Liabilities	279,942	398,703
NET ASSETS		
Unrestricted	7,232,652	7,720,459
Temporarily Restricted	2,345,967	2,655,320
Permanently Restricted	6,770,946	6,761,946
Total Net Assets	<u>16,349,565</u>	<u>17,137,725</u>
Total Liabilities and Net Assets	<u><u>\$ 16,629,507</u></u>	<u><u>\$ 17,536,428</u></u>

See accompanying Notes to Financial Statements.

ORLANDO MUSEUM OF ART, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2016
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2015)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	
				Year Ended June 30, 2016	Year Ended June 30, 2015
SUPPORT AND REVENUE					
Support:					
Contributions	\$ 594,826	\$ 118,753	\$ 9,000	\$ 722,579	\$ 960,341
Bequests	1,000	-	-	1,000	1,000,000
Contributed Gifts and Services	533,730	-	-	533,730	287,283
Grants - Government and Others	337,029	58,220	-	395,249	387,307
United Arts General Allocation	149,274	-	-	149,274	124,640
United Arts Pledged Contributions	-	95,729	-	95,729	106,445
Change in Beneficial Interest in Assets Held by Others	-	(246,542)	-	(246,542)	(104,069)
Total Support	1,615,859	26,160	9,000	1,651,019	2,761,947
Revenue:					
Special Events Revenue	1,016,424	-	-	1,016,424	1,039,655
Education Fees	223,929	-	-	223,929	211,508
Net Investment Income	711	8,941	-	9,652	137,753
Museum Shop Sales	90,509	-	-	90,509	68,563
Rental Fees	275,876	-	-	275,876	224,969
Program Revenue	192,659	-	-	192,659	169,779
Membership Dues	144,062	-	-	144,062	138,447
Exhibition Admissions	154,927	-	-	154,927	117,813
Other Revenue	1,834	-	-	1,834	1,253
Total Revenue	2,100,931	8,941	-	2,109,872	2,109,740
Net Assets Released from Restrictions	245,099	(245,099)	-	-	-
Total Support and Revenue	3,961,889	(209,998)	9,000	3,760,891	4,871,687

See accompanying Notes to Financial Statements.

ORLANDO MUSEUM OF ART, INC.
STATEMENT OF ACTIVITIES (CONTINUED)
YEAR ENDED JUNE 30, 2016
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2015)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	
				Year Ended June 30, 2016	Year Ended June 30, 2015
EXPENSES					
Program Services:					
Exhibition	\$ 1,591,572	\$ -	\$ -	\$ 1,591,572	\$ 1,557,578
Education	590,232	-	-	590,232	589,336
Member Programs	442,490	-	-	442,490	401,291
Museum Shop	124,288	-	-	124,288	110,501
Rental Program	152,729	-	-	152,729	156,379
Total Program Services	<u>2,901,311</u>	<u>-</u>	<u>-</u>	<u>2,901,311</u>	<u>2,815,085</u>
Special Events Operating Expenses	470,682	-	-	470,682	424,547
Supporting Services:					
Management and General	765,626	-	-	765,626	769,240
Fundraising	306,077	-	-	306,077	467,289
Total Supporting Services	<u>1,071,703</u>	<u>-</u>	<u>-</u>	<u>1,071,703</u>	<u>1,236,529</u>
Total Expenses	<u>4,443,696</u>	<u>-</u>	<u>-</u>	<u>4,443,696</u>	<u>4,476,161</u>
CHANGE IN NET ASSETS BEFORE CHANGES RELATED TO COLLECTION ITEMS NOT CAPITALIZED	(481,807)	(209,998)	9,000	(682,805)	395,526
Net Assets Released from Restrictions for Collection Items Purchased	99,355	(99,355)	-	-	-
Collection Items Purchased	<u>(105,355)</u>	<u>-</u>	<u>-</u>	<u>(105,355)</u>	<u>(19,295)</u>
CHANGE IN NET ASSETS	(487,807)	(309,353)	9,000	(788,160)	376,231
Net Assets - Beginning of Year	<u>7,720,459</u>	<u>2,655,320</u>	<u>6,761,946</u>	<u>17,137,725</u>	<u>16,761,494</u>
NET ASSETS - END OF YEAR	<u>\$ 7,232,652</u>	<u>\$ 2,345,967</u>	<u>\$ 6,770,946</u>	<u>\$ 16,349,565</u>	<u>\$ 17,137,725</u>

See accompanying Notes to Financial Statements.

