HONOLULU ACADEMY OF ARTS
DBA HONOLULU MUSEUM OF ART

Financial Statements and Schedule

June 30, 2012 and 2011

(With Independent Auditors' Report Thereon)

KPMG LLP
PO Box 4150
Honolulu, HI 96812-4150

Independent Auditors' Report

The Board of Trustees
Honolulu Academy of Arts dba Honolulu Museum of Art:

We have audited the accompanying statements of financial position of Honolulu Academy of Arts dba Honolulu Museum of Art (the Museum) as of June 30, 2012 and 2011, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Museum's management. 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 includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Museum's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Honolulu Academy of Arts dba Honolulu Museum of Art as of June 30, 2012 and 2011, and the changes in its net assets and its cash flows for the years then ended, in conformity with U.S. generally accepted accounting principles.

As discussed in note 1 to the financial statements, on July 1, 2011, certain assets of The Contemporary Museum were gifted to the Museum.

Our audits were conducted for the purpose of forming an opinion on the financial statements taken as a whole. The supplementary information included in the schedule 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 taken as a whole.

KPMG LLP

Honolulu, Hawaii
August 30, 2013

HONOLULU ACADEMY OF ARTS
DBA HONOLULU MUSEUM OF ART

Statements of Financial Position

June 30, 2012 and 2011

Assets		2012	2011
Cash	$	2,067,199	1,167,622
Inventories		335,644	402,744
Contributions receivable, net		227,500	117,500
Prepaid expenses and other		356,988	643,442
Contributed rent		478,739	601,484
Investment in real estate		7,500,000	—
Land, buildings, and equipment, net of accumulated depreciation		33,472,449	27,792,725
Long-term investments		57,748,344	51,712,785
Beneficial interest in perpetual trusts		15,058,905	16,161,327
Total assets	$	117,245,768	98,599,629
Liabilities and Net Assets			
Liabilities:			
Accounts payable and accrued expenses	$	891,119	1,245,494
Liabilities under split-interest agreements		2,584,796	2,549,673
Loans payable		4,621,993	4,017,381
Deferred revenue		661,133	690,813
Pension and other retirement obligations		6,188,046	4,666,941
Other		70,326	50,529
Total liabilities		15,017,413	13,220,831
Net assets:			
Unrestricted:			
Undesignated		22,327,767	18,459,220
Temporarily restricted		10,899,803	4,020,680
Permanently restricted		69,000,785	62,898,898
Total net assets		102,228,355	85,378,798
Commitments and contingencies			
Total liabilities and net assets	$	117,245,768	98,599,629

See accompanying notes to financial statements.

HONOLULU ACADEMY OF ARTS
DBA HONOLULU MUSEUM OF ART

Statement of Activities

Year ended June 30, 2012

	Unrestricted	Temporarily restricted	Permanently restricted	Total
Revenues, gains, and other support:				
Gifts and bequests	$ 12,281,386	8,534,229	8,169,255	28,984,870
Net realized and unrealized loss on investments	(820,561)	(389,924)	(964,946)	(2,175,431)
Impairment loss on investment in real estate	(800,000)			(800,000)
Loss on sale of property, plant, and equipment	(5,201)	—	—	(5,201)
Change in value of split-interest agreements	(385,082)	5,320	(1,102,422)	(1,482,184)
Dividends and interest, net of investment fees and expenses of $405,746	313,505	238,278	—	551,783
Sales of the Academy shop	718,191	—	—	718,191
Trusts:				
R. Allerton Acquisition Fund and R. Allerton Trust	624,206	31,297	—	655,503
Others	218,233	25,006	—	243,239
Membership fees	856,077	—	—	856,077
Tuition and fees	1,107,290	—	—	1,107,290
Pavilion and Spalding House Cafes	813,247	—	—	813,247
Admissions	368,805	—	—	368,805
Governmental grants	19,707	—	—	19,707
Special events and other	2,355,620	—	—	2,355,620
Net assets released from restrictions – satisfaction of program and art and equipment acquisitions restrictions	1,565,083	(1,565,083)	—	—
Total revenues, gains, and other support	19,230,506	6,879,123	6,101,887	32,211,516
Expenses:				
Program services:				
Education	3,399,517	—	—	3,399,517
Special exhibitions	2,674,343	—	—	2,674,343
Curatorial and conservation	1,851,599	—	—	1,851,599
Auxiliary services:				
Academy shop	869,403	—	—	869,403
Pavilion and Spalding House Cafes	974,574	—	—	974,574
Art acquisitions	38,828	—	—	38,828
Total program services	9,808,264	—	—	9,808,264
Supporting services:				
Management and general	2,175,131	—	—	2,175,131
Development	1,440,166	—	—	1,440,166
Total supporting services	3,615,297	—	—	3,615,297
Total expenses	13,423,561	—	—	13,423,561
Change in net assets, before retirement plan changes other than net periodic benefit cost	5,806,945	6,879,123	6,101,887	18,787,955
Retirement plan changes other than net periodic benefit cost	(1,938,398)	—	—	(1,938,398)
Change in net assets	3,868,547	6,879,123	6,101,887	16,849,557
Net assets at beginning of year	18,459,220	4,020,680	62,898,898	85,378,798
Net assets at end of year	$ 22,327,767	10,899,803	69,000,785	102,228,355

See accompanying notes to financial statements.

