

**MUSEUM OF ARTS AND DESIGN**

**FINANCIAL STATEMENTS  
AND  
SUPPLEMENTARY INFORMATION**

**DECEMBER 31, 2014 AND 2013**

# MUSEUM OF ARTS AND DESIGN

## TABLE OF CONTENTS

	<b>Page</b>
Independent Auditors' Report .....	1-2
Financial Statements	
Statements of Financial Position .....	3-4
Statements of Activities .....	5-6
Statements of Cash Flows .....	7
Notes to Financial Statements .....	8-20
Supplementary Information	
Independent Auditors' Report on Supplementary Information .....	22
Schedule of Functional Expenses .....	23



## INDEPENDENT AUDITORS' REPORT

To the Board of Trustees of  
Museum of Arts and Design

We have audited the accompanying financial statements of Museum of Arts and Design (a nonprofit organization), which comprise the statements of financial position as of December 31, 2014 and 2013, and the related statements of activities 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.

### **Auditors' Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Museum of Arts and Design as of December 31, 2014 and 2013, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*Lotz + Carr, LLP*

New York, New York  
June 3, 2015

## MUSEUM OF ARTS AND DESIGN

## STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2014 WITH COMPARATIVE TOTALS FOR 2013

	2014						2013 Total	
	Unrestricted			Total	Temporarily Restricted	Permanently Restricted		Total
	Operating	Property and Equipment/ Capital Campaign	Board Designated Endowment					
<b>Assets</b>								
Cash and cash equivalents (Notes 1b and 3a)	\$ 980,518	\$ 4,570	\$ -	\$ 985,088	\$ -	\$ -	\$ 985,088	\$ 1,051,735
Unconditional promises to give (Notes 1c and 4)								
Unrestricted, less allowance for uncollectible pledges	173,385	-	-	173,385	-	-	173,385	80,648
Capital campaign	-	134,318	-	134,318	-	-	134,318	262,643
Restricted to future programs	-	-	-	-	683,860	1,000	684,860	364,635
Accounts receivable	153,715	-	-	153,715	26,924	-	180,639	162,471
Museum store inventory (Note 1h)	317,312	-	-	317,312	-	-	317,312	421,313
Prepaid expenses and other current assets	172,041	-	-	172,041	-	-	172,041	225,287
Investments - endowment (Notes 1d, 5 and 6)	-	-	492,975	492,975	1,888,942	10,308,061	12,689,978	12,872,829
Property and equipment, at cost, net of accumulated depreciation (Notes 1e and 7)	-	75,418,619	-	75,418,619	-	-	75,418,619	78,129,410
Collection (Note 1g)	-	-	-	-	-	-	-	-
<b>Total Assets</b>	<b>\$1,796,971</b>	<b>\$75,557,507</b>	<b>\$ 492,975</b>	<b>\$77,847,453</b>	<b>\$2,599,726</b>	<b>\$10,309,061</b>	<b>\$90,756,240</b>	<b>\$93,570,971</b>
<b>Liabilities and Net Assets</b>								
Liabilities								
Accounts payable and accrued expenses	\$ 574,820	\$ -	\$ -	\$ 574,820	\$ 19,328	\$ -	\$ 594,148	\$ 767,348
Line of credit (Note 8)	-	-	-	-	-	-	-	458,257
Refundable advances and deferred revenue	2,000	-	-	2,000	-	-	2,000	2,000
Interfund (receivable) payable	1,165,120	(100,000)	(400,000)	665,120	(665,120)	-	-	-
Total Liabilities	1,741,940	(100,000)	(400,000)	1,241,940	(645,792)	-	596,148	1,227,605
Commitments and Contingencies (Notes 8, 10 and 13)								
Net Assets								
Unrestricted								
Property and equipment	-	75,657,507	-	75,657,507	-	-	75,657,507	78,510,465
Board Designated Endowment (Note 2a)	-	-	892,975	892,975	-	-	892,975	899,608
Other (deficit)	55,031	-	-	55,031	-	-	55,031	(630,615)
Total Unrestricted	55,031	75,657,507	892,975	76,605,513	-	-	76,605,513	78,779,458
Temporarily restricted (Note 2b)	-	-	-	-	3,245,518	-	3,245,518	3,270,597
Permanently restricted (Note 2c)	-	-	-	-	-	10,309,061	10,309,061	10,293,311
Total Net Assets	55,031	75,657,507	892,975	76,605,513	3,245,518	10,309,061	90,160,092	92,343,366
<b>Total Liabilities and Net Assets</b>	<b>\$1,796,971</b>	<b>\$75,557,507</b>	<b>\$ 492,975</b>	<b>\$77,847,453</b>	<b>\$2,599,726</b>	<b>\$10,309,061</b>	<b>\$90,756,240</b>	<b>\$93,570,971</b>

See notes to financial statements.