ORLANDO MUSEUM OF ART, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2016
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2015)

	Program Expenses					Total
	Exhibition	Education	Member Programs	Museum Shop	Rental Program	
Salaries	\$ 324,059	\$ 188,038	\$ 140,910	\$ 30,407	\$ 37,747	\$ 721,161
Employee Benefits	26,966	21,573	10,786	5,393	5,393	70,111
Payroll Taxes	27,528	14,831	10,811	2,718	2,898	58,786
Total Salaries and Related Expenses	<u>378,553</u>	<u>224,442</u>	<u>162,507</u>	<u>38,518</u>	<u>46,038</u>	<u>850,058</u>
Activity Expenses	67,246	8,685	189,603	54,955	3,211	323,700
Contract Services	34,131	61,185	-	-	-	95,316
Special Events Expenses	-	-	-	-	-	-
Insurance	15,499	-	-	-	-	15,499
Legal and Professional	-	-	-	-	-	-
Postage and Printing	16,376	2,346	7,198	191	-	26,111
Repair and Maintenance	4,547	-	-	1,479	-	6,026
Security	92,807	17,799	3,814	3,814	8,899	127,133
Supplies and Materials	40,569	15,117	789	901	-	57,376
Taxes, Licenses and Fees	-	-	-	-	-	-
Telephone	3,721	3,721	3,721	3,721	3,721	18,605
Travel/Transportation/Meetings/Training	7,771	2,042	-	-	-	9,813
Dues, Publications and Other						
Miscellaneous Expenses	684	50	4,939	272	-	5,945
	<u>283,351</u>	<u>110,945</u>	<u>210,064</u>	<u>65,333</u>	<u>15,831</u>	<u>685,524</u>
Total Expenses Before Allocations	661,904	335,387	372,571	103,851	61,869	1,535,582
Occupancy	284,001	90,482	8,736	9,888	47,368	440,475
Depreciation	246,015	78,380	7,568	8,565	31,585	372,113
Contributed Gifts and Services - Special Events	-	-	-	-	-	-
Contributed Gifts and Services - Other	311,971	71,954	47,770	815	4,892	437,402
Marketing and Promotions	87,681	14,029	5,845	1,169	7,015	115,739
Total Expenses	<u>\$ 1,591,572</u>	<u>\$ 590,232</u>	<u>\$ 442,490</u>	<u>\$ 124,288</u>	<u>\$ 152,729</u>	<u>\$ 2,901,311</u>

See accompanying Notes to Financial Statements.

ORLANDO MUSEUM OF ART, INC.
STATEMENT OF FUNCTIONAL EXPENSES (CONTINUED)
YEAR ENDED JUNE 30, 2016
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE, 30 2015)

	Special Events Expenses	Supporting Services			Total	
		Management and General	Fundraising	Total	Year Ended June 30, 2016	Year Ended June 30, 2015
Salaries	\$ 788	\$ 392,890	\$ 93,468	\$ 486,358	\$ 1,208,307	\$ 1,211,147
Employee Benefits	-	32,359	16,179	48,538	118,649	147,196
Payroll Taxes	62	29,438	8,005	37,443	96,291	95,293
Total Salaries and Related Expenses	850	454,687	117,652	572,339	1,423,247	1,453,636
Activity Expenses	-	-	-	-	323,700	308,539
Contract Services	-	-	17,921	17,921	113,237	191,607
Special Events Expenses	256,541	-	-	-	256,541	328,776
Insurance	-	7,380	-	7,380	22,879	20,930
Legal and Professional	-	92,125	-	92,125	92,125	40,210
Postage and Printing	-	5,074	4,973	10,047	36,158	38,878
Repair and Maintenance	-	15,049	181	15,230	21,256	24,360
Security	-	-	-	-	127,133	137,502
Supplies and Materials	-	7,035	2,499	9,534	66,910	95,323
Taxes, Licenses and Fees	-	31,448	-	31,448	31,448	30,761
Telephone	-	3,721	3,721	7,442	26,047	26,642
Travel/Transportation/Meetings/Training	-	5,372	1,214	6,586	16,399	25,638
Dues, Publications and Other	-	-	-	-	-	-
Miscellaneous Expenses	-	14,801	1,704	16,505	22,450	50,030
	256,541	182,005	32,213	214,218	1,156,283	1,319,196
Total Expenses Before Allocations	257,391	636,692	149,865	786,557	2,579,530	2,772,832
Occupancy	-	17,471	8,736	26,207	466,682	479,941
Depreciation	-	15,135	7,568	22,703	394,816	387,410
Contributed Gifts and Services - Special Events	212,122	-	139,908	139,908	352,030	388,126
Contributed Gifts and Services - Other	-	96,328	-	96,328	533,730	287,283
Marketing and Promotions	1,169	-	-	-	116,908	160,569
Total Expenses	\$ 470,682	\$ 765,626	\$ 306,077	\$ 1,071,703	\$ 4,443,696	\$ 4,476,161

See accompanying Notes to Financial Statements.