HONOLULU ACADEMY OF ARTS
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Statement of Activities

Year ended June 30, 2011

	Unrestricted	Temporarily restricted	Permanently restricted	Total
Revenues, gains, and other support:				
Gifts and bequests	$ 1,739,838	972,719	177,713	2,890,270
Net realized and unrealized gain on investments	4,071,765	658,958	3,289,139	8,019,862
Gain on sale of property, plant, and equipment	208,887	—	—	208,887
Change in value of split-interest agreements	(237,009)	5,693	2,065,325	1,834,009
Dividends and interest, net of investment fees and expenses of $354,575	229,665	130,927	—	360,592
Sales of the Academy shop	751,781	—	—	751,781
Trusts:				
R. Allerton Acquisition Fund and R. Allerton Trust	638,263	43,730	—	681,993
Others	252,988	23,531	—	276,519
Membership fees	869,448	—	—	869,448
Tuition and fees	967,242	—	—	967,242
Pavilion cafe	599,339	—	—	599,339
Admissions	234,079	—	—	234,079
Governmental grants	13,389	—	—	13,389
Special events and other	1,549,962	198	—	1,550,160
Net assets released from restrictions – satisfaction of program and art and equipment acquisitions restrictions	751,080	(751,080)	—	—
Total revenues, gains, and other support	12,640,717	1,084,676	5,532,177	19,257,570
Expenses:				
Program services:				
Education	2,926,508	—	—	2,926,508
Special exhibitions	1,790,917	—	—	1,790,917
Curatorial and conservation	1,209,316	—	—	1,209,316
Auxiliary services:				
Academy shop	648,655	—	—	648,655
Pavilion cafe	734,232	—	—	734,232
Art acquisitions	29,502	—	—	29,502
Total program services	7,339,130	—	—	7,339,130
Supporting services:				
Management and general	2,229,672	—	—	2,229,672
Development	1,636,520	—	—	1,636,520
Total supporting services	3,866,192	—	—	3,866,192
Total expenses	11,205,322	—	—	11,205,322
Change in net assets, before retirement plan changes other than net periodic benefit cost	1,435,395	1,084,676	5,532,177	8,052,248
Retirement plan changes other than net periodic benefit cost	959,932	—	—	959,932
Change in net assets	2,395,327	1,084,676	5,532,177	9,012,180
Net assets at beginning of year	16,063,893	2,936,004	57,366,721	76,366,618
Net assets at end of year	$ 18,459,220	4,020,680	62,898,898	85,378,798

See accompanying notes to financial statements.

HONOLULU ACADEMY OF ARTS
DBA HONOLULU MUSEUM OF ART

Statements of Cash Flows

Years ended June 30, 2012 and 2011

	2012	2011
Cash flows from operating activities:		
Change in net assets	$ 16,849,557	9,012,180
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Contributions of land and building	(6,300,000)	—
Contributions of investment in real estate	(8,300,000)	—
Contributions of investments	(8,023,428)	—
Depreciation and amortization	1,075,504	1,044,061
Net realized and unrealized loss (gain) on investments	2,175,431	(8,019,862)
Impairment loss on investment in real estate	800,000	—
Loss (gain) on sale of land, buildings, and equipment	5,201	(208,887)
Change in value of split-interest agreements	1,482,184	(1,834,009)
Decrease (increase) in inventories	67,100	(21,861)
Decrease (increase) in contributions receivable	(110,000)	8,870
Decrease (increase) in prepaid expenses and other	286,454	(421,913)
Increase (decrease) in accounts payable and accrued expenses	(354,375)	364,001
Decrease in liabilities under split-interest agreements	(344,639)	(337,982)
Decrease in deferred revenue	(29,680)	(174,449)
Increase (decrease) in pension and other retirement obligations	1,521,105	(1,102,259)
Increase (decrease) in other liabilities	19,797	(13,577)
Contributions restricted for long-term investment	(3,660,143)	(278,778)
Art acquisitions	38,828	5,000
Net cash used in operating activities	(2,801,104)	(1,979,465)
Cash flows from investing activities:		
Proceeds from sale of investments	24,692,819	10,531,702
Purchase of investments	(24,880,381)	(9,009,910)
Purchases of buildings and equipment	(337,934)	(702,708)
Proceeds from sale of land, buildings, and equipment	250	484,217
Art acquisitions	(38,828)	(5,000)
Net cash (used in) provided by investing activities	(564,074)	1,298,301
Cash flows from financing activities:		
Proceeds from issuance of loans payable	752,994	105,136
Payments on loans payable	(148,382)	(14,368)
Proceeds from contributions restricted for:		
Investment in endowment	3,343,214	177,713
Investment in land, buildings, and equipment	316,929	101,065
Net cash provided by financing activities	4,264,755	369,546
Net increase (decrease) in cash	899,577	(311,618)
Cash at beginning of year	1,167,622	1,479,240
Cash at end of year	$ 2,067,199	1,167,622
Supplemental cash flow information:		
Interest paid	$ 106,921	74,927

See accompanying notes to financial statements.

(1) Summary of Significant Accounting Policies

(a) General

The Honolulu Academy of Arts dba Honolulu Museum of Art (the Museum) was founded in 1927 to provide educational and cultural enrichment in the arts. It is a private, nonprofit institution accredited by the American Association of Museums. The Museum's operations are conducted in the state of Hawaii.

On July 1, 2011, subject to the restrictions and conditions of the gift agreement signed by The Contemporary Museum (TCM) and the Museum, TCM gifted artwork, real property, pledge receivables, cash, and investments, to the extent transferable, to the Museum. The Museum recorded approximately $25,491,000 as gifts and bequests related to the gift agreement in the accompanying statement of activities based on restrictions stipulated by the donor. Unrestricted, temporarily restricted, and permanently restricted net assets increased by approximately $10,260,000, $7,752,000, and $7,479,000, respectively.

The real property gifted, comprised of three residential properties, was recorded at an appraised values totaling $14,600,000. Pursuant to the gift agreement, one property is to be used in the operations of the Museum and is recorded as a component of land, buildings, and equipment at a carrying value of $6,300,000. The remaining properties are recorded as investment in real estate to be sold with a portion of the proceeds to be used to repay the Museum's loans payable balance. Proceeds in excess of the loans payable balance are to be used at the direction of the board of trustees. At June 30, 2012, the Museum's outstanding loans payable balance amounted to $4,621,933, and accordingly, the portion of the gift restricted for repayment of the loans payable balance was recorded as temporarily restricted in the accompanying statement of activities.

Investments in marketable securities gifted by TCM amounted to approximately $7,041,000 on the date of the gift based on quoted market prices.