**MUSEUM OF ARTS AND DESIGN**  
**STATEMENT OF FINANCIAL POSITION**  
**DECEMBER 31, 2013**

	2013						
	Unrestricted			Total	Temporarily Restricted	Permanently Restricted	Total
Operating	Property and Equipment/ Capital Campaign	Board Designated Endowment					
<b>Assets</b>							
Cash and cash equivalents (Notes 1b and 3a)	\$1,036,648	\$ 15,087	\$ -	\$ 1,051,735	\$ -	\$ -	\$ 1,051,735
Unconditional promises to give (Notes 1c and 4)							
Unrestricted, less allowance for uncollectible pledges	80,648	-	-	80,648	-	-	80,648
Capital campaign	-	262,643	-	262,643	-	-	262,643
Restricted to future programs	-	-	-	-	364,635	-	364,635
Accounts receivable	162,471	-	-	162,471	-	-	162,471
Museum store inventory (Note 1h)	421,313	-	-	421,313	-	-	421,313
Prepaid expenses and other current assets	221,603	3,684	-	225,287	-	-	225,287
Investments - endowment (Notes 1d, 5 and 6)	-	-	499,608	499,608	2,079,910	10,293,311	12,872,829
Property and equipment, at cost, net of accumulated depreciation (Notes 1e and 7)	-	78,129,410	-	78,129,410	-	-	78,129,410
Collection (Note 1g)	-	-	-	-	-	-	-
<b>Total Assets</b>	<b><u>\$1,922,683</u></b>	<b><u>\$78,410,824</u></b>	<b><u>\$ 499,608</u></b>	<b><u>\$80,833,115</u></b>	<b><u>\$2,444,545</u></b>	<b><u>\$10,293,311</u></b>	<b><u>\$93,570,971</u></b>
<b>Liabilities and Net Assets</b>							
<b>Liabilities</b>							
Accounts payable and accrued expenses	\$ 748,851	\$ 359	\$ -	\$ 749,210	\$ 18,138	\$ -	\$ 767,348
Line of credit (Note 8)	458,257	-	-	458,257	-	-	458,257
Mortgage and accrued interest payable (Note 9)	-	-	-	-	-	-	-
Refundable advances and deferred revenue	2,000	-	-	2,000	-	-	2,000
Interfund (receivable) payable	1,344,190	(100,000)	(400,000)	844,190	(844,190)	-	-
Total Liabilities	<u>2,553,298</u>	<u>(99,641)</u>	<u>(400,000)</u>	<u>2,053,657</u>	<u>(826,052)</u>	<u>-</u>	<u>1,227,605</u>
Commitments and Contingencies (Notes 8, 10 and 13)							
<b>Net Assets</b>							
<b>Unrestricted</b>							
Property and equipment	-	78,510,465	-	78,510,465	-	-	78,510,465
Board Designated Endowment (Note 2a)	-	-	899,608	899,608	-	-	899,608
Other (deficit)	(630,615)	-	-	(630,615)	-	-	(630,615)
Total Unrestricted	<u>(630,615)</u>	<u>78,510,465</u>	<u>899,608</u>	<u>78,779,458</u>	<u>-</u>	<u>-</u>	<u>78,779,458</u>
Temporarily restricted (Note 2b)	-	-	-	-	3,270,597	-	3,270,597
Permanently restricted (Note 2c)	-	-	-	-	-	10,293,311	10,293,311
Total Net Assets	<u>(630,615)</u>	<u>78,510,465</u>	<u>899,608</u>	<u>78,779,458</u>	<u>3,270,597</u>	<u>10,293,311</u>	<u>92,343,366</u>
<b>Total Liabilities and Net Assets</b>	<b><u>\$1,922,683</u></b>	<b><u>\$78,410,824</u></b>	<b><u>\$ 499,608</u></b>	<b><u>\$80,833,115</u></b>	<b><u>\$2,444,545</u></b>	<b><u>\$10,293,311</u></b>	<b><u>\$93,570,971</u></b>

See notes to financial statements.

## MUSEUM OF ARTS AND DESIGN

## STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2014 WITH COMPARATIVE TOTALS FOR 2013

2014

	Unrestricted			Temporarily Restricted	Permanently Restricted	Total	2013 Total
	Operating	Property and Equipment/ Capital Campaign	Board Designated Endowment				
<b>Revenues, Gains and Other Support (Note 3b)</b>							
Contributions - capital campaign	\$ -	\$ 19,175	\$ -	\$ 19,175	\$ -	\$ -	\$ 6,727,933
Contributions	3,706,965	-	-	3,706,965	1,143,907	15,750	4,157,915
Donated services and materials (Note 11)	171,450	-	-	171,450	-	-	214,275
	3,878,415	19,175	-	3,897,590	1,143,907	15,750	11,100,123
Special events income	1,991,702	-	-	1,991,702	-	-	1,674,300
Less: Direct expenses	(381,573)	-	-	(381,573)	-	-	(290,630)
Merchandise sales	2,957,385	-	-	2,957,385	-	-	2,984,062
Less: Cost of sales, including payments to artists	(1,375,193)	-	-	(1,375,193)	-	-	(1,407,175)
Museum admission fees	947,533	-	-	947,533	-	-	1,003,493
Membership and support group dues	568,632	-	-	568,632	-	-	560,334
Member trips	30,275	-	-	30,275	-	-	20,325
Travel exhibition fees, net of direct expenses	176,480	-	-	176,480	-	-	332,488
Education lectures, workshops and other income	28,896	-	-	28,896	-	-	54,858
Rental income (Note 10b)	946,477	-	-	946,477	-	-	830,938
Net investment income (Note 5)	372	8	15,462	15,842	378,597	-	1,620,835
	9,769,401	19,183	15,462	9,804,046	1,522,504	15,750	18,483,951
Investment income appropriated to operations (Note 2b)	565,536	-	(22,095)	543,441	(543,441)	-	-
Net assets released from restrictions	1,004,142	-	-	1,004,142	(1,004,142)	-	-
<b>Total Revenues, Gains and Other Support</b>	<b>11,339,079</b>	<b>19,183</b>	<b>(6,633)</b>	<b>11,351,629</b>	<b>(25,079)</b>	<b>15,750</b>	<b>18,483,951</b>
<b>Expenses</b>							
Program Services							
Exhibitions	4,590,719	2,176,795	-	6,767,514	-	-	6,693,513
Curatorial	885,188	-	-	885,188	-	-	1,077,380
Education and other	2,777,126	272,099	-	3,049,225	-	-	3,263,879
Total Program Services	8,253,033	2,448,894	-	10,701,927	-	-	11,034,772
Supporting Services							
Administration	1,022,636	272,100	-	1,294,736	-	-	1,459,535
Membership and development	1,442,249	-	-	1,442,249	-	-	1,333,865
Capital campaign	-	23,380	-	23,380	-	-	75,048
Total Supporting Services	2,464,885	295,480	-	2,760,365	-	-	2,868,448
<b>Total Expenses</b>	<b>10,717,918</b>	<b>2,744,374</b>	<b>-</b>	<b>13,462,292</b>	<b>-</b>	<b>-</b>	<b>13,903,220</b>
Increase (Decrease) in Net Assets from Operations Before Changes Related to Collection Items Not Capitalized	621,161	(2,725,191)	(6,633)	(2,110,663)	(25,079)	15,750	4,580,731
Changes in net assets related to collection items not capitalized							
Collection items purchased (Note 1g)	(63,282)	-	-	(63,282)	-	-	(97,544)
Increase (Decrease) in Net Assets from Operations	557,879	(2,725,191)	(6,633)	(2,173,945)	(25,079)	15,750	4,483,187
Transfers to (from) operations	6,681	(6,681)	-	-	-	-	-
Recovery of endowment deficit (Note 6)	-	-	-	-	-	-	7,140
Reclassification of pledge	125,000	(125,000)	-	-	-	-	-
Interfund appropriation for property and equipment	(3,914)	3,914	-	-	-	-	-
Increase (decrease) in net assets	685,646	(2,852,958)	(6,633)	(2,173,945)	(25,079)	15,750	4,490,327
Net assets (deficit), beginning of year	(630,615)	78,510,465	899,608	78,779,458	3,270,597	10,293,311	87,853,039
<b>Net Assets, End of Year</b>	<b>\$ 55,031</b>	<b>\$75,657,507</b>	<b>\$ 892,975</b>	<b>\$76,605,513</b>	<b>\$ 3,245,518</b>	<b>\$10,309,061</b>	<b>\$92,343,366</b>