ORLANDO MUSEUM OF ART, INC.
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2016
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2015)

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ (788,160)	\$ 376,231
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Depreciation	394,816	387,410
Realized and Unrealized Losses on Investments	122,768	18,080
Contributions Received for Endowment	(9,000)	(275,026)
Decrease in Beneficial Interest in Assets Held by Others	246,542	104,069
Contributions Received for Art Collections Purchases	105,355	19,295
Loss on Disposal of Property and Equipment	1,119	883
Change in Operating Assets and Liabilities:		
Promises to Give and Other Receivables	1,127,983	(956,683)
Museum Shop Inventory	(2,197)	5,124
Prepaid and Other Assets	(16,437)	(9,247)
Accounts Payable and Accrued Expenses	(124,833)	41,101
Deferred Revenue	13,489	4,342
Net Cash Provided (Used) by Operating Activities	1,071,445	(284,421)
CASH FLOWS FROM INVESTING ACTIVITIES		
Investments Matured, Called and Sold	706,608	1,093,284
Investments Purchased	(1,587,369)	(1,146,645)
Acquisition of Property and Equipment	(126,027)	(92,197)
Art Collection Purchases	(105,355)	(19,295)
Change in Permanently Restricted Cash and Cash Equivalents	(31,728)	(42,543)
Net Cash Used by Investing Activities	(1,143,871)	(207,396)
CASH FLOWS FROM FINANCING ACTIVITIES		
Contributions Received for Permanent Endowment	9,000	275,026
Principal Payments on Capital Lease Obligations	(7,417)	(4,756)
Net Cash Provided by Financing Activities	1,583	270,270
NET DECREASE IN CASH AND CASH EQUIVALENTS	(70,843)	(221,547)
Cash and Cash Equivalents - Beginning of Year	644,733	866,280
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 573,890	\$ 644,733
SUPPLEMENTAL CASH FLOW INFORMATION		
Cash Paid During the Year for Interest	\$ 4,019	\$ 1,915

See accompanying Notes to Financial Statements.

ORLANDO MUSEUM OF ART, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 1 ORGANIZATION

In the mid-1920s a group of art enthusiasts, collectors and artists came together for the express purpose of encouraging and promoting art and its appreciation throughout Central Florida. The Orlando Museum of Art (OMA) was founded in 1924 as the Orlando Art Association and incorporated in 1926 as a not-for-profit corporation. Today the institution serves an estimated population of 3 million residents in Central Florida, and visitors from around the world.

OMA's Mission is to inspire creativity, passion and intellectual curiosity by connecting people with art and new ideas.

OMA's Vision is to be a creative change agent for education and the center for artistic engagement as well as a place for civic, cultural and economic development.

OMA's purpose is to interpret and present the most compelling art for the public to experience, and to positively affect people's lives with innovative and inspiring education programs that will endure as a cultural legacy in Central Florida.

To meet these objectives OMA has dedicated itself to collecting, preserving, and interpreting notable works of art; to presenting exhibitions of local, regional, national, and international significance; to developing first-rate educational programs; and to developing creative and inclusive programs that reach every segment of its diverse audience.

OMA has maintained its national accredited status by the American Alliance of Museums since 1971 and is ranked by the State as one of the top major art museums in Florida for its demonstrated national leadership, program excellence and statewide impact.

OMA has a number of support groups. According to OMA's bylaws:

The Council of 101 (101) is a committee of the membership operating under the charter of OMA. 101 was formed in 1965 to further the cultural development and appreciation of the visual arts in the Central Florida area and to provide financial resources for OMA, which is the sole beneficiary of 101's fundraising efforts. The designated use of such resources is unrestricted operating support for the Museum's programming and operations. The accounts of 101 are included in financial statements.

