HONOLULU ACADEMY OF ARTS
DBA HONOLULU MUSEUM OF ART

Financial Statements and Schedule

June 30, 2013 and 2012

(With Independent Auditors' Report Thereon)

KPMG LLP
Suite 2100
1003 Bishop Street
Honolulu, HI 96813-6400

Independent Auditors' Report

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

We have audited the accompanying financial statements of Honolulu Academy of Arts dba Honolulu Museum of Art (the Museum), which comprise the statements of financial position as of June 30, 2013 and 2012, 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 U.S. generally accepted accounting principles; 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 from material misstatement.

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

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

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, 2013 and 2012, and the changes in its net assets and its cash flows for the years then ended, in accordance with U.S. generally accepted accounting principles.

KPMG

Emphasis of Matter

As discussed in note 1 to the financial statements, the Museum has elected to change its method of accounting for actuarial gains and losses in 2013. Our opinion is not modified with respect to this matter.

Other Matter

Our audits were conducted for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying schedule of functional expenses 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.

KPMG LLP

Honolulu, Hawaii
January 16, 2015

HONOLULU ACADEMY OF ARTS
DBA HONOLULU MUSEUM OF ART

Statements of Financial Position

June 30, 2013 and 2012

Assets		2013	2012
Cash	$	1,119,957	2,067,199
Inventories		207,824	335,644
Contributions receivable, net		120,860	227,500
Prepaid expenses and other		347,853	356,988
Contributed rent		361,623	478,739
Investment in real estate		7,500,000	7,500,000
Land, buildings, and equipment, net of accumulated depreciation		33,104,376	33,472,449
Long-term investments		62,257,305	57,748,344
Beneficial interest in perpetual trusts		16,121,328	15,058,905
Total assets	$	121,141,126	117,245,768
Liabilities and Net Assets			
Liabilities:			
Accounts payable and accrued expenses	$	956,490	891,119
Liabilities under split-interest agreements		2,468,252	2,584,796
Loans payable		7,008,073	4,621,993
Deferred revenue		523,286	661,133
Pension and other retirement obligations		3,576,177	6,188,046
Other		67,919	70,326
Total liabilities		14,600,197	15,017,413
Net assets:			
Unrestricted:			
Undesignated		21,779,611	22,327,767
Temporarily restricted		13,264,516	10,899,803
Permanently restricted		71,496,802	69,000,785
Total net assets		106,540,929	102,228,355
Commitments and contingencies			
Total liabilities and net assets	$	121,141,126	117,245,768

See accompanying notes to financial statements.

HONOLULU ACADEMY OF ARTS
DBA HONOLULU MUSEUM OF ART

Statement of Activities

Year ended June 30, 2013

	Unrestricted	Temporarily restricted	Permanently restricted	Total
Revenue, net gains, and other support:				
Gifts and bequests	$ 1,980,466	2,441,434	185,461	4,607,361
Net realized and unrealized gain on investments	781,669	1,986,928	1,248,133	4,016,730
Loss on sale of property, plant, and equipment	(14,255)	—	—	(14,255)
Change in value of split-interest agreements	(227,579)	5,947	1,062,423	840,791
Dividends and interest, net of investment fees and expenses of $273,432	114,794	1,003,159	—	1,117,953
Sales of the Museum shops	672,269	—	—	672,269
Trusts:				
R. Allerton Acquisition Fund and R. Allerton Trust	635,760	41,991	—	677,751
Others	225,417	25,284	—	250,701
Membership fees	838,111	—	—	838,111
Tuition and fees	1,247,236	—	—	1,247,236
Museum and Spalding House Cafes	812,321	—	—	812,321
Admissions	406,481	—	—	406,481
Governmental grants	13,527	—	—	13,527
Special events and other, net	2,411,748	—	—	2,411,748
Net assets released from restrictions – satisfaction of program and art and equipment acquisitions restrictions	3,140,030	(3,140,030)	—	—
Total revenue, net gains, and other support	13,037,995	2,364,713	2,496,017	17,898,725
Expenses:				
Program services:				
Education	3,307,850	—	—	3,307,850
Special exhibitions	2,380,245	—	—	2,380,245
Curatorial and conservation	1,778,647	—	—	1,778,647
Auxiliary services:				
Museum shop	833,751	—	—	833,751
Museum and Spalding House Cafes	1,038,584	—	—	1,038,584
Art acquisitions	201,707	—	—	201,707
Total program services	9,540,784	—	—	9,540,784
Supporting services:				
Management and general	2,173,254	—	—	2,173,254
Development	1,872,113	—	—	1,872,113
Total supporting services	4,045,367	—	—	4,045,367
Total expenses	13,586,151	—	—	13,586,151
Change in net assets	(548,156)	2,364,713	2,496,017	4,312,574
Net assets at beginning of year	22,327,767	10,899,803	69,000,785	102,228,355
Net assets at end of year	$ 21,779,611	13,264,516	71,496,802	106,540,929