See notes to financial statements.

**MUSEUM OF ARTS AND DESIGN**  
**STATEMENT OF ACTIVITIES**  
**YEAR ENDED DECEMBER 31, 2013**

	2013						
	Unrestricted			Temporarily Restricted	Permanently Restricted	Total	
	Operating	Property and Equipment/ Capital Campaign	Board Designated Endowment				Total
<b>Revenues, Gains and Other Support (Note 3b)</b>							
Contributions - capital campaign	\$ -	\$ 6,727,933	\$ -	\$ 6,727,933	\$ -	\$ -	\$ 6,727,933
Contributions	3,368,331	-	-	3,368,331	788,584	1,000	4,157,915
Donated services and materials (Note 11)	214,275	-	-	214,275	-	-	214,275
	<u>3,582,606</u>	<u>6,727,933</u>	<u>-</u>	<u>10,310,539</u>	<u>788,584</u>	<u>1,000</u>	<u>11,100,123</u>
Special events income	1,674,300	-	-	1,674,300	-	-	1,674,300
Less: Direct expenses	(290,630)	-	-	(290,630)	-	-	(290,630)
Merchandise sales	2,984,062	-	-	2,984,062	-	-	2,984,062
Less: Cost of sales, including payments to artists	(1,407,175)	-	-	(1,407,175)	-	-	(1,407,175)
Museum admission fees	1,003,493	-	-	1,003,493	-	-	1,003,493
Membership and support group dues	560,334	-	-	560,334	-	-	560,334
Member trips	20,325	-	-	20,325	-	-	20,325
Travel exhibition fees, net of direct expenses	332,488	-	-	332,488	-	-	332,488
Education lectures, workshops and other income	53,766	-	-	53,766	1,092	-	54,858
Rental income (Note 10b)	830,938	-	-	830,938	-	-	830,938
Net investment income (Note 5)	151	4,368	75,973	80,492	1,540,343	-	1,620,835
	<u>9,344,658</u>	<u>6,732,301</u>	<u>75,973</u>	<u>16,152,932</u>	<u>2,330,019</u>	<u>1,000</u>	<u>18,483,951</u>
Investment income appropriated to operations (Note 2b)	543,000	-	(25,411)	517,589	(517,589)	-	-
Net assets released from restrictions	409,643	-	-	409,643	(409,643)	-	-
<b>Total Revenues, Gains and Other Support</b>	<u>10,297,301</u>	<u>6,732,301</u>	<u>50,562</u>	<u>17,080,164</u>	<u>1,402,787</u>	<u>1,000</u>	<u>18,483,951</u>
<b>Expenses</b>							
Program Services							
Exhibitions	4,089,034	2,604,479	-	6,693,513	-	-	6,693,513
Curatorial	1,077,380	-	-	1,077,380	-	-	1,077,380
Education and other	2,938,318	325,561	-	3,263,879	-	-	3,263,879
Total Program Services	<u>8,104,732</u>	<u>2,930,040</u>	<u>-</u>	<u>11,034,772</u>	<u>-</u>	<u>-</u>	<u>11,034,772</u>
Supporting Services							
Administration	1,133,975	325,560	-	1,459,535	-	-	1,459,535
Membership and development	1,333,865	-	-	1,333,865	-	-	1,333,865
Capital campaign	-	75,048	-	75,048	-	-	75,048
Total Supporting Services	<u>2,467,840</u>	<u>400,608</u>	<u>-</u>	<u>2,868,448</u>	<u>-</u>	<u>-</u>	<u>2,868,448</u>
<b>Total Expenses</b>	<u>10,572,572</u>	<u>3,330,648</u>	<u>-</u>	<u>13,903,220</u>	<u>-</u>	<u>-</u>	<u>13,903,220</u>
Increase (Decrease) in Net Assets Before Changes Related to Collection Items Not Capitalized	(275,271)	3,401,653	50,562	3,176,944	1,402,787	1,000	4,580,731
Changes in net assets related to collection items not capitalized Collection items purchased (Note 1g)	(97,544)	-	-	(97,544)	-	-	(97,544)
<b>Increase (Decrease) in Net Assets from Operations</b>	<u>(372,815)</u>	<u>3,401,653</u>	<u>50,562</u>	<u>3,079,400</u>	<u>1,402,787</u>	<u>1,000</u>	<u>4,483,187</u>
Transfers to (from) operations	1,340	(1,340)	-	-	-	-	-
Recovery of endowment deficit (Note 6)	7,140	-	-	7,140	-	-	7,140
Interfund appropriation for property and equipment	(25,219)	25,219	-	-	-	-	-
Increase (decrease) in net assets	(389,554)	3,425,532	50,562	3,086,540	1,402,787	1,000	4,490,327
Net assets (deficit), beginning of year	(241,061)	75,084,933	849,046	75,692,918	1,867,810	10,292,311	87,853,039
<b>Net Assets (Deficit), End of Year</b>	<u>\$ (630,615)</u>	<u>\$78,510,465</u>	<u>\$ 899,608</u>	<u>\$78,779,458</u>	<u>\$3,270,597</u>	<u>\$10,293,311</u>	<u>\$92,343,366</u>

See notes to financial statements.