The bylaws also provide for additional committees of the membership that serve to advance OMA's mission and vision. The purpose of these committees is as follows:

The Acquisition Trust is instrumental in the acquisition of exceptional examples of Contemporary Art from 1945 to the present moment for the OMA permanent collection through purchase and gift.

ORLANDO MUSEUM OF ART, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 1 ORGANIZATION (CONTINUED)

The Friends of American Art is instrumental in the acquisition of exceptional examples of American Art from the 18th Century through 1945 for the OMA permanent collection through purchase and gift.

The Associates work to expand the membership at the Museum through publicity and OMA's monthly 1st Thursdays program.

The Volunteer Council focuses on recruiting, retaining and rewarding OMA volunteers.

The Ambassadors of the OMA provide unrestricted funding for operations, exhibitions, public programs and educational initiatives. The OMA Ambassadors help to bring forth the highest quality visual art experiences, and art educational opportunities, for the Central Florida community and its visitors to engage with.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements of OMA have been prepared on the accrual basis of accounting.

Basis of Presentation

The financial statements have been prepared to focus on OMA as a whole and to present balances and transactions according to the existence or absence of donor-imposed restrictions. This has been accomplished by classification of net assets and transactions into three classes of net assets; permanently restricted, temporarily restricted or unrestricted.

Permanently Restricted Net Asset – Net assets subject to donor-imposed stipulations that require the assets to be maintained permanently by OMA. Generally, the donors of these assets permit OMA to use all or part of the income earned on related investments for either unrestricted or specified purposes.

Temporarily Restricted Net Assets – Net assets subject to donor-imposed stipulations that may or will be met, either by actions of OMA and/or the passage of time. When a restriction expires, that is when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. If a restriction is fulfilled in the same time period in which the contribution is received, the contribution is reported as unrestricted.

Unrestricted Net Assets – Net assets that are both undesignated and designated in nature. Undesignated, unrestricted net assets are those currently available for use in the day-to-day operation of OMA and those resources invested in property and equipment. From time to time, the board of trustees may designate certain amounts to be utilized/invested to meet specific objectives of OMA (see Note 17).

ORLANDO MUSEUM OF ART, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Asset Classification

The Financial Accounting Standards Board has issued a standard related to the classification of donor-restricted endowment funds. This standard provides guidance on the net asset classification of donor-restricted endowment funds for a not-for-profit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA). It also provides additional disclosures about an organization's endowed funds (both donor restricted endowment funds and board-designated endowment funds) whether or not the organization is subject to UPMIFA.

Comparative Financial Statements

These financial statements include summarized comparative prior-year information. That information is not presented by net asset class and does not contain sufficient detail to conform with accounting principles generally accepted in the United States of America (GAAP). Therefore, this information should be read in conjunction with OMA's audited financial statements for the year ended June 30, 2015.

Cash and Cash Equivalents

In these financial statements, cash and cash equivalents include cash and all highly liquid debt instruments available for current use with maturities of less than three months at time of purchase. Included in cash and cash equivalents are bank deposits, certain amounts of which are not insured under Federal Deposit Insurance Corporation regulations.

Investments

Investments consist of certificates of deposit and money market funds. Under current accounting standards, investments in marketable securities with readily determinable fair values and all investments in debt securities are valued in the statement of financial position at their fair value. Fair value is determined by reference to exchange or dealer-quoted market prices. If a quoted market price is not available, fair value is estimated using quoted market prices for similar investment securities. Changes in the fair value of securities are reflected as investment gains or losses in the accompanying statement of activities. Money market funds and certificates of deposit are recorded at cost which approximates fair value.

Beneficial Interest in Assets Held by Others

OMA is the beneficiary of two charitable remainder unitrusts held and administered by an independent corporate trustee. Under the terms of the trusts, OMA has the irrevocable right to receive all of the then remaining principal and income at the expiration of the trust term. The funds are to be used solely to add to OMA's permanent collection. The estimated fair value of the beneficial interest in the trusts is recognized as an asset and changes in the value are recognized as temporarily restricted support. OMA's estimate of fair value is based on fair value information provided by the trustee (see Note 15).

ORLANDO MUSEUM OF ART, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value Measurement

OMA adopted the accounting standard related to fair value measurements. Fair value measurement applies to reported balances that are required or permitted to be measured at fair value under an existing accounting pronouncement. OMA emphasizes that fair value is a market-based measurement, not an entity-specific measurement. Therefore, a fair value measurement should be determined based on the assumptions that market participants would use in pricing the asset or liability and establishes a fair value hierarchy.