(b) Financial Statement Presentation

Net assets and revenues, gains, and other support and expenses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Museum and changes therein are classified and reported as follows:

Unrestricted Net Assets – Net assets not subject to donor-imposed stipulations.

Temporarily Restricted Net Assets – Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Museum and/or the passage of time.

Permanently Restricted Net Assets – Net assets subject to donor-imposed stipulations that must be maintained permanently by the Museum. The donors of these assets permit the Museum to use all of the income earned on related investments for general or specific purposes.

(Continued)

(c) Inventories

Merchandise inventories consist of gift shop and pavilion cafe items and are recorded at the lower of cost (specific identification) or market.

(d) Investments

Marketable securities are reported at fair value with unrealized gains and losses included in the statements of activities. Fair value is based on quoted market prices.

The Museum's alternative investments include hedge funds and "fund of funds," which may be invested in less liquid assets. Fair value is generally based on information provided by the respective external investment managers that is reviewed by management. The Museum believes that the carrying amount of these alternative investments is a reasonable estimate of fair value as of the respective balance sheet dates. Because alternative investments are not readily marketable, their estimated value is subject to uncertainty and, therefore, may differ from the value that would have been used had a ready market for such investment existed. Such differences could be material. As described in note 1(o), the Museum utilized the net asset value per share at the respective balance sheet dates for certain alternative investments as a practical expedient for the estimation of the fair value of these investments.

Gains and losses on investments are reported in the statements of activities as increases or decreases in unrestricted net assets unless their use is temporarily or permanently restricted by explicit donor stipulations or by law.

(e) Investment in real estate

Investment in real estate is reported at the lower of carrying value or fair value. Investment in real estate is reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. An impairment is recognized to the extent that the carrying value exceeds its fair value. Fair value is determined through various valuation techniques, including quoted market values and third-party independent appraisals, as considered necessary. In 2012, the Museum recorded an impairment loss of $800,000 in the statement of activities.

(f) Land, Buildings, and Equipment

Land, buildings, and equipment are capitalized at cost, if purchased, or at fair market value at the date of the donation. Assets contributed for which the fair value is not determinable at the date of donation are recorded, as support, if and when such values are determined.

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

Depreciation on buildings and equipment is calculated on the straight-line method over the estimated useful lives of the assets.

(g) Contributions

Contributions are recorded in the period received. Unconditional promises to give (contributions receivable) that are expected to be collected within one year are recorded at net realizable value. Contributions receivable that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using interest rates commensurate with the associated risks to the years in which promises are received. Amortization of the discounts is included in gifts and bequests. Conditional contributions are recorded at their estimated fair value in the period the conditions are met or in the period received if there is only a remote likelihood that those conditions will not be met.

The Museum provides an allowance for uncollectible contributions based upon historical experience with its donors as well as individual donor circumstances.

The Museum reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the accompanying statements of activities as net assets released from restrictions.

(h) Split-Interest Agreements

The Museum's split-interest agreements with donors consist of irrevocable pooled income funds, charitable remainder trusts, and charitable gift annuities for which the Museum serves as trustee. Assets held under these split-interest agreements are included in investments. Contribution revenues are recognized upon the effective date of the split-interest agreements as gifts and bequests in the accompanying statement of activities. Liabilities are recorded for the present value (utilizing discount rates ranging between 3% and 7%) of the estimated future payments to be made to the donors and/or other beneficiaries. The liabilities are subsequently adjusted during the term of the split-interest agreements for changes in the fair value of the assets, accretion of the discount, and other changes in the estimates of future benefits. For the years ended June 30, 2012 and 2011, gifts and bequests related to pooled income funds, charitable remainder trusts, and charitable gift annuities amounted to approximately $161,000 and $0, respectively. For the years ended June 30, 2012 and 2011, changes in the value of split-interest agreements related to pooled income funds, charitable remainder trusts, and charitable gift annuities amounted to $(379,762) and $(180,009), respectively.

(i) Beneficial Interest in Perpetual Trusts

The Museum receives contributions of interests in irrevocable perpetual trusts of which third-party entities serve as trustee. Initial recognition and subsequent adjustments to the Museum's beneficial interest in the trust assets carrying values are recognized as gifts and bequests revenue and changes in value of beneficial interest in perpetual trusts, respectively, and are classified as permanently restricted, as the trusts are to be invested in perpetuity by the trustee. For the years ended June 30, 2012 and 2011, income generated from the Museum's interests in beneficial interest in perpetual trusts amounted to $898,742 and $958,512, respectively. For the years ended June 30, 2012 and 2011, changes in the value of split-interest agreements associated with beneficial interests in perpetual trusts amounted to $(1,102,422) and $2,065,325, respectively. There were no new beneficial interests in perpetual trusts in 2012 and 2011.

(j) Art Collection

The Museum's art collection comprises works of art, which are held for exhibition, research, and educational purposes. Each of the items is cataloged, preserved, and cared for, and activities verifying their existence and assessing their condition are performed continuously. The collections are subject to a policy that requires proceeds from their sales to be used to acquire other items for the collection.

Works of art in the Museum's collection are not recognized as assets in the statements of financial position. Purchases of art are recorded as decreases in unrestricted net assets in the year in which the items are acquired.

(k) Pension and Other Postretirement Plans

The Museum has a noncontributory defined benefit pension plan covering substantially all of its employees upon their retirement. The benefits are based on age, years of service, and the level of compensation during the five years before retirement. The Museum also sponsors a defined benefit postretirement plan for select employees.

The Museum records annual amounts relating to its pension and postretirement plans based on calculations that incorporate various actuarial and other assumptions, including discount rates, mortality, assumed rates of return, compensation increases, and turnover rates. The Museum reviews its assumptions on an annual basis and makes modifications to the assumptions based on current rates and trends when it is appropriate to do so. The Museum believes that the assumptions utilized in recording its obligations under its plans are reasonable based on its experience and market conditions. The effect of modifications to those assumptions is recorded in its changes in unrestricted net assets and amortization to net periodic cost over future periods. The Museum uses a measurement date of June 30.