## MUSEUM OF ARTS AND DESIGN

## STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2014 AND 2013

	<u>2014</u>	<u>2013</u>
<b>Cash Flows From Operating Activities</b>		
Increase (decrease) in net assets	\$(2,183,274)	\$ 4,490,327
Adjustments to reconcile increase (decrease) in net assets to net cash used by operating activities:		
Depreciation and amortization	2,720,994	3,010,705
Net realized gain on sale of investments	(113,812)	(613,442)
Net unrealized gain on investments	(69,718)	(804,436)
Donated securities	-	(3,124,945)
Endowment contributions	(15,750)	(1,000)
Capital campaign contributions received	-	(6,981,990)
(Increase) decrease in:		
Unconditional promises to give	(283,637)	490,128
Accounts receivable	(18,168)	(32,503)
Museum store inventory	104,001	98,571
Prepaid expenses and other current assets	53,246	3,840
Increase (decrease) in:		
Accounts payable and accrued expenses	(173,200)	27,443
Accrued mortgage interest payable	-	(95,583)
Net Cash Provided (Used) By Operating Activities	<u>20,682</u>	<u>(3,532,885)</u>
<b>Cash Flows From Investing Activities</b>		
Payments for purchase of furniture and equipment and towards construction in progress	(10,203)	(33,044)
Purchase of investments	(4,261,082)	(5,541,991)
Proceeds from sale of investments	4,627,463	9,082,470
Net Cash Provided By Investing Activities	<u>356,178</u>	<u>3,507,435</u>
<b>Cash Flows From Financing Activities</b>		
Borrowings under line of credit	410,000	57,000
Repayments of line of credit	(868,257)	(250,000)
Principal payments on mortgage	-	(7,079,483)
Endowment contributions received	14,750	1,000
Capital campaign contributions received	-	6,981,990
Net Cash Used By Financing Activities	<u>(443,507)</u>	<u>(289,493)</u>
Net decrease in cash and cash equivalents	(66,647)	(314,943)
Cash and cash equivalents, beginning of year	<u>1,051,735</u>	<u>1,366,678</u>
<b>Cash and Cash Equivalents, End of Year</b>	<u>\$ 985,088</u>	<u>\$ 1,051,735</u>
<b>Supplemental Disclosure</b>		
Interest paid	<u>\$ 16,856</u>	<u>\$ 365,577</u>

See notes to financial statements.

**MUSEUM OF ARTS AND DESIGN**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2014 AND 2013**

**Note 1 - Museum and Summary of Significant Accounting Policies**

a - Museum

The Museum of Arts and Design (the "Museum") is a contemporary art museum that collects, displays and interprets objects that document contemporary and historic innovation in craft, art and design. In its exhibitions and educational programs, the Museum celebrates the creative process through which materials and process are brought to bear to create artistic works that enhance life.

The Museum is ideally situated 2 Columbus Circle at the southwest corner of Central Park where major public transportation services converge and serves over 150,000 visitors annually.

The Museum offers the visiting public four full floors of gallery space, artist studios and a student classroom, a 145 seat theater, a destination store focused on objects created by artists from around the world and a 9<sup>th</sup> floor restaurant, Robert, with a view of Central Park.

b - Cash and Cash Equivalents

For purposes of the statement of cash flows, the Museum considers all unrestricted highly liquid investments, with an initial maturity of three months or less, to be cash equivalents, except for those short-term investments managed by the Museum's investment managers as part of their long-term investment strategies.

c - Contributions and Unconditional Promises to Give

Contributions are recognized when the donor makes a promise to give to the Museum, that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

The Museum uses the allowance method to determine uncollectible promises to give. The allowance is based on prior years' experience and management's analysis of specific promises made.

d - Investments

The Museum reflects investments at fair value in the statement of financial position. Interest, dividends, and gains and losses on investments are reflected in the statement of activities as increases and decreases in unrestricted net assets unless their use is temporarily or permanently restricted by explicit donor stipulations or by law. Gains and other investment income that are limited to specific uses by donor-imposed restrictions are reported as increases in unrestricted net assets if the restrictions are met in the same fiscal year in which the gains and other investment income are recognized.

**MUSEUM OF ARTS AND DESIGN**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2014 AND 2013**

**Note 1 - Museum and Summary of Significant Accounting Policies (continued)**

d - Investments (continued)

Fair value is defined as the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. Fair value is a market-based measurement, not an entity-based measurement. Generally accepted accounting principles establish a framework for measuring fair value which maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are those the market participants would use in pricing the asset based on market data obtained from sources independent of the Museum. Unobservable inputs reflect the Museum's assumptions about the inputs market participants would use in pricing the asset developed based on the best information available in the circumstances. Fair value measurements are categorized into three levels as follows:

- Level 1 Inputs reflect unadjusted quoted prices in active markets for identical assets or liabilities that the Museum has the ability to access at the measurement date.
- Level 2 Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly, including inputs in markets that are not considered to be active.
- Level 3 Inputs that are unobservable.

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.

e - Property and Equipment

Property and equipment are reported at cost, or if donated, at the fair market value at date of receipt. Depreciation is computed using the straight-line method over the estimated useful life of the asset.

f - Financial Statement Presentation

The Museum reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets.

g - Art Collection

The Museum maintains a collection of works of contemporary art objects. A description of the contents of the permanent collection is maintained by the registrar. The Museum has insurance coverage for items on its premises, in storage, in transit and on loan at other locations.