The fair value measurement standard defines fair value, establishes a framework for measuring fair value, establishes a fair value hierarchy based on the quality of inputs used to measure fair value, and requires expanded disclosures about fair value measurements.

OMA has categorized its investments, based on the priority of the inputs to the valuation technique, into a three-level fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument.

Financial assets and liabilities recorded on the statement of financial position are categorized based on the inputs to the valuation techniques as follows:

Level 1 – Financial assets and liabilities are valued using inputs that are unadjusted quoted prices in active markets accessible at the measurement date of identical financial assets and liabilities. The inputs include those traded on an active exchange, such as the New York Stock Exchange, as well as U.S. Treasury and other U.S. government and agency mortgage-backed securities that are traded by dealers or brokers in active over-the-counter markets.

Level 2 – Financial assets and liabilities are valued using inputs that are quoted prices for similar assets, or inputs that are observable, either directly or indirectly for substantially the full term through corroboration with observable market data. Level 2 includes private collateralized mortgage obligations, municipal bonds, and corporate debt securities.

Level 3 – Financial assets and liabilities are valued using pricing inputs which are unobservable for the asset, inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset. Level 3 includes private equity, venture capital, hedge funds and real estate.

ORLANDO MUSEUM OF ART, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Promises to Give and Other Receivables

Pledges receivable consist of unconditional promises to give from donors, which are recognized within net assets at their fair value when unconditional promises are received.

At June 30, 2016, United Arts accounted for approximately 44% of total non-bequest receivables.

Management expects all pledges to be received during the next 12 months; accordingly, such receivables are not discounted. Management considers all accounts and pledges receivable collectable; therefore, there is no allowance for doubtful accounts. Contributed professional support services and materials, except for artwork (see Note 11), are recorded in the accompanying financial statements at their estimated fair value at the date of receipt by OMA.

Revenue Recognition

Contributions and grants are recognized as either temporarily or permanently restricted if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities and released from restrictions. When restrictions are met in the same period as the contribution is received, OMA records the contribution and the expense as unrestricted. Contributions of assets other than cash are recorded at their fair estimated value. Contributions of services are recognized if the services received (a) create or enhance nonfinancial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

Membership Dues

Membership dues for individuals are recognized over the term of the subscription.

Benefits and Special Events

Benefit and special events revenue results from OMA and the Council of 101's efforts to produce a wide variety of events around exhibition openings, membership programs and large annual fundraisers. The revenue is recognized in the period that the benefits and events are held.

Admission Fees

Admission fees are from daily attendance and group visits to OMA and are recognized at the time of visit.

Museum Shop Inventory

Inventory is stated at the lower of cost or market. Cost is determined using the first-in, first-out basis.

ORLANDO MUSEUM OF ART, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and Equipment

Property and equipment purchased or constructed by OMA is capitalized at cost if purchased or at estimated fair value if acquired by gift. OMA's policy is to capitalize property and equipment if the acquisition cost or estimated donated value exceeds \$2,000.

Depreciation of property and equipment is provided using the straight-line method over the estimated useful lives of the related assets, which are as follows:

	<u>Years</u>
Buildings and Improvements	5 - 40
Furniture, Fixtures, and Equipment	3 - 10

Deferred Revenue

Amounts received but not yet recognized as revenue are reported as deferred revenue. These amounts principally include deferred membership revenue and advanced rental deposits.

Functional Allocation of Expenses

Certain expenses, attributable to program and supporting services and to special events operating expenses, were allocated by management based upon an estimate of the time of the employees involved and/or a percentage of assets utilized.

Income Taxes

OMA is exempt from income taxes under the provisions of Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for federal and state income taxes has been recorded in the accompanying financial statements.

OMA's income tax returns are subject to review and examination by federal and state authorities. OMA is not aware of any activities that would jeopardize its tax-exempt status. OMA is not aware of any activities that are subject to tax on unrelated business income or excise or other taxes.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of support and revenue and various expenses during the reporting period. Actual results could differ from those estimates.

Subsequent Events

In preparing these financial statements, OMA has evaluated events and transactions for potential recognition or disclosure through December 29, 2016, the date the financial statements were available to be issued.