The net periodic costs are recognized as employees render the services necessary to earn the pension and postretirement benefits.

(l) Deferred Revenue

Deferred revenue represents annual membership dues collected for future periods subsequent to June 30, 2012 and 2011, and for exhibition fees received as deposits for traveling exhibitions organized by the Museum.

(Continued)

(m) Long-Lived Assets

Long-lived assets, such as property, plant, and equipment, and purchased intangibles subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If circumstances require a long-lived asset be tested for possible impairment, the Museum first compares undiscounted cash flows expected to be generated by an asset to the carrying value of the asset. If the carrying value of the long-lived asset is not recoverable on an undiscounted cash flow basis, an impairment is recognized to the extent that the carrying value exceeds its fair value. Fair value is determined through various valuation techniques, including discounted cash flow models, quoted market values, and third-party independent appraisals, as considered necessary.

(n) Income Taxes

The Museum is an organization exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code and is generally not subject to federal income taxes. However, the Museum is subject to income taxes on any net income that is derived from a trade or business, regularly carried on, and not in furtherance of the purposes for which it was granted exemption. No income tax provision has been recorded as the net income, if any, from any unrelated trade or business, in the opinion of management, is not material to the financial statements taken as a whole.

The Museum recognizes the effect of income tax positions only if such positions are more likely than not of being sustained.

(o) Fair Value Measurements

The Museum applies the provisions of Financial Accounting Standards Board Accounting Standard Codification (ASC) Topic 820, *Fair Value Measurement*, for fair value measurements of financial assets and financial liabilities and for fair value measurements of nonfinancial items that are recognized or disclosed at fair value in the financial statements on a recurring basis. ASC Topic 820 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. ASC Topic 820 also establishes a framework for measuring fair value and expands disclosures about fair value measurements (note 12).

The Museum applies the provisions of ASC Topic 820 to nonfinancial assets and nonfinancial liabilities that are recognized or disclosed at fair value in the financial statements on a nonrecurring basis.

The Museum applies the provisions of Accounting Standards Update No. 2009-12, *Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent),* to its alternative investments. This standard amends ASC Topic 820 and allows for the estimation of the fair value of investments in investment companies for which the investment does not have a readily determinable fair value, using net asset value per share or its equivalent as a practical expedient.

(p) Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Significant items subject to such estimates and assumptions include the carrying amounts of land, buildings, and equipment, valuation of contributions and other receivables, investment in real estate, long-term investments, beneficial interest in perpetual trusts, liabilities under split-interest agreements, and assets and obligations related to retirement plans. Actual results could differ from those estimates. The current economic environment has increased the degree of uncertainty inherent in these estimates.

(2) Contributions Receivable

Contributions receivable amounted to $227,500 and 117,500 at June 30, 2012 and 2011, respectively, and are expected to be received within one year.

(3) Contributed Rent

The Museum leases land and a building for its Art Center at Linekona from the state of Hawaii. The lease is for a term of 55 years, through November 30, 2041. For the 10-year period beginning December 1, 2006, the lease is payable in annual installments of $480. The annual rent will then be renegotiated at the expiration of the thirtieth (2016), fortieth (2026), and fiftieth (2036) year.

Contributed rent represents the net present value of the difference between the fair rental value of the property and the stated amount of the lease payments, which does not exceed the fair value of the real property at the lease commencement date. The amount is considered a temporarily restricted asset and will be released to unrestricted over the lease term.

Contributed rent at June 30, 2012 and 2011 is $478,739 and $601,484, respectively, and the related amortization for the years ended June 30, 2012 and 2011 is $122,745 and $128,656, respectively. The contribution is discounted using the risk-free rate on the lease date of 4.81%.

(Continued)

(4) Land, Buildings, and Equipment

A summary of land, buildings, and equipment at June 30, 2012 and 2011 is as follows:

	Depreciable lives		Cost 2012	Cost 2011
Depreciable assets:				
Land improvements	20 years	$	267,983	267,983
Buildings	20 – 50 years		35,565,695	33,366,020
Equipment	5 – 10 years		4,784,502	4,662,628
			40,618,180	38,296,631
Less accumulated depreciation			14,763,969	13,817,520
			25,854,211	24,479,111
Land			6,530,276	2,343,276
Construction in progress			1,087,962	970,338
		$	33,472,449	27,792,725

Depreciation expense for the years ended June 30, 2012 and 2011 was $952,759 and $905,405, respectively.

(5) Art Collection

The Museum does not estimate the value of art objects acquired by gift. The cost of objects purchased was $38,828 and $5,000 for the years ended June 30, 2012 and 2011, respectively, and was charged to net assets in the statements of activities.

Gifts of cash or other property restricted by donors for the purchase of art and artifacts for the collection or proceeds from deaccessions are recognized as income in temporarily restricted net assets and are only available to purchase art and artifacts for the Museum's collection. There were no proceeds from sale of collection items during the years ended June 30, 2012 and 2011. Unexpended gifts are included in the temporarily restricted net assets at June 30, 2012 and 2011.

(6) Loans Payable

Loans payable at June 30, 2012 and 2011 consist of the following:

		2012	2011
Borrowings under a $3,500,000 term loan with a bank, various interest rate options available at bank's base rate or LIBOR (1.54% at June 30, 2012), accrued interest due monthly, with principal due January 2015	$	3,459,663	3,459,663
Borrowings under a $1,556,500 adjustable rate term loan with a bank, interest at 6.15% through May 10, 2020, with a new fixed rate determined based on prevailing rates, interest-only payments for the first 12 months, with equal monthly installments of principal and interest of $17,398, final payment due May 2021		1,162,330	557,718
Total loans payable	$	4,621,993	4,017,381

The credit agreements contain requirements for financial reporting to the banks, and restrictions on additional liens on assets and further significant indebtedness, as defined.