**MUSEUM OF ARTS AND DESIGN**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2014 AND 2013**

**Note 1 - Museum and Summary of Significant Accounting Policies (continued)**

g - Art Collection (continued)

The value of the collection, which was acquired through purchases and contributions since the Museum's inception, is not reflected as an asset on the statement of financial position. Purchases of collection items are expensed in the year of acquisition. Contributions of collection items are not recognized in the statement of activities. Proceeds from deaccessions or insurance recoveries are reflected on the statement of activities based on the absence or existence and nature of donor-imposed restrictions. There were no deaccessions for 2014 or 2013. Numerous works were also donated to the permanent collection in 2014 and 2013.

The collection is held for public service rather than financial gain, protected and preserved, and subject to an organizational policy that requires the proceeds from sales of such items to be used to acquire other items for collections.

h - Museum Store Inventory

The Museum's store inventory consists of objects created by artists from around the world, as well as publications and other objects, and is stated at the lower of cost, as determined by the first-in, first-out method, or market. The Museum's store sales also consist of artists' works held on consignment which are not included in inventory.

i - Advertising Costs

Advertising costs are charged to operations when the advertising first takes place. Advertising expense incurred during the years ended December 31, 2014 and 2013 was \$283,487 and \$205,701, respectively.

j - Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

k - Subsequent Events

The Museum has evaluated subsequent events through June 3, 2015, the date that the financial statements are considered available to be issued.

l - Prior Year Information

Certain 2013 amounts have been reclassified for comparative purposes.

**MUSEUM OF ARTS AND DESIGN**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2014 AND 2013**

**Note 1 - Museum and Summary of Significant Accounting Policies (continued)**

m - Tax Status

Museum of Arts and Design is a not-for-profit Museum exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and has been designated as an organization which is not a private foundation. Management has evaluated all income tax positions, including the position that the Museum is exempt from income taxes or not subject to income taxes or unrelated business income, and concluded that no disclosures relating to uncertain tax positions are required in the financial statements. The Museum's tax returns are generally subject to examination by taxing authorities for a period of three years from the date of filing.

**Note 2 - Restrictions on Assets**

a - Board Designated Endowment

The Museum's Board Designated Endowment was established with a grant from the National Endowment for the Arts, and accumulated investment income earned thereon, which was subsequently released from restriction by the donor. For 2014 and 2013, \$22,095 and \$25,411, respectively, was appropriated to operations pursuant to the Museum's spending policy. Borrowing approved for use in operations was \$100,000 in 2013. Cumulative outstanding borrowings at December 31, 2014 and 2013 totaled \$400,000.

b - Temporarily Restricted Net Assets

Temporarily restricted net assets are restricted for the following future purposes:

	<u>2014</u>	<u>2013</u>
Accumulated endowment investment earnings (net of accrued investment fees)	\$1,896,538	\$2,061,772
Future exhibitions, projects and operations	1,304,368	1,183,411
Permanent collection acquisitions	<u>44,612</u>	<u>25,414</u>
	<u>\$3,245,518</u>	<u>\$3,270,597</u>

For 2014 and 2013, \$543,441 and \$517,589, respectively, was released from restriction in accordance with the Museum's spending policy for use in programs and operations.

**MUSEUM OF ARTS AND DESIGN**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2014 AND 2013**

**Note 2 - Restrictions on Assets (continued)**

c - Permanently Restricted Net Assets

Permanently restricted net assets consist of restricted endowment contributions which require that the principal be retained and only the income be used for programs of the Museum. These endowments as of December 31 are summarized as follows:

	<u>2014</u>	<u>2013</u>
General program activities	\$ 9,134,061	\$ 9,118,311
Education programs	1,050,000	1,050,000
Ceramic works acquisition	75,000	75,000
Curatorial programs	<u>50,000</u>	<u>50,000</u>
	<u>\$10,309,061</u>	<u>\$10,293,311</u>

**Note 3 - Concentrations**

- a - The Museum maintains its cash and cash equivalents at two financial institutions in New York. Certain cash balances are insured by the Federal Deposit Insurance Corporation up to \$250,000.
- b - In 2014, contributions from four donors totaled approximately 34% of operating contributions and contributions from one donor totaled approximately 43% of temporarily restricted contributions. In 2013, contributions from five donors totaled approximately 79% of capital campaign contributions and 21% of operating contributions.

**Note 4 - Unconditional Promises to Give**

Unconditional promises to give are due as follows:

	<u>2014</u>	<u>2013</u>
Due within one year	\$ 590,237	\$579,397
Due in one to five years	<u>480,000</u>	<u>200,000</u>
	1,070,237	779,397
Less: Discount to present value	(71,059)	(64,856)
Less: Allowance for uncollectible pledges	<u>(6,615)</u>	<u>(6,615)</u>
	<u>\$ 992,563</u>	<u>\$707,926</u>

**MUSEUM OF ARTS AND DESIGN**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2014 AND 2013**

**Note 4 - Unconditional Promises to Give (continued)**

Unconditional promises to give due after one year are reflected at present value of estimated future cash flows using discount rates ranging from 3 to 5%.

**Note 5 - Investments**

Investments are reflected at fair value and are summarized as follows:

	2014		2013	
	Cost	Fair Value	Cost	Fair Value
Money market funds and invested cash	\$ 285,387	\$ 285,387	\$ 3,707,248	\$ 3,707,248
Exchange traded funds	3,698,852	3,707,958	3,698,848	3,806,679
Domestic equities	3,941,020	5,216,363	3,448,947	4,510,521
Corporate obligations	2,860,711	2,814,577	-	-
Publicly traded partnerships	311,826	582,779	495,322	765,467
Restricted preferred stock	<u>59,756</u>	<u>82,914</u>	<u>59,756</u>	<u>82,914</u>
	<u>\$11,157,552</u>	<u>\$12,689,978</u>	<u>\$11,410,121</u>	<u>\$12,872,829</u>

Marketable securities are reported on the basis of quoted market values. The value of the restricted preferred stock is estimated by the Museum based on information about the company and its financial performance.