ORLANDO MUSEUM OF ART, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 3 CONTRIBUTED GIFTS AND SERVICES

In-kind contributions received during the year ended June 30, 2016, consist of professional services, items donated for resale purposes, and goods and services donated for fundraising events. These items are included in the financial statements as support, revenue and various expenses as follows:

Support		\$	533,730
Special Events:			
Operating Expenses	\$	212,122	
Fundraising Expenses		139,908	
		<u>352,030</u>	
Inventory Sold		<u>179,061</u>	<u>531,091</u>
Total In-Kind Contributed Gifts and Services			<u>\$ 1,064,821</u>

NOTE 4 SPECIAL EVENTS

Net revenue from special events consisted of the following for the year ended June 30, 2016:

	<u>Cash</u>	<u>In-Kind</u>	<u>Total</u>
Revenue	\$ 664,394	\$ 352,030	\$ 1,016,424
Expenses:			
Operating	258,560	212,122	470,682
Fundraising	<u>-</u>	<u>139,908</u>	<u>139,908</u>
Net Revenue	<u>\$ 405,834</u>	<u>-</u>	<u>\$ 405,834</u>

NOTE 5 INVESTMENTS

Investments consisted of the following at June 30, 2016:

	<u>Cost Basis</u>	<u>Fair Value</u>	<u>Unrealized Gains (Losses)</u>
Money Market	\$ 122,320	\$ 122,320	\$ -
Certificates of Deposit	46,033	46,033	-
Mutual Funds:			
Domestic Equity	1,018,534	1,265,755	247,221
International Equity	500,583	443,254	(57,329)
Fixed Income	2,173,392	2,187,179	13,787
Emerging Markets	61,340	54,201	(7,139)
Alternative Investment	1,139,224	1,145,932	6,708
Total	<u>\$ 5,061,426</u>	<u>\$ 5,264,674</u>	<u>\$ 203,248</u>

ORLANDO MUSEUM OF ART, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 5 INVESTMENTS (CONTINUED)

Net investment income amounted to \$9,652 during fiscal 2016, which consisted of net unrealized and realized losses of \$122,768 and \$132,420 of interest income. Management fees relating to these investments were \$23,518 for year ended June 30, 2016.

NOTE 6 BENEFICIAL INTEREST IN ASSETS HELD BY OTHERS

Beneficial interest in assets held by others consists of two charitable remainder unitrusts (Trusts). The Trusts are administered by a third-party corporate trustee. Under the Trust agreement, OMA is the sole named beneficiary of the Trusts. Upon the expiration of the Trust term, the trustee shall distribute all of the then remaining principal and income of the Trusts for use by OMA solely to add to their permanent collection. Based on the donors' life expectancies and the use of a 4% discount rate, the present value of the future benefits expected to be received by OMA was estimated to be \$1,768,317 at June 30, 2016.

NOTE 7 PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at June 30, 2016:

Land and Land Improvements	\$ 2,536,638
Building and Improvements	13,481,464
Furniture, Fixtures and Equipment	<u>1,914,709</u>
Subtotal	17,932,811
Less: Accumulated Depreciation	<u>(9,096,820)</u>
Total	<u><u>\$ 8,835,991</u></u>

OMA's land and certain improvements were donated by the City of Orlando (the City). The land was donated with the restriction that its use be exclusively by OMA in accordance with its present purposes and that the land not be sold, leased or otherwise disposed of without the written consent of the City (see Notes 12 and 16).

ORLANDO MUSEUM OF ART, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 8 FAIR VALUE MEASUREMENT

OMA uses fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures.

Assets measured at fair value on a recurring basis at June 30, 2016:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Mutual Funds:				
Domestic Equity	\$ 1,265,755	\$ -	\$ -	\$ 1,265,755
International Equity	443,254	-	-	443,254
Fixed Income	2,187,179	-	-	2,187,179
Emerging Market	54,201	-	-	54,201
Alternative Investment	1,145,932	-	-	1,145,932
Beneficial Interest in Assets				
Held by Others	-	-	1,768,317	1,768,317
Total	<u>\$ 5,096,321</u>	<u>\$ -</u>	<u>\$ 1,768,317</u>	<u>\$ 6,864,638</u>

Money market funds and certificates of deposit in the amount of \$122,320 and \$46,033, respectively, are included in investments.

The following table represents a reconciliation of assets in which significant unobservable inputs (Level 3) were used to determine fair value for the year ended June 30, 2016.

Fair Value at June 30, 2015	\$ 2,014,859
Unrealized Loss in Beneficial Interest	
in Assets Held by Others	<u>(246,542)</u>
Fair Value at June 30, 2016	<u>\$ 1,768,317</u>

Fair value in beneficial interest in assets held by others was determined by computing the present value of required future distributions expected to be paid, using published life expectancy tables, a discount rate of 4% and a historical rate of return of 6% as provided by the Trustee.