The aggregate maturities of long-term debt for each of the five years subsequent to June 30, 2012 and thereafter are as follows:

Year ending June 30:		
2013	$	141,230
2014		150,164
2015		3,619,327
2016		169,505
2017		180,505
Thereafter		361,262
	$	4,621,993

(7) Leases

(a) As Lessor

The Museum is lessor under month-to-month operating leases for residential and commercial property in Honolulu. The commercial leases require that the lessee pay common area maintenance costs. Total rental income and common area recoveries for the years ended June 30, 2012 and 2011 were $3,000 and $14,675, respectively.

(b) As Lessee

The Museum leases land, building, and improvements from the state of Hawaii for its Linekona Art Center under an operating lease agreement that expires in 2041. The Museum also leases storage space under various operating leases on a month-to-month basis.

Total rent expense under operating leases for the years ended June 30, 2012 and 2011 was $150,867 and $48,715, respectively.

Future minimum lease commitments under operating leases as of June 30, 2012 are as follows:

Year ending June 30:		
2013	$	480
2014		480
2015		480
2016		480
2017		480
Thereafter		11,720
	$	14,120

(8) Temporarily Restricted Net Assets

Temporarily restricted net assets at June 30, 2012 and 2011 are available for the following purposes:

		2012	2011
Repayment of loans payable	$	4,621,993	—
Spalding House		1,285,000	—
Education		1,686,979	1,186,367
Museum operations		1,159,870	874,966
Art acquisitions		960,068	930,728
Special exhibitions		607,935	560,613
Curatorial and conservation		577,958	468,006
	$	10,899,803	4,020,680

Net assets in the amount of $1,565,083 and $751,080 for the years ended June 30, 2012 and 2011, respectively, were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors as follows:

		2012	2011
Special exhibitions	$	491,398	39,878
Spalding House		416,667	—
Education		346,025	322,356
Curatorial and conservation		225,706	251,853
Art acquisitions		38,828	5,000
Auxiliary and other		46,459	131,993
	$	1,565,083	751,080

(9) Permanently Restricted Net Assets

At June 30, 2012 and 2011, permanently restricted net assets (e.g., endowment funds) consisted of the following:

		2012	2011
Museum operations	$	53,324,766	47,571,153
Art acquisitions		7,567,161	7,547,161
Curatorial and conservation		3,384,900	3,403,355
Education		3,248,596	2,980,171
Special exhibitions		1,475,362	1,397,058
	$	69,000,785	62,898,898

(10) Retirement Plans Benefits

The Museum has a noncontributory defined benefit pension plan (pension plan) covering substantially all of its employees upon their retirement. The benefits are based on age, years of service, and the level of compensation during the five years before retirement. The Museum makes annual contributions to the plan consistent with the funding requirements of the Employee Retirement Income Security Act. The pension plan was frozen on June 1, 2009, and no participants have accrued any benefits under the pension plan after the plan’s freeze.

The Museum also sponsors a noncontributory defined benefit supplemental retirement plan that provides retirement benefits to select full-time employees.

Actuarial gains and losses are generally amortized subject to the corridor, over the average remaining service life of the Museum’s active employees. The Museum uses a June 30 measurement date.

The following table sets forth the plan's benefit obligations, fair value of plan assets, and funded status at June 30, 2012 and 2011:

	2012		2011	
	Pension benefits	Supplemental retirement plan benefits	Pension benefits	Supplemental retirement plan benefits
Benefit obligation	$ (12,978,685)	(714,737)	(11,431,150)	(719,339)
Fair value of plan assets	7,505,376	—	7,483,548	—
Funded status	$ (5,473,309)	(714,737)	(3,947,602)	(719,339)
Amounts recognized in the statements of financial position consist of:				
Liabilities	$ 5,473,309	714,737	3,947,602	719,339

Amounts recognized in change in net assets consist of the following:

	2012		2011	
	Pension benefits	Supplemental retirement plan benefits	Pension benefits	Supplemental retirement plan benefits
Net periodic benefit cost	$ (82,435)	(30,869)	(219,886)	(31,926)
Net gain (loss)	(1,920,449)	(17,949)	977,054	(21,358)
	$ (2,002,884)	(48,818)	757,168	(53,284)

Weighted average assumptions used to determine benefit obligations for 2012 and 2011 were as follows:

	2012		2011	
	Pension benefits	Supplemental retirement plan benefits	Pension benefits	Supplemental retirement plan benefits
Discount rate	3.95%	2.95%	5.50%	4.97%
Rate of compensation increase	—	3.00	—	3.00

Weighted average assumptions used to determine net benefits cost for 2012 and 2011 were as follows:

	2012		2011	
	Pension benefits	**Supplemental retirement plan benefits**	**Pension benefits**	**Supplemental retirement plan benefits**
Discount rate	5.50%	4.97%	5.44%	5.22%
Expected long-term rate of return on plan assets	7.50	N/A	7.50	N/A
Rate of compensation increase	—	3.00	—	3.00

The Museum's overall expected long-term rate of return on assets is 7.5%. The expected long-term rate of return is based on the portfolio as a whole and not on the sum of the return on individual asset categories. The return is based exclusively on historical returns, without adjustments.

The following table summarizes employer contributions and benefits paid during the years ended June 30, 2012 and 2011:

	2012		2011	
	Pension benefits	**Supplemental retirement plan benefits**	**Pension benefits**	**Supplemental retirement plan benefits**
Employer contributions	$ 477,177	53,420	344,955	53,420
Benefits paid	(597,604)	(53,420)	(575,722)	(53,420)

(a) Plan Assets

The asset allocations of the Museum's pension benefits as of the June 30 measurement date were as follows:

	2012	**2011**
Asset category:		
Equity securities	59.00%	60.00%
Debt securities	39.00	38.00
Other	2.00	2.00
Total	100.00%	100.00%

The Museum's investment policies and strategies for the pension benefits plan do not use target allocations for the individual asset categories. The Museum's investment goals are to maximize returns subject to specific risk management policies. Its risk management policies permit investments in mutual funds, debt and equity securities, and prohibits investments in derivative financial instruments, commodities, and foreign securities, other than those listed on a major U.S. security exchange. The Museum addresses diversification by the use of mutual fund investments whose underlying investments are in domestic and international fixed-income securities and domestic and international equity securities. These mutual funds are readily marketable and can be sold to fund benefit payment obligations as they become payable.