See accompanying notes to financial statements.

HONOLULU ACADEMY OF ARTS
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Statement of Activities

Year ended June 30, 2012

	Unrestricted	Temporarily restricted	Permanently restricted	Total
Revenue, net 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 Museum 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, net	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 revenue, net gains, and other support	19,230,506	6,879,123	6,101,887	32,211,516
Expenses:				
Program services:				
Education	3,721,291	—	—	3,721,291
Special exhibitions	2,984,874	—	—	2,984,874
Curatorial and conservation	2,101,459	—	—	2,101,459
Auxiliary services:				
Museum shop	948,683	—	—	948,683
Pavilion and Spalding House Cafes	1,112,200	—	—	1,112,200
Art acquisitions	38,828	—	—	38,828
Total program services	10,907,335	—	—	10,907,335
Supporting services:				
Management and general	2,896,603	—	—	2,896,603
Development	1,558,021	—	—	1,558,021
Total supporting services	4,454,624	—	—	4,454,624
Total expenses	15,361,959	—	—	15,361,959
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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Statements of Cash Flows

Years ended June 30, 2013 and 2012

	2013	2012
Cash flows from operating activities:		
Change in net assets	$ 4,312,574	16,849,557
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Contributions of investments	(2,166,823)	(8,023,428)
Contributions of land and building	—	(6,300,000)
Contributions of investment in real estate	—	(8,300,000)
Depreciation and amortization	1,109,750	1,075,504
Net realized and unrealized (gain) loss on investments	(4,016,730)	2,175,431
Increase (decrease) in pension and other retirement obligations	(2,611,869)	1,521,105
Impairment loss on investment in real estate	—	800,000
Loss on sale of land, buildings, and equipment	14,255	5,201
Change in value of split-interest agreements	(840,791)	1,482,184
Contributions restricted for long-term investment	(252,497)	(3,660,143)
Changes in operating assets and liabilities:		
Decrease in inventories	127,820	67,100
Decrease (increase) in contributions receivable	106,640	(110,000)
Decrease in prepaid expenses and other	9,135	286,454
Increase (decrease) in accounts payable and accrued expenses	65,371	(354,375)
Decrease in liabilities under split-interest agreements	(338,176)	(344,639)
Decrease in deferred revenue	(137,847)	(29,680)
Increase (decrease) in other liabilities	(2,407)	19,797
Net cash used in operating activities	(4,621,595)	(2,839,932)
Cash flows from investing activities:		
Proceeds from sale of investments	17,164,333	24,692,819
Purchase of investments	(15,489,741)	(24,880,381)
Purchases of buildings and equipment	(643,041)	(337,934)
Proceeds from sale of land, buildings, and equipment	4,225	250
Net cash provided by (used in) investing activities	1,035,776	(525,246)
Cash flows from financing activities:		
Proceeds from issuance of loans payable	2,559,025	752,994
Payments on loans payable	(172,945)	(148,382)
Proceeds from contributions restricted for:		
Investment in endowment	200,511	3,343,214
Investment in land, buildings, and equipment	51,986	316,929
Net cash provided by financing activities	2,638,577	4,264,755
Net (decrease) increase in cash	(947,242)	899,577
Cash at beginning of year	2,067,199	1,167,622
Cash at end of year	$ 1,119,957	2,067,199
Supplemental cash flow information:		
Interest paid	$ 132,944	106,921

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 statements 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 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, 2013, the Museum's outstanding loans payable balance amounted to $7,008,073, and accordingly, the portion of the gift restricted for repayment of the loans payable balance was recorded as temporarily restricted in the accompanying statements of activities. In July 2013, one of the remaining properties was sold to a third-party for a nominal gain.