NOTE 9 LINE OF CREDIT

On May 18, 2015, OMA took out a line of credit with a bank for borrowings up to \$200,000, payable on demand. Interest accrues at a variable rate equal to the bank's prime rate. The loan is secured by all deposits and investments. There were no borrowings on the line during the year ended June 30, 2016.

**ORLANDO MUSEUM OF ART, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 10 GRANTS – GOVERNMENT AND OTHERS

Grants – Government and Others consisted of the following at June 30, 2016:

	Grant Award	Support Recognized
State of Florida - Division of Cultural Affairs	\$ 72,679	\$ 72,679
Orange County Florida - Tourist Development Tax Cultural Tourism Program	150,000	150,000
Other	172,570	172,570
Total	<u>\$ 395,249</u>	<u>\$ 395,249</u>

NOTE 11 ART COLLECTIONS

In conformity with industry practice, art purchased and donated is not recorded in the accompanying statement of financial position. Even though not recorded, OMA's collections represent one of its most valuable assets. Items added to OMA's permanent collections totaled \$388,055 during the year ended June 30, 2016, based on estimated fair value at the date of receipt. Of this amount, \$282,700 was acquired through donations and \$105,355 was purchased. No items were de-accessioned. All donated art was accessioned into the permanent collection. The collections are made up of artifacts of historical significance and art objects that are held for educational, research, and curatorial purposes. Each of the items is cataloged, preserved, cared for, and not encumbered 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 used to acquire other items for collections.

NOTE 12 LEASES

OMA owns the land on which it is situated and leases adjacent land from the City of Orlando. Under the terms of the lease, which expires in 2057, annual rent is \$1. The contributed value of the lease is not presented on the financial statements due to the absence of verifiable measurement criteria.

NOTE 13 401(k) RETIREMENT PLAN

OMA has a 401(k) retirement plan that is available to all of its employees who meet minimum age and length of service requirements. The Plan has a December 31 year-end.

OMA can make a discretionary matching contribution of up to 5% of eligible participant wages. For the 2015 plan year, OMA made matching contributions of \$2,924.

ORLANDO MUSEUM OF ART, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 14 ENDOWMENT

OMA has several donor restricted endowment funds. The majority of these were established for the purpose of providing income to support general operations. As required by GAAP, net assets of an endowment fund are classified and reported based on the existence or absence of donor-imposed restrictions. The Board of Trustees of OMA has interpreted relevant state law as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment fund. As a result of this interpretation, OMA classifies as permanently restricted net assets at (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 or unrestricted net assets, depending on the existence or absence of donor imposed restrictions.

OMA's endowment investment policy is focused on preservation of capital and investment vehicles are selected to protect the integrity of the corpus.

The endowment net assets and activity for fiscal year 2016 consist of the following:

	Net Assets			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Endowment Fund Balance as of June 30, 2015	\$ 221,267	\$ 28,378	\$ 4,225,308	\$ 4,474,953
Contributions	-	-	9,000	9,000
Board Designated Funds	1,000,000	-	-	1,000,000
Management Fees	-	(23,518)	-	(23,518)
Other	-	31,626	-	31,626
Appropriations	(150,277)	(45,370)	-	(195,647)
Earnings:				
Interest and Dividends	-	131,658	-	131,658
Realized and Unrealized Loss	(40,624)	(122,774)	-	(163,398)
Endowment Fund Balance as of June 30, 2016	<u>\$ 1,030,366</u>	<u>\$ -</u>	<u>\$ 4,234,308</u>	<u>\$ 5,264,674</u>

	Net Assets			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Donor Restricted Endowment Funds	\$ (150,277)	\$ -	\$ 4,234,308	\$ 4,084,031
Board Designated Endowment Funds	1,180,643	-	-	1,180,643
Total	<u>\$ 1,030,366</u>	<u>\$ -</u>	<u>\$ 4,234,308</u>	<u>\$ 5,264,674</u>

**ORLANDO MUSEUM OF ART, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 14 ENDOWMENT (CONTINUED)

As of June 30, 2016, OMA held certain permanently restricted endowment funds in which the asset values had fallen below the original gift amounts. The deficiencies resulted from market conditions and from spending rate distributions that were in excess of the earnings allocated to the fund. The aggregate deficiencies of this nature for all donor-restricted permanently restricted endowment funds totaled \$150,277 as of June 30, 2016.