The following tables summarize the asset allocations of the Museum's pension plan assets as of June 30, 2012 and 2011:

	Fair value measurements at June 30, 2012			
	Pension benefits – plan assets			
	Total	Quoted prices in active markets for identical assets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Asset category:				
Cash	$ 132,702	132,702	—	—
U.S. Treasury obligations	26,300	—	26,300	—
U.S. government agencies	471,117	—	471,117	—
Municipal obligations	84,177	—	84,177	—
Mutual funds – equities	2,706,597	2,706,597	—	—
Corporate bonds	1,260,564	—	1,260,564	—
Corporate stock	2,823,919	2,823,919	—	—
Total	$ 7,505,376	5,663,218	1,842,158	—

		Fair value measurements at June 30, 2011			
		Pension benefits – plan assets			
		Total	Quoted prices in active markets for identical assets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Asset category:					
Cash	$	136,702	136,702	—	—
U.S. Treasury obligations		36,867	—	36,867	—
U.S. government agencies		645,643	—	645,643	—
Municipal obligations		76,704	—	76,704	—
Mutual funds – equities		2,951,013	2,951,013	—	—
Corporate bonds		926,063	—	926,063	—
Corporate stock		2,710,556	2,710,556	—	—
Total	$	7,483,548	5,798,271	1,685,277	—

(b) Cash Flows

The Museum expects to contribute $53,420 to its supplemental retirement plan in fiscal year 2013.

The benefits expected to be paid from the pension plan in each year from 2013 to 2017 are $676,000, $728,000, $769,000, $784,000, and 807,000, respectively. The aggregate benefits expected to be paid in the five years from 2017 to 2022 are $4,059,000. The expected benefits are based on the same assumptions used to measure the Museum’s benefit obligation at June 30 and include estimated future employee service.

The benefits expected to be paid for the supplemental retirement plan in each year from 2013 to 2017 is $55,000. The aggregate benefits expected to be paid in the five years from 2018 to 2022 are $275,000. The expected benefits are based on the same assumptions used to measure the Museum’s benefit obligation at June 30 and include estimated future employee service.

(11) Endowment

The Museum’s endowment consists of approximately 50 individual donor-restricted funds established for a variety of purposes. As required by GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions. At June 30, 2012 and 2011, the donor-restricted endowment fund amounted to $62,685,040 and $59,230,965, respectively. The Museum has no board-designated endowments at June 30, 2012 and 2011.

(a) Interpretation of Relevant Law

The Board of the Museum (Board) has interpreted Hawaii's Uniform Prudent Management of Institutional Funds Act (HUPMIFA), which was enacted by the state of Hawaii on July 1, 2009, as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Museum classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. Unless otherwise stated in the gift instrument, 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 expended by the Museum in a manner consistent with the standard of prudence prescribed by HUPMIFA. In accordance with HUPMIFA, the Museum considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

(1) The duration and preservation of the fund

(2) The purposes of the Museum and the donor-restricted endowment fund

(3) General economic conditions

(4) The possible effect of inflation and deflation

(5) The expected total return from income and the appreciation of investments

(6) Other resources of the Museum

(7) The investment policies of the Museum

For the years ended June 30, 2012 and 2011, the changes in donor-restricted endowment net assets are as follows:

		Unrestricted	Temporarily restricted	Permanently restricted	Total
Endowment net assets, June 30, 2010	$	(6,621,105)	749,601	57,366,721	51,495,217
Investment return:					
Dividends and interest, net of management fees and expenses		—	314,043	—	314,043
Net realized and unrealized losses		1,457,515	1,977,884	3,289,139	6,724,538
Total net investment return		1,457,515	2,291,927	3,289,139	7,038,581
Change in value of split-interest agreements		—	—	2,065,325	2,065,325
Gifts and bequests		—	—	177,713	177,713
Appropriation of endowment assets for expenditures		—	(1,545,871)	—	(1,545,871)
Endowment net assets, June 30, 2011		(5,163,590)	1,495,657	62,898,898	59,230,965
Investment return:					
Dividends and interest, net of management fees and expenses		—	482,702	—	482,702
Net realized and unrealized losses		(2,346,571)	1,366,513	(964,946)	(1,945,004)
Total net investment return		(2,346,571)	1,849,215	(964,946)	(1,462,302)
Change in value of split-interest agreements		—	—	(1,102,422)	(1,102,422)
Gifts and bequests		—	—	8,169,255	8,169,255
Appropriation of endowment assets for expenditures		—	(2,150,456)	—	(2,150,456)
Endowment net assets, June 30, 2012	$	(7,510,161)	1,194,416	69,000,785	62,685,040

Description of amounts classified as permanently restricted net assets and temporarily restricted net assets is as follows:

		2012	2011
Permanently restricted net assets:			
The portion of endowment funds that is required to be retained permanently either by explicit donor stipulation or by HUPMIFA	$	53,941,880	46,737,571
Beneficial interests in perpetual trusts		15,058,905	16,161,327
Total permanently restricted net assets	$	69,000,785	62,898,898
Temporarily restricted net assets:			
The portion of temporarily restricted net assets, excluding endowment funds, subject to purpose restrictions	$	9,705,387	2,525,023
The portion of the perpetual endowment funds subject to time restriction under HUPMIFA with purpose restrictions		1,194,416	1,495,657
Total temporarily restricted net assets	$	10,899,803	4,020,680

(b) Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or HUPMIFA requires the Museum to retain as a fund of perpetual duration. In accordance with GAAP, deficiencies of this nature that are reported in unrestricted net assets were $7,510,161 and $5,163,590 as of June 30, 2012 and 2011, respectively. These deficiencies resulted from unfavorable market fluctuations that occurred due to the investment of permanently restricted contributions and continued appropriation for certain programs that was deemed prudent by the Board.