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, losses, and other support 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.

(c) Inventories

Merchandise inventories consist of gift shop and 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 2013 and 2012, the Museum recorded an impairment loss of $0 and $800,000, respectively, in the statements 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.

(Continued)

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 fair value rates in 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 statements of activities. Liabilities are recorded for the present value (utilizing discount rates ranging between 1% 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, 2013 and 2012, gifts and bequests related to pooled income funds, charitable remainder trusts, and charitable gift annuities amounted to approximately $100,900 and $161,000, respectively. For the years ended June 30, 2013 and 2012, changes in the value of split-interest agreements related to pooled income funds, charitable remainder trusts, and charitable gift annuities amounted to $(221,632) and $(379,762), 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, 2013 and 2012, income generated from the Museum's interests in beneficial interest in perpetual trusts amounted to $928,452 and $898,742, respectively. For the years ended June 30, 2013 and 2012, changes in the value of split-interest agreements associated with beneficial interests in perpetual trusts amounted to $1,062,423 and $(1,102,422), respectively. There were no new beneficial interests in perpetual trusts in 2013 and 2012.

(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.

In 2013, the Museum changed its method of recognizing actuarial gains and losses for pension benefits. Historically, the Museum has amortized actuarial gains and losses over the average future service period of the active employee of the defined benefit pension plan as program and supporting services expenses, to the extent such gains and losses were outside the corridor. The gains and losses within the corridor were reported in aggregate as retirement changes other than periodic benefit cost. The Museum has elected to immediately recognize all noncash actuarial gains and losses as a part of program and supporting services expenses in the year in which the gains and losses occur. While both methods are allowable under Financial Accounting Standards Board (FASB) Accounting

Standards Codification (ASC) Subtopic 715-30, *Defined Benefit Plans – Pension*, it is generally preferable to accelerate the recognition of deferred gains and losses as part of program and supporting services expenses rather than to delay such recognition. This change in method has been reported through retrospective application of the new policy in the 2012 financial statements. The impacts of adjustments made to the 2012 financial statements are summarized below:

		2012 Balances, as reported	Adjustments	2012 Balances, as restated
Expenses:				
Program services:				
Education	$	3,399,517	321,774	3,721,291
Special exhibitions		2,674,343	310,531	2,984,874
Curatorial and conservation		1,851,599	249,860	2,101,459
Auxiliary services:				
Academy shop		869,403	79,280	948,683
Pavilion and Spalding House Cafes		974,574	137,626	1,112,200
Art acquisitions		38,828	—	38,828
Total program services		9,808,264	1,099,071	10,907,335
Supporting services:				
Management and general		2,175,131	721,472	2,896,603
Development		1,440,166	117,855	1,558,021
Total supporting services		3,615,297	839,327	4,454,624
Total expenses	$	13,423,561	1,938,398	15,361,959
Change in net assets, before retirement plan changes other than periodic benefit cost	$	5,806,945	(1,938,398)	3,868,547
Retirement plan changes other than periodic benefit cost	$	(1,938,398)	1,938,398	—

(l) Deferred Revenue

Deferred revenue represents annual membership dues collected for future periods subsequent to June 30, 2013 and 2012, and for exhibition fees received as deposits for traveling exhibitions organized by the Museum.

(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 applies the provisions of FASB ASC Topic 740, *Income Taxes*, which prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return, and provides guidance on derecognition, classification, interest, and penalties, disclosure, and transition. Management believes that no such uncertain tax position exists for the Museum requiring accrual or disclosure at June 30, 2013 or 2012. The Museum is no longer subject to U.S. federal income tax examinations by tax authorities for years before 2009.