The following schedule summarizes the net investment return for the years ended December 31, 2014 and 2013:

	2014	2013
Interest and dividend income	\$294,355	\$ 318,762
Net realized gain on sale of investments	<u>113,812</u>	<u>613,442</u>
	408,167	932,204
Net unrealized gain	<u>69,718</u>	<u>804,436</u>
	477,885	1,736,640
Investment management and custody fees	<u>(83,446)</u>	<u>(108,665)</u>
Net Investment Income	<u>\$394,439</u>	<u>\$1,627,975</u>

**MUSEUM OF ARTS AND DESIGN**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2014 AND 2013**

**Note 5 - Investments (continued)**

The following summarizes investments at December 31, 2014 and 2013 by the levels within the fair value hierarchy used to measure their respective fair values:

	<b>2014</b>			
	<b>Fair Value</b>	<b>Level 1 (Quoted Prices in Active Markets in Identical Assets)</b>	<b>Level 2 (Quoted Prices in Active Markets in Similar Assets)</b>	<b>Level 3 Significant Unobservable Inputs</b>
Money market funds and invested cash	\$ 285,387	\$ 285,387	\$ -	\$ -
Exchange traded funds	3,707,958	3,707,958	-	-
Domestic equities	5,216,363	5,216,363	-	-
Corporate obligations	2,814,577	-	2,814,577	-
Publicly traded partnerships	582,779	582,779	-	-
Restricted preferred stock	<u>82,914</u>	<u>-</u>	<u>-</u>	<u>82,914</u>
	<u>\$12,689,978</u>	<u>\$9,792,487</u>	<u>\$2,814,577</u>	<u>\$82,914</u>

  

	<b>2013</b>		
	<b>Fair Value</b>	<b>Level 1 (Quoted Prices in Active Markets in Identical Assets)</b>	<b>Level 3 Significant Unobservable Inputs</b>
Money market funds and invested cash		\$ 3,707,248	\$ -
Exchange traded funds		3,806,679	-
Domestic equities		4,510,521	-
Publicly traded partnerships		765,467	-
Restricted preferred stock		<u>82,914</u>	<u>82,914</u>
		<u>\$12,872,829</u>	<u>\$82,914</u>

There were no changes in fair value in 2014 and 2013 for the Museum's investment in restricted preferred stock.



**MUSEUM OF ARTS AND DESIGN**  
**NOTES TO FINANCIAL STATEMENTS**

**DECEMBER 31, 2014 AND 2013**

**Note 6 - Endowment Funds**

The Museum's endowment consists of the Museum's Board Designated Endowment and four donor-restricted funds established for the purposes described in Note 2c. Consistent with New York State Not-for-Profit Corporation Law and the New York Prudent Management of Institutional Funds Act ("NYPMIFA"), 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 any 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.

In accordance with NYPMIFA, the Museum considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (i) the duration and preservation of the endowment fund;
- (ii) the purposes of the Museum and the endowment fund;
- (iii) general economic conditions;
- (iv) the possible effect of inflation or deflation;
- (v) the expected total return from income and the appreciation of investments;
- (vi) other resources of the Museum;
- (vii) where appropriate and circumstances would otherwise warrant, alternatives to expenditure of the endowment fund, giving due consideration to the effect that such alternatives may have on the Museum; and
- (viii) the investment policy of the Museum

As of December 31, 2014 and 2013, the Museum's invested endowment funds composition, by type of fund and net asset classification, are summarized as follows:

	<b>2014</b>			
	<b><u>Unrestricted</u></b>	<b><u>Temporarily Restricted</u></b>	<b><u>Permanently Restricted</u></b>	<b><u>Total</u></b>
Donor-restricted endowment funds	\$ -	\$1,888,942	\$10,308,061	\$12,197,003
Board Designated Endowment funds	<u>492,975</u>	<u>-</u>	<u>-</u>	<u>492,975</u>
Total Endowment Funds	<u>\$492,975</u>	<u>\$1,888,942</u>	<u>\$10,308,061</u>	<u>\$12,689,978</u>
	<b>2013</b>			
	<b><u>Unrestricted</u></b>	<b><u>Temporarily Restricted</u></b>	<b><u>Permanently Restricted</u></b>	<b><u>Total</u></b>
Donor-restricted endowment funds	\$ -	\$2,079,910	\$10,293,311	\$12,373,221
Board Designated Endowment funds	<u>499,608</u>	<u>-</u>	<u>-</u>	<u>499,608</u>
Total Endowment Funds	<u>\$499,608</u>	<u>\$2,079,910</u>	<u>\$10,293,311</u>	<u>\$12,872,829</u>

**MUSEUM OF ARTS AND DESIGN**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2014 AND 2013**

**Note 6 - Endowment Funds (continued)**

Changes in endowment funds for the years ended December 31, 2014 and 2013 are summarized as follows:

	<b>2014</b>			<b>Total</b>
	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>	
Endowment funds, beginning of year	<u>\$499,608</u>	<u>\$2,079,910</u>	<u>\$10,293,311</u>	<u>\$12,872,829</u>
Investment Return:				
Investment income, net of fees	8,218	176,342	-	184,560
Net appreciation (realized and unrealized)	<u>7,244</u>	<u>176,131</u>	<u>-</u>	<u>183,375</u>
Total Investment Return	<u>15,462</u>	<u>352,473</u>	<u>-</u>	<u>367,935</u>
Contributions	<u>-</u>	<u>-</u>	<u>14,750</u>	<u>14,750</u>
Appropriation of endowment assets to operations	<u>(22,095)</u>	<u>(543,441)</u>	<u>-</u>	<u>(565,536)</u>
Endowment Funds, End of Year	<u>\$492,975</u>	<u>\$1,888,942</u>	<u>\$10,308,061</u>	<u>\$12,689,978</u>
	<b>2013</b>			
	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>	<b>Total</b>
Endowment funds, beginning of year	<u>\$541,906</u>	<u>\$1,036,268</u>	<u>\$10,292,311</u>	<u>\$11,870,485</u>
Investment Return:				
Investment income, net of fees	12,185	217,482	-	229,667
Net appreciation (realized and unrealized)	<u>70,928</u>	<u>1,343,749</u>	<u>-</u>	<u>1,414,677</u>
Total Investment Return	<u>83,113</u>	<u>1,561,231</u>	<u>-</u>	<u>1,644,344</u>
Contributions	<u>-</u>	<u>-</u>	<u>1,000</u>	<u>1,000</u>
Borrowings for use in operations	<u>(100,000)</u>	<u>-</u>	<u>-</u>	<u>(100,000)</u>
Appropriation of endowment assets to operations	<u>(25,411)</u>	<u>(517,589)</u>	<u>-</u>	<u>(543,000)</u>
Endowment Funds, End of Year	<u>\$499,608</u>	<u>\$2,079,910</u>	<u>\$10,293,311</u>	<u>\$12,872,829</u>