(c) Return Objectives and Risks Parameters

The Museum has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment 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 or for donor-specified periods. Under this policy, as approved by the Board, the endowment assets are invested in a manner that is intended to produce results that exceed certain published indexes while assuming a moderate level of investment risk.

(d) Strategies Employed for Achieving Objectives

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.

(e) Spending Policy

The Museum's spending policy is to distribute 5.0% annually from the total endowment fund as calculated by a trailing 12-quarter moving average of the total fund as determined on June 30 of the fiscal year under consideration. Over the long term, the Museum expects the current spending policy to allow its endowment to be a balance between preserving the real (after inflation) purchasing power of the endowment principal with the need to make fund program-related expenses.

(12) Fair Value Measurements

(a) Fair Value of Financial Instruments

The fair values of the financial instruments represent management's best estimates of the amounts that would be received to sell those assets or that would be paid to transfer those liabilities in an orderly transaction between market participants at that date. Those fair value measurements maximize the use of observable inputs. However, in situations where there is little, if any, market activity for the asset or liability at the measurement date, the fair value measurement reflects the Museum's own judgments about the assumptions that market participants would use in pricing the asset or liability. Those judgments are developed by the Museum based on the best information available in the circumstances.

The carrying amounts of cash, accounts payable and accrued expenses, deferred revenue, and other liabilities approximate fair value because of the short maturity of these instruments.

The carrying amount of contributions receivable, net approximates fair value as the interest rates used to discount unconditional promises to give are commensurate with market interest rates at the periods then ended.

The carrying amount of contributed rent approximates fair value as the discount rate used to calculate present value is the risk-free rate as of the date of lease.

The fair value of investments in marketable securities is based primarily on quoted market prices. The fair value of other investments that do not have readily determinable fair values is generally based on quoted market prices of the underlying investments and information provided by the respective external investment managers at the most recent valuation date and adjusted for cash flows from the valuation date to fiscal year-end, if applicable. As described in note 1(o), the Museum utilized the net asset value per share for certain investments in alternative structures as a practical expedient for the estimation of the fair value of these investments.

The fair value of beneficial interest in perpetual trusts is based on quoted market prices of the underlying investments.

The carrying amount of debt approximates fair value as the interest rate is commensurate with interest rates currently offered by local lending institutions for loans with similar terms to companies with comparable credit risk.

The carrying amount of liability under split-interest agreements approximates fair value as discount rates used are generally commensurate with current published risk-free rates.

The fair values of other financial instruments are not determinable or are not significant to the financial statements.

(b) Fair Value Hierarchy

ASC Topic 820 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Museum has the ability to access at the measurement date.
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs for the asset or liability.

The level in the fair value hierarchy within which a fair value measurement in its entirety falls is based on the lowest-level input that is significant to the fair value measurement in its entirety at the measurement date.

The following tables present assets that are measured at fair value on a recurring basis at June 30, 2012 and 2011:

	June 30, 2012	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Long-term investments:				
Cash	$ 211,006	211,006	—	—
Money market fund	1,232,570	—	1,232,570	—
U.S. Treasury obligations	2,402,900	—	2,402,900	—
U.S. government agency bonds	511,874	—	511,874	—
Municipal obligations	252,530	—	252,530	—
Corporate stocks	3,310,685	3,310,685	—	—
Preferred stocks	360,469	360,469	—	—
Domestic equities	219,481	219,481	—	—
Corporate bonds	3,177,002	—	3,177,002	—
Mutual funds (publically traded):				
Foreign equities	5,618,854	5,618,854	—	—
Fixed income	4,892,785	4,892,785	—	—
Domestic equities	4,751,377	4,751,377	—	—
Opportunistic and other	1,289,584	1,289,584	—	—
Total mutual funds	16,552,600	16,552,600	—	—
Hedge funds:				
Real assets	7,708,044	—	7,708,044	—
Domestic equities	4,281,872	—	4,281,872	—
Marketable alternative assets	2,854,975	—	—	2,854,975
Foreign equities	2,031,025	—	2,031,025	—
Emerging markets equities	1,749,132	—	1,749,132	—
Other	375,910	—	375,910	—
Total hedge funds	19,000,958	—	16,145,983	2,854,975
Fund of funds:				
Marketable alternative assets	7,422,771	—	7,422,771	—
Opportunistic and other	1,257,380	—	—	1,257,380
Total funds of funds	8,680,151	—	7,422,771	1,257,380
Open ended interval fund	1,836,118	—	1,836,118	—
Total long-term investments	57,748,344	20,654,241	32,981,748	4,112,355
Beneficial interest in perpetual trusts	15,058,905	—	15,058,905	—
Total	$ 72,807,249	20,654,241	48,040,653	4,112,355

(Continued)

	June 30, 2011	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Long-term investments:				
Cash	$ 10,867	10,867	—	—
Money market fund	149,489	—	149,489	—
U.S. Treasury obligations	1,185,683	—	1,185,683	—
U.S. government agency bonds	711,798	—	711,798	—
Domestic equities	229,162	229,162	—	—
Corporate bonds	2,131,290	—	2,131,290	—
Mutual funds (publically traded):				
Foreign equities	3,519,762	3,519,762	—	—
Fixed income	4,119,109	4,119,109	—	—
Domestic equities	5,257,331	5,257,331	—	—
Opportunistic and other	2,075,050	2,075,050	—	—
Total mutual funds	14,971,252	14,971,252	—	—
Hedge funds:				
Real assets	7,978,893	—	7,978,893	—
Domestic equities	3,968,731	—	3,968,731	—
Foreign equities	5,003,196	—	5,003,196	—
Emerging markets equities	2,171,880	—	2,171,880	—
Total hedge funds	19,122,700	—	19,122,700	—
Fund of funds:				
Marketable alternative assets	11,659,601	—	11,659,601	—
Other	678,134	—	678,134	—
Total funds of funds	12,337,735	—	12,337,735	—
Open ended interval fund	1,836,118	—	1,836,118	—
Total long-term investments	52,686,094	15,211,281	37,474,813	—
Beneficial interest in perpetual trusts	16,161,327	—	16,161,327	—
Total	$ 68,847,421	15,211,281	53,636,140	—

There were no liabilities measured at fair value on a recurring basis for the year ended June 30, 2012 and 2011.