(o) Fair Value Measurements

The Museum applies the provisions of FASB 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 (ASU) 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.

(q) Recently Issued Accounting Standards

In October 2012, the FASB issued ASU 2012-05, *Not-for-Profit Entities: Classification of the Sale Proceeds of Donated Financial Assets in the Statement of Cash Flows*. This ASU is effective for fiscal years beginning after June 15, 2013 and requires a not-for-profit entity to classify as operating activities in its statement of cash flows cash receipts from the sale of donated financial assets that were directed for sale by the entity on receipt and that were converted to cash in the near immediate term. The ASU applies specifically to the sale of donated financial assets that are not restricted for long-term purposes. The Museum has implemented the provisions of the new standard as of July 1, 2014.

(2) Contributions Receivable

Contributions receivable amounted to $120,860 and $227,500 at June 30, 2013 and 2012, 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, 2013 and 2012 is $361,623 and $478,739, respectively, and the related amortization for the years ended June 30, 2013 and 2012 is $117,116 and $122,745, respectively. The contribution is discounted using the risk-free rate on the lease date of 4.81%.

(4) Land, Buildings, and Equipment

A summary of land, buildings, and equipment at June 30, 2013 and 2012 is as follows:

	Depreciable lives		Cost 2013	Cost 2012
Depreciable assets:				
Land improvements	20 years	$	267,983	267,983
Buildings	20–50 years		36,720,767	35,565,695
Equipment	5–10 years		4,889,629	4,784,502
			41,878,379	40,618,180
Less accumulated depreciation			15,624,452	14,763,969
			26,253,927	25,854,211
Land			6,530,276	6,530,276
Construction in progress			320,173	1,087,962
		$	33,104,376	33,472,449

Depreciation expense for the years ended June 30, 2013 and 2012 was $992,634 and $952,759, respectively.

(5) Art Collection

The Museum’s collections, acquired through purchase and contributions, are not recognized as assets on the statements of financial position. Purchases of collection items are recorded in the year in which the items were acquired. Contributed collection items are not reflected in the financial statements. The cost of art objects purchased was $201,707 and $38,828 for the years ended June 30, 2013 and 2012, respectively, and reported 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, 2013 and 2012. Unexpended gifts are included in the temporarily restricted net assets at June 30, 2013 and 2012.

(Continued)

(6) Loans Payable

Loans payable at June 30, 2013 and 2012 consist of the following:

		2013	2012
Borrowings under a $3,500,000 term loan with a bank, various interest rate options available at bank's base rate or LIBOR (1.48% at June 30, 2013), accrued interest due monthly, with principal due January 2015; secured by certain investments	$	3,459,663	3,459,663
Borrowings under a $1,556,500 two-year fixed-rate of term loan with a bank, interest at 2.5% through August 10, 2014, 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, secured by certain investments		1,048,410	1,162,330
Borrowings under a $2,500,000 bank loan, interest at 2.75%, accrued interest due monthly, with principal due September 2014; secured by certain real property		2,500,000	—
Total loans payable	$	7,008,073	4,621,993

In July 2014, the $2,500,000 bank loan was paid in full.

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, 2013 and thereafter are as follows:

Year ending June 30:		
2014	$	187,672
2015		6,145,113
2016		193,365
2017		198,502
2018		203,776
Thereafter		79,645
	$	7,008,073

(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, 2013 and 2012 were $0 and $3,000, 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, 2013 and 2012 was $335,111 and $150,867, respectively.