**MUSEUM OF ARTS AND DESIGN**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2014 AND 2013**

**Note 6 - Endowment Funds (continued)**

The Museum has adopted investment and spending policies for endowment assets that attempt to provide a stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Museum must hold in perpetuity as well as board-designated funds. Under this policy, as approved by the Board of Trustees, the endowment assets are invested in a manner that will first and foremost preserve capital, then ultimately seek to provide an average total return of 5.0% above the current inflation rate (CPI), net of fees and other expenses. The target allocation is 65% equities and 35% fixed income, the performance of which is to be measured against the appropriate benchmarks. Actual returns in any given year may vary from the target returns.

To satisfy its long-term rate-of-return objectives, the Museum relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Museum targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

The Museum has a policy of appropriating for distribution each year, 5% of the average fair value of endowment funds over the prior twelve calendar quarters, through the calendar year-end preceding the year, in which the distribution is planned. In establishing this policy, the Museum considered the long-term expected return on its endowment. Accordingly, over the long term, the Museum expects the current spending policy to allow its endowment to grow at the rate of inflation. This is consistent with the Museum's objective to at a minimum maintain the purchasing power of the endowment assets.

**Note 7 - Property and Equipment**

Property and equipment consist of the following:

	<u>Life</u>	<u>2014</u>	<u>2013</u>
Building	40 years	\$ 9,229,600	\$ 9,229,600
Building improvements	15-40 years	70,342,563	70,336,274
Furniture and equipment	5-20 years	4,554,773	4,553,274
Computers	3 years	<u>379,641</u>	<u>377,226</u>
		84,506,577	84,496,374
Less: Accumulated depreciation		<u>(17,598,358)</u>	<u>(14,877,364)</u>
		66,908,219	69,619,010
Land		<u>8,510,400</u>	<u>8,510,400</u>
Net Property and Equipment		<u>\$75,418,619</u>	<u>\$78,129,410</u>

**MUSEUM OF ARTS AND DESIGN**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2014 AND 2013**

**Note 7 - Property and Equipment (continued)**

Total depreciation expense was \$2,720,994 and \$2,720,250 for the years ended December 31, 2014 and 2013, respectively.

Historically, The City of New York has funded capital improvements and purchases of property and equipment. The City's investment of capital funding obligates the Museum to operate the facility as a non-profit entity, open to and used and maintained for the benefit of the people of the City of New York for cultural, educational, artistic uses and/or related purposes approved by the City.

**Note 8 - Line of Credit**

The Museum has an unsecured line of credit with a financial institution in the amount of \$800,000, with an adjustable interest rate tied to the Prime Rate. There were no borrowings outstanding at December 31, 2014. At December 31, 2013, outstanding borrowings under this line of credit totaled \$458,257. The Museum fully repaid the line of credit in 2014.

Interest expense under the line of credit totaled \$16,856 (2014) and \$24,560 (2013).

**Note 9 - Mortgage Payable**

In 2005, the Museum entered into an agreement with the New York City Economic Development Corporation ("EDC") for the purchase of the building at 2 Columbus Circle for its new facilities. The purchase price of the property was \$17,050,000, of which \$2,000,000 was paid in cash and the balance financed by a mortgage payable from the EDC in the amount of \$15,050,000. During 2010, the Museum satisfied a provision in the mortgage regarding the completion of the building renovation, and received a \$2 million reduction on the interest-bearing portion of the mortgage principal. During 2013, the Museum raised the remaining funds necessary to fully repay the remaining principal balance of \$7,079,483 and interest thereon.

Interest expense on this mortgage totaled \$244,895 for 2013.

**MUSEUM OF ARTS AND DESIGN**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2014 AND 2013**

**Note 10 - Commitments and Contingencies**

- a - The Museum leases storage space for its permanent collection under a lease with a term which expires December 31, 2024.

Future minimum payments are as follows:

<u>Year Ending December 31,</u>	
2015	\$ 165,980
2016	170,549
2017	175,229
2018	180,052
2019	185,007
2020 and thereafter	1,003,703

The Museum also pays for other related services under this agreement, and leases other space on a month-to-month as needed basis. Rent expense for the years ended December 31, 2014 and 2013 was \$225,784 and \$236,133 respectively.

- b - The Museum leases certain portions of its facility to a tenant under a lease agreement with a term which expires December 31, 2024, and which includes two 5 year renewal options. The lease provides for annual rent for the primary portion of the premises covered under the lease based on a percentage of the tenant's gross receipts, subject to a fixed dollar minimum of \$180,000. Another portion of the premises covered under this lease provides for a percentage rent with a \$150,000 fixed dollar minimum and includes an annual cancellation provision in the event that the tenant's actual gross receipts are not greater than the minimum rent.

Total rental income recognized under this lease totaled \$636,077 (2014) and \$532,463 (2013).

- c - The Museum entered into an employment contract with an officer, which provides for annual compensation through October 2016. In the event the Museum terminates the contract without cause, severance compensation would be due equal to twelve months salary.
- d - The Museum has been named as one of several defendants in a legal action seeking damages for alleged injuries sustained while near or on the premises of the Museum. This action has been referred to the Museum's insurance company, which has appointed legal counsel. Management believes that the outcome of this action will have no material effect on the financial position of the Museum.
- e - Government supported projects are subject to audit by the respective government agencies.