The following table presents the Museum's activity for assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) as defined in ASC Topic 820 for the year ended June 30, 2012. There were no assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the year ended 2011.

		Hedge funds	Fund of funds	Total
Balance at June 30, 2011	$	—	—	—
Realized and unrealized losses		(145,025)	(242,620)	(387,645)
Purchases and issuances		3,000,000	1,500,000	4,500,000
Balance at June 30, 2012	$	2,854,975	1,257,380	4,112,355

The Museum's accounting policy is to recognize transfers between levels of the fair value hierarchy on the date of the event or change in circumstances that caused the transfer. There were no transfers into or out of Level 1, Level 2, or Level 3 for the years ended June 30, 2012 and 2011.

The following lists the unfunded commitments, redemption frequency and notice period for investments for which management uses net asset value per share or its equivalent as a practical expedient to determining fair value as of June 30, 2012 and 2011:

Investments in hedge funds, fund of funds, and open-ended interval fund, except for the investment in the marketable alternative assets hedge fund and opportunistic fund of funds, are subject to redemption policies ranging from monthly to quarterly with redemption notice periods ranging from 1 to 65 days.

Investment in the marketable alternative assets hedge fund is not redeemable until August 2012, and subsequently subject to a redemption period of 90 days. Investments in the opportunistic fund of funds are not redeemable until 2021.

There were no unfunded commitments related to any Level 3 investments.

The Museum did not have any financial assets or liabilities measured at fair value on a nonrecurring basis at June 30, 2011. In 2012, the Museum recognized an impairment loss on investment in real estate. Refer to note 1(e).

(13) Subsequent Events

On August 31, 2012, the Museum entered into a promissory note with a bank in the principal amount of $2,500,000. Interest only payments are due on the 7th day of each month at a rate of 2.75%. Principal and any unpaid interest are due September 7, 2014. Proceeds from the loan were used to fund the pension plan.

(Continued)

In July 2013, the Museum sold a property gifted by TCM to a third party for a gain. The property has a carrying value of approximately $2,350,000 and is currently reported as an investment in real estate on the 2012 statement of financial position. Proceeds from sale of the property were used to pay off the $2,500,000 promissory note that the Museum entered on August 31, 2012, with excess proceeds used toward additional principal payments on an existing higher interest rate loan.

In December 2012, the Board of Trustees approved an amendment to the pension plan. The amendment allowed a temporary, one-time cash-out program during a period in 2013 to the vested and terminated participants of the pension plan. In July and August 2013, approximately $1,755,000 was paid to terminated participants, resulting in a reduction of the Museum's pension liability.

The Museum has evaluated subsequent events from the balance sheet date through August 30, 2013, the date at which the financial statements were available to be issued, and determined there were no other items to disclose.

Schedule

HONOLULU ACADEMY OF ARTS
DBA HONOLULU MUSEUM OF ART

Schedule of Functional Expenses

Year ended June 30, 2012

	Program services						Supporting services			Total
	Education	**Special exhibitions**	**Curatorial and conservation**	**Auxiliary**	**Art acquisitions**	**Total**	**Management and general**	**Development**	**Total**	**program and supporting services**
Salaries and wages	$ 1,422,383	825,040	974,236	713,886	—	3,935,545	992,308	509,485	1,501,793	5,437,338
Utilities	372,211	491,407	196,852	121,615	—	1,182,085	168,781	24,789	193,570	1,375,655
Employee benefits	253,762	181,836	212,627	149,800	—	798,025	297,107	103,505	400,612	1,198,637
Depreciation and amortization	405,972	343,802	140,613	70,740	—	961,127	96,565	17,812	114,377	1,075,504
Professional and other services	247,000	83,098	8,009	7,220	—	345,327	213,429	315,233	528,662	873,989
Purchases for resale	—	—	—	608,341	—	608,341	—	—	—	608,341
Publicity and printing	81,390	115,342	8,427	11,753	—	216,912	31,861	171,870	203,731	420,643
Repairs and maintenance	98,610	97,502	54,130	39,595	—	289,837	91,067	18,800	109,867	399,704
Supplies	84,403	120,442	33,224	16,907	—	254,976	20,911	30,019	50,930	305,906
Hospitality	80,003	96,321	3,002	1,190	—	180,516	23,011	40,259	63,270	243,786
Travel	119,299	54,961	6,072	3,904	—	184,236	5,070	4,399	9,469	193,705
Insurance	20,043	48,272	70,639	11,125	—	150,079	33,245	2,063	35,308	185,387
General	36,362	3,818	10,101	31,243	—	81,524	32,602	60,412	93,014	174,538
Postage and freight	29,695	82,937	17,259	3,232	—	133,123	1,226	31,123	32,349	165,472
Rental	21,974	2,533	78,652	—	—	103,159	3,410	44,298	47,708	150,867
Retirement plans	18,804	18,154	14,605	12,681	—	64,244	42,170	6,890	49,060	113,304
Interest	—	—	—	—	—	—	108,891	—	108,891	108,891
Education and theatre	84,466	749	2,311	640	—	88,166	1,675	2,913	4,588	92,754
Security	16,030	25,239	10,128	5,107	—	56,504	8,934	1,282	10,216	66,720
Exhibits	—	65,000	—	—	—	65,000	—	—	—	65,000
Art acquisitions	—	—	—	—	38,828	38,828	—	—	—	38,828
Conservation	—	16,939	10,503	—	—	27,442	—	—	—	27,442
Books	4,221	207	39	316	—	4,783	76	424	500	5,283
Other	2,889	744	170	34,682	—	38,485	2,792	54,590	57,382	95,867
	$ 3,399,517	2,674,343	1,851,599	1,843,977	38,828	9,808,264	2,175,131	1,440,166	3,615,297	13,423,561

See accompanying independent auditors' report.