Future minimum lease commitments under operating leases as of June 30, 2013 are as follows:

Year ending June 30:		
2014	$	480
2015		480
2016		480
2017		480
2018		480
Thereafter		11,240
	$	13,640

(8) Temporarily Restricted Net Assets

Temporarily restricted net assets at June 30, 2013 and 2012 are available for the following purposes:

		2013	2012
Repayment of loans payable	$	4,621,993	4,621,993
Spalding House		719,000	1,285,000
Education		1,490,440	1,686,979
Museum operations		4,838,301	1,159,870
Art acquisitions		702,010	960,068
Special exhibitions		343,107	607,935
Curatorial and conservation		549,665	577,958
	$	13,264,516	10,899,803

Net assets in the amount of $3,140,030 and $1,565,083 for the years ended June 30, 2013 and 2012, respectively, were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors as follows:

		2013	2012
Special exhibitions	$	423,227	491,398
Spalding House		566,000	416,667
Education		384,933	346,025
Curatorial and conservation		260,036	225,706
Art acquisitions		201,707	38,828
Auxiliary and other		1,304,127	46,459
	$	3,140,030	1,565,083

(9) Permanently Restricted Net Assets

At June 30, 2013 and 2012, permanently restricted net assets (e.g., endowment funds) consisted of the following:

		2013	2012
Museum operations	$	55,632,399	53,324,766
Art acquisitions		7,590,161	7,567,161
Curatorial and conservation		3,411,175	3,384,900
Education		3,344,631	3,248,596
Special exhibitions		1,518,436	1,475,362
	$	71,496,802	69,000,785

(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.

In 2013, the Museum changed its method of recognizing actuarial gains and losses for pension benefits as described in note 1(k) to the financial statements. This change in method has been reported through retrospective application of the 2012 reported amounts. The Museum uses a June 30 measurement date.

(Continued)

The following table sets forth the plan's benefit obligations, fair value of plan assets, and funded status at June 30, 2013 and 2012:

	2013		2012	
	Pension benefits	Supplemental retirement plan benefits	Pension benefits	Supplemental retirement plan benefits
Benefit obligation	$ (12,122,483)	(612,253)	(12,978,685)	(714,737)
Fair value of plan assets	9,158,559	—	7,505,376	—
Funded status	$ (2,963,924)	(612,253)	(5,473,309)	(714,737)
Amounts recognized in the statements of financial position consist of:				
Liabilities	$ 2,963,924	612,253	5,473,309	714,737

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

	2013		2012	
	Pension benefits	Supplemental retirement plan benefits	Pension benefits	Supplemental retirement plan benefits
Net periodic benefit cost	$ 150,195	(20,271)	(82,435)	(30,869)
Net gain (loss)	(22,542)	69,335	(1,920,449)	(17,949)
	$ 127,653	49,064	(2,002,884)	(48,818)

Weighted average assumptions used to determine benefit obligations for 2013 and 2012 were as follows:

	2013		2012	
	Pension benefits	Supplemental retirement plan benefits	Pension benefits	Supplemental retirement plan benefits
Discount rate	4.50%	3.13%	3.95%	2.95%
Rate of compensation increase	—	—	—	3.00

Weighted average assumptions used to determine net benefits cost for 2013 and 2012 were as follows:

	2013		2012	
	Pension benefits	Supplemental retirement plan benefits	Pension benefits	Supplemental retirement plan benefits
Discount rate	3.95%	2.95%	5.50%	4.97%
Expected long-term rate of return on plan assets	7.00	N/A	7.50	N/A
Rate of compensation increase	—	3.00	—	3.00

In 2014, the Museum changed the composition of the plan assets resulting in an overall expected long-term rate of return on plan assets of 4.2%. 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 performance of similar assets, without adjustments.

The following table summarizes employer contributions and benefits paid during the years ended June 30, 2013 and 2012:

	2013		2012	
	Pension benefits	Supplemental retirement plan benefits	Pension benefits	Supplemental retirement plan benefits
Employer contributions	$ 2,633,656	53,420	477,177	53,420
Benefits paid	(595,230)	(53,420)	(597,604)	(53,420)

(a) Plan Assets

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

	2013	2012
Asset category:		
Equity securities	—%	59.00%
Debt securities	99.00	39.00
Other	1.00	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 present the Museum's pension plan assets measured at fair value as of June 30, 2013 and 2012:

	Fair value measurements at June 30, 2013			
	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	$ 48,673	48,673	—	—
U.S. Treasury obligations	1,528,742	—	1,528,742	—
U.S. government agencies	1,373,291	—	1,373,291	—
Municipal obligations	81,741	—	81,741	—
Mutual funds – fixed income	4,712,390	4,712,390	—	—
Corporate bonds	1,413,722	—	1,413,722	—
Total	$ 9,158,559	4,761,063	4,397,496	—

	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	—

(b) Cash Flows

The Museum expects to contribute $53,420 to its supplemental retirement plan in fiscal year 2014.