**MUSEUM OF ARTS AND DESIGN**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2014 AND 2013**

**Note 11 - Donated Services and Materials**

Donated services and materials are recorded at fair value and consist of the following:

	<u>2014</u>	<u>2013</u>
Exhibition fabrication services	\$100,000	\$100,000
Legal (Note 13)	52,000	98,825
Other	<u>19,450</u>	<u>15,450</u>
	<u>\$171,450</u>	<u>\$214,275</u>

**Note 12 - Related Party Transaction**

The law firm in which a trustee of the Museum is a partner provided legal services on a pro bono basis valued at \$52,000 and \$98,825 for the years ended December 31, 2014 and 2013, respectively.

**Note 13 - Defined Contribution Plan**

The Museum maintains a 403(b) defined contribution plan for qualifying eligible employees. No contribution was made for 2013, and in 2014 a Museum match on the first 3% of contributions was instituted. Total expense under this plan for 2014 was \$52,763.

**Note 14 - Functional Allocation of Expenses**

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

**SUPPLEMENTARY INFORMATION**



**LUZ AND CARR**

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**INDEPENDENT AUDITORS' REPORT ON  
SUPPLEMENTARY INFORMATION**

To the Board of Trustees of  
Museum of Arts and Design

We have audited the financial statements of Museum of Arts and Design as of and for the years ended December 31, 2014 and 2013, and our report thereon dated June 3, 2015, which expressed an unmodified opinion on those financial statements, appears on pages 1 and 2. Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The Schedule of Functional Expenses for the year ended December 31, 2014 with comparative totals for 2013 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*Lutz + Carr, LLP*

New York, New York  
June 3, 2015



## MUSEUM OF ARTS AND DESIGN

## SCHEDULE OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2014 WITH COMPARATIVE TOTALS FOR 2013

	Program Services				Supporting Services				2014	2013
	Exhibitions	Curatorial	Education and Other	Total	Administration	Membership and Development	Capital Campaign	Total	Total Expenses	Total Expenses
Salaries and fringe benefits	\$1,428,439	\$ 648,261	\$1,735,857	\$ 3,812,557	\$ 255,282	\$ 637,439	\$ -	\$ 892,721	\$ 4,705,278	\$ 4,813,028
Speakers and instructors	-	-	46,865	46,865	-	-	-	-	46,865	65,220
Professional fees	232,102	41,728	442,864	716,694	236,280	161,838	1,000	399,118	1,115,812	1,060,631
Legal services	-	-	-	-	52,000	-	-	52,000	52,000	98,825
Installation and design	656,417	-	-	656,417	-	-	-	-	656,417	701,649
Video documentation and photos	41,101	-	6,124	47,225	-	3,520	1,750	5,270	52,495	48,045
Security services	253,766	-	63,435	317,201	33,835	12,796	-	46,631	363,832	337,368
Storage and warehouse	66,616	139,089	9,381	215,086	17,413	-	-	17,413	232,499	251,195
Building service contracts	218,063	-	26,836	244,899	42,935	2,305	3,684	48,924	293,823	348,359
Electricity	688,005	-	86,001	774,006	86,000	-	-	86,000	860,006	960,208
Telephone	3,817	1,527	5,295	10,639	3,240	4,502	-	7,742	18,381	26,056
Insurance	1,504	11,706	23,209	36,419	119,087	251	-	119,338	155,757	141,471
Supplies	30,469	4,562	92,094	127,125	17,527	36,416	-	53,943	181,068	209,301
Printing	94,932	2,223	17,573	114,728	6,552	109,640	7,136	123,328	238,056	272,158
Postage	15,268	701	1,889	17,858	1,511	43,843	-	45,354	63,212	47,782
Shipping and crating	775,991	9,343	93,601	878,935	1,299	7,618	-	8,917	887,852	568,727
Equipment and maintenance	22,806	19,598	37,298	79,702	21,824	30,648	-	52,472	132,174	153,422
Travel and meals	50,480	3,217	4,968	58,665	34,355	38,159	81	72,595	131,260	102,692
Catering	59	-	3,970	4,029	-	38,809	7,808	46,617	50,646	28,303
Advertising and promotion	425	127	4,409	4,961	6,332	272,194	-	278,526	283,487	205,701
Interest	-	-	4,214	4,214	12,642	-	-	12,642	16,856	269,994
Conservation	3,208	2,955	-	6,163	-	-	-	-	6,163	13,347
Bank and credit card fees	1,657	-	70,207	71,864	16,882	34,676	1,921	53,479	125,343	113,885
Property taxes	-	-	-	-	53,954	-	-	53,954	53,954	26,922
Bad debt expenses	-	-	-	-	-	-	-	-	-	20,000
Miscellaneous	5,594	151	1,036	6,781	3,686	7,595	-	11,281	18,062	8,226
Total expenses before depreciation and amortization	4,590,719	885,188	2,777,126	8,253,033	1,022,636	1,442,249	23,380	2,488,265	10,741,298	10,892,515
Depreciation and amortization	2,176,795	-	272,099	2,448,894	272,100	-	-	272,100	2,720,994	3,010,705
Total Expenses, 2014	<u>\$6,767,514</u>	<u>\$ 885,188</u>	<u>\$3,049,225</u>	<u>\$10,701,927</u>	<u>\$ 1,294,736</u>	<u>\$ 1,442,249</u>	<u>\$ 23,380</u>	<u>\$2,760,365</u>	<u>\$13,462,292</u>	
Total Expenses, 2013	<u>\$6,693,513</u>	<u>\$1,077,380</u>	<u>\$3,263,879</u>	<u>\$11,034,772</u>	<u>\$ 1,459,535</u>	<u>\$ 1,333,865</u>	<u>\$ 75,048</u>	<u>\$2,868,448</u>		<u>\$13,903,220</u>

See independent auditors' report on supplementary information.