Investment Strategy, Return Objectives and Risk Parameters

In fiscal year 2016, OMA invested its endowment fund in a balanced portfolio of debt and equity securities with the objective of preservation of capital and long-term capital appreciation. The balanced portfolio investment return objective is to produce real returns, net of inflation, over time at a moderate level of risk to invested capital.

Spending Policy and How Investment Objectives Relate to Spending

A board-approved policy transfers to the operating fund up to 5% of the endowment fund balance as of the end of the prior calendar year. This percentage was determined based on the overall needs of OMA balanced with the long-term investment return objectives for a fund to be held in perpetuity.

NOTE 15 TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consisted of the following as of June 30, 2016:

Cash Restricted to Purchase Art	\$ 336,920
Cash and Receivables Restricted for Future Exhibitions	70,250
Cash and Receivables Restricted for Facilities Improvements	24,161
Contributions from United Arts	95,729
Beneficial Interest in Assets Held by Others	1,768,317
Cash and Receivables Restricted for Educational Programs	4,834
Other Temporarily Restricted Cash	45,756
Total	<u><u>\$ 2,345,967</u></u>

Net assets were released from restrictions by incurring expenditures on certain grants and contributions during the year ended June 30, 2016.

**ORLANDO MUSEUM OF ART, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 16 PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets consisted of the following as of June 30, 2016:

Land and Land Improvements	\$ 2,536,638
Florida Cultural Endowment	2,400,000
Operating Endowment	1,520,607
Acquisition Trust Endowment	267,651
Other Endowments	46,050
Total	<u>\$ 6,770,946</u>

OMA's permanently restricted investments and cash and cash equivalents consist of a Florida Cultural Endowment and various other endowments for long-term use. The Florida Cultural Endowment was originally set up with two matching grants from the State of Florida, requiring OMA to raise \$360,000 for each grant and for the State of Florida to match \$240,000 for each grant, for a total of \$1,200,000. In fiscal year 2007, a third matching grant of \$240,000 was received to match additional endowment funds of \$360,000 raised by OMA. In fiscal year 2012, OMA raised an additional match for the endowment fund. OMA received the fourth matching grant of \$240,000 in 2015. OMA keeps a minimum balance of the \$2,400,000 original contribution in the permanently restricted endowment account, as required by the State of Florida.

NOTE 17 DESIGNATED UNRESTRICTED NET ASSETS

Unrestricted net assets designated by OMA's governing board consisted of the following at June 30, 2016:

Board Designated Funds Functioning as Endowment	\$ 1,000,000
Designated as Additional Matching Funds for:	
State of Florida Cultural Endowment Program	180,643
Total	<u>\$ 1,180,643</u>

NOTE 18 RELATED PARTY TRANSACTIONS

OMA received \$75,047 of in-kind legal and administrative services from an attorney that is a member of the board of directors for the year ended June 30, 2016. The revenue and expense was recorded and is included on the accompanying statement of activities. For the year ended June 30, 2016, \$6,250 in pledge receivables were due from board members.

ORLANDO MUSEUM OF ART, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 19 COMMITMENTS

OMA leases certain office equipment and postage machine under an operating lease with an expiration date of June 2017 and February 2019, respectively. Monthly lease amounts are \$1,958 monthly and \$381 quarterly during the year for the office equipment and postage machine, respectively. Lease expense for the year ended June 30, 2016, was \$24,234 related to these leases.

Future minimum lease payments are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2017	\$ 23,057
2018	1,524
2019	889
Total	<u>\$ 25,470</u>

NOTE 20 CAPITAL LEASE OBLIGATION

OMA leases software under a capital lease with a capitalized cost of \$44,619 at June 30, 2016. Accumulated depreciation in the statement of financial position included \$8,612 at June 30, 2016, relating to this equipment. Depreciation expense reported in the statement of activities includes \$9,232 for June 30, 2016, for the equipment under capital lease. The following table is a schedule by years of future minimum lease payments required under the capital lease obligation.

<u>Year Ending June 30,</u>	<u>Amount</u>
2017	\$ 11,436
2018	11,436
2019	11,436
2020	4,890
Total Minimum Payments Required	<u>39,198</u>
Less: Amount Representing Interest	<u>(6,752)</u>
Present Value of Minimum Payments	<u>\$ 32,446</u>