The benefits expected to be paid from the pension plan in each year from 2014 to 2018 are $716,000, $788,000, $804,000, $827,000, and $825,000, respectively. The aggregate benefits expected to be paid in the five years from 2019 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 2014 to 2018 is $53,420. The aggregate benefits expected to be paid in the five years from 2019 to 2022 are $267,100. 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. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions. At June 30, 2013 and 2012, the donor-restricted endowment fund amounted to $66,064,251 and $62,685,040, respectively. The Museum has no board-designated endowments at June 30, 2013 and 2012.

(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, 2013 and 2012, the changes in donor-restricted endowment net assets are as follows:

		Unrestricted	Temporarily restricted	Permanently restricted	Total
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
Investment return:					
Dividends and interest, net of management fees and expenses		—	920,498	—	920,498
Net realized and unrealized losses		458,463	1,778,608	1,248,133	3,485,204
Total net investment return		458,463	2,699,106	1,248,133	4,405,702
Change in value of split-interest agreements		—	—	1,062,423	1,062,423
Gifts and bequests		—	—	185,461	185,461
Appropriation of endowment assets for expenditures		—	(2,274,375)	—	(2,274,375)
Endowment net assets, June 30, 2013	$	(7,051,698)	1,619,147	71,496,802	66,064,251

(Continued)

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

		2013	2012
Permanently restricted net assets:			
The portion of endowment funds that is required to be retained permanently either by explicit donor stipulation or by HUPMIFA	$	55,375,474	53,941,880
Beneficial interests in perpetual trusts		16,121,328	15,058,905
Total permanently restricted net assets	$	71,496,802	69,000,785
Temporarily restricted net assets:			
The portion of temporarily restricted net assets, excluding endowment funds, subject to purpose restrictions	$	11,645,369	9,705,387
The portion of the perpetual endowment funds subject to HUPMIFA with purpose restrictions		1,619,147	1,194,416
Total temporarily restricted net assets	$	13,264,516	10,899,803

(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. Deficiencies of this nature that are reported in unrestricted net assets were $7,051,698 and $7,510,161 as of June 30, 2013 and 2012, 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 fund program-related expenses.

(12) Fair Value Measurements

(a) Fair Value of Financial Instruments

The fair value of financial instruments represents 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 fair value 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.

(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 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, 2013 and 2012:

	June 30, 2013	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	$ 4,602,895	4,602,895	—	—
Money market fund	2,227,042	—	2,227,042	—
U.S. Treasury obligations	2,304,828	—	2,304,828	—
U.S. government agency bonds	411,860	—	411,860	—
Municipal obligations	204,790	—	204,790	—
Corporate stocks	3,582,538	3,582,538	—	—
Preferred stocks	385,454	385,454	—	—
Corporate bonds	2,650,669	—	2,650,669	—
Mutual funds (publically traded):				
Foreign equities	7,979,800	7,979,800	—	—
Fixed income	3,869,678	3,869,678	—	—
Domestic equities	4,030,785	4,030,785	—	—
Opportunistic and other	1,029,082	1,029,082	—	—
Total mutual funds	16,909,345	16,909,345	—	—
Hedge funds:				
Real assets	6,605,034	—	6,605,034	—
Domestic equities	4,712,472	—	4,712,472	—
Marketable alternative assets	3,228,989	—	—	3,228,989
Foreign equities	2,436,843	—	2,436,843	—
Emerging markets equities	1,527,069	—	1,527,069	—
Other	393,459	—	393,459	—
Total hedge funds	18,903,866	—	15,674,877	3,228,989
Fund of funds:				
Marketable alternative assets	8,325,880	—	8,325,880	—
Opportunistic and other	1,624,173	—	—	1,624,173
Total funds of funds	9,950,053	—	8,325,880	1,624,173
ETF and closed end fund	123,965	—	123,965	—
Total long-term investments	62,257,305	25,480,232	31,923,911	4,853,162
Beneficial interest in perpetual trusts	16,121,328	—	16,121,328	—
Total	$ 78,378,633	25,480,232	48,045,239	4,853,162

	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

There were no liabilities measured at fair value on a recurring basis for the years ended June 30, 2013 and 2012.

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, 2013. There were no assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the year ended 2012.

		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
Realized and unrealized losses		374,014	366,793	740,807
Balance at June 30, 2013	$	3,228,989	1,624,173	4,853,162

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, 2013 and 2012.

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, 2013 and 2012:

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 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.

(13) Subsequent Events

The Museum has evaluated subsequent events from the balance sheet date through January 16, 2015, the date at which the financial statements were available to be issued, and determined there were no other items to disclose.

HONOLULU ACADEMY OF ARTS
DBA HONOLULU MUSEUM OF ART

Schedule of Functional Expenses

Year ended June 30, 2013

	Program services						Supporting services			Total program and supporting services
	Education	Special exhibitions	Curatorial and conservation	Auxiliary	Art acquisitions	Total	Management and general	Development	Total	
Salaries and wages	$ 1,493,166	845,218	976,361	693,143	—	4,007,888	1,011,858	561,434	1,573,292	5,581,180
Employee benefits	272,536	197,721	196,808	165,530	—	832,595	267,642	117,458	385,100	1,217,695
Utilities	330,701	420,037	166,163	103,258	—	1,020,159	133,470	20,765	154,235	1,174,394
Professional and other services	237,913	27,526	32,605	34,673	—	332,717	152,587	682,989	835,576	1,168,293
Depreciation and amortization	285,607	366,484	150,240	75,200	—	877,531	213,156	19,063	232,219	1,109,750
Purchases for resale	6,481	605	—	638,495	—	645,581	—	—	—	645,581
Repairs and maintenance	113,148	144,148	61,682	48,324	—	367,302	68,517	34,054	102,571	469,873
Rental	172,490	32,573	8,718	10,203	—	223,984	43,656	67,471	111,127	335,111
Supplies	100,249	67,599	29,472	30,201	—	227,521	20,292	55,461	75,753	303,274
Publicity and printing	44,160	63,277	4,612	4,071	—	116,120	7,935	141,635	149,570	265,690
Insurance	24,299	55,608	71,851	12,129	—	163,887	18,172	2,629	20,801	184,688
Art acquisitions	—	—	—	—	177,997	177,997	—	—	—	177,997
Hospitality	62,663	16,688	4,877	761	—	84,989	30,919	42,707	73,626	158,615
Other	8,251	5,695	1,433	36,858	—	52,237	10,457	86,329	96,786	149,023
Postage and freight	14,272	35,454	34,421	2,173	23,710	110,030	5,631	25,115	30,746	140,776
Interest	—	—	—	—	—	—	138,094	—	138,094	138,094
Education and theatre	88,293	1,359	880	720	—	91,252	9,511	2,917	12,428	103,680
Retirement plans	17,740	4,429	10,969	8,161	—	41,299	26,175	7,553	33,728	75,027
Security	17,230	26,074	10,587	5,401	—	59,292	7,572	1,307	8,879	68,171
Exhibitions	—	48,000	—	—	—	48,000	—	—	—	48,000
Travel	12,029	5,490	11,723	2,933	—	32,175	5,721	2,634	8,355	40,530
Conservation	72	16,171	3,713	30	—	19,986	1,815	8	1,823	21,809
Books	6,550	89	1,532	71	—	8,242	74	584	658	8,900
	$ 3,307,850	2,380,245	1,778,647	1,872,335	201,707	9,540,784	2,173,254	1,872,113	4,045,367	13,586,151

See accompanying independent auditors' report.