



Norfolk, Virginia

FINANCIAL STATEMENTS

June 30, 2015

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INDEPENDENT AUDITOR'S REPORT

The Board of Trustees
The Chrysler Museum, Incorporated
Norfolk, Virginia

We have audited the accompanying financial statements of The Chrysler Museum, Incorporated (the Museum), which comprise the statements of financial position as of June 30, 2015 and 2014, and the related statements of activities, operating expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America. This includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Museum at June 30, 2015 and 2014, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

McPhillips, Roberts & Deans, PLC

Norfolk, Virginia
December 3, 2015

THE CHRYSLER MUSEUM, INCORPORATED

STATEMENTS OF FINANCIAL POSITION

June 30, 2015 and 2014

Assets	<u>2015</u>	<u>2014</u>
Cash and cash equivalents	\$ 2,971,532	\$ 15,167,459
Inventory	193,158	142,030
Prepaid expense and other assets	664,344	578,997
Pledges receivable, net	6,377,099	7,589,731
Charitable trusts	116,912	117,630
Investments	74,763,156	66,780,913
Property and equipment, net	<u>1,074,810</u>	<u>1,162,283</u>
TOTAL ASSETS	<u>\$ 86,161,011</u>	<u>\$ 91,539,043</u>
 Liabilities and Net Assets		
Liabilities		
Accounts payable	\$ 289,777	\$ 879,784
Accrued expenses and other liabilities	1,034,992	1,738,625
Deferred revenue	148,550	120,420
Note payable	<u>11,719,709</u>	<u>14,214,972</u>
Total Liabilities	<u>13,193,028</u>	<u>16,953,801</u>
 Net Assets		
Unrestricted		
Board designated	13,279,682	12,144,973
Other	<u>2,712,434</u>	<u>2,677,013</u>
Total unrestricted net assets	15,992,116	14,821,986
Temporarily restricted	23,760,505	26,658,424
Permanently restricted	<u>33,215,362</u>	<u>33,104,832</u>
Total Net Assets	<u>72,967,983</u>	<u>74,585,242</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 86,161,011</u>	<u>\$ 91,539,043</u>

STATEMENTS OF ACTIVITIES

For the Years Ended June 30, 2015 and 2014

THE CHRYSLER MUSEUM, INCORPORATED

STATEMENTS OF ACTIVITIES

For the Years Ended June 30, 2015 and 2014

	2015			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Support and Revenue				
City of Norfolk	\$ 2,847,832	\$ -	\$ -	\$ 2,847,832
Contributions and other grants	440,852	3,049,088	110,530	3,600,470
Investment income (loss)	3,219	(632,278)	-	(629,059)
Memberships	1,006,382	-	-	1,006,382
Earned income	1,081,067	-	-	1,081,067
Other income	134,784	-	-	134,784
Transfer of board designated reserves	848,808	-	-	848,808
Net assets released from donor restrictions	1,634,061	(1,634,061)	-	-
Total Support and Revenue	7,997,005	782,749	110,530	8,890,284
Operating Expenses				
Program services				
Galleries, curatorial and exhibits	3,830,054	-	-	3,830,054
Other	2,417,198	-	-	2,417,198
Total program services	6,247,252	-	-	6,247,252
Supporting services				
Development and marketing	1,020,389	-	-	1,020,389
General and administrative	728,689	-	-	728,689
Total supporting services	1,749,078	-	-	1,749,078
Total Operating Expenses	7,996,330	-	-	7,996,330
Change in Net Assets from Operating Activities	675	782,749	110,530	893,954
Non-Operating Activities				
Change in net assets related to collection items not capitalized				
Accessions	(821,686)	-	-	(821,686)
Investment income (loss)	(327,156)	-	-	(327,156)
Contributions, non-operating	306,613	-	-	306,613
Interest expense	(541,917)	-	-	(541,917)
Property improvements				
Museum expansion	(278,259)	-	-	(278,259)
Expansion project costs	-	-	-	-
Transfer of board designated reserves	(848,808)	-	-	(848,808)
Net assets released from donor restrictions	3,680,668	(3,680,668)	-	-
Total Non-Operating Activities	1,169,455	(3,680,668)	-	(2,511,213)
Change in Net Assets	1,170,130	(2,897,919)	110,530	(1,617,259)
Net Assets, Beginning of Year	14,821,986	26,658,424	33,104,832	74,585,242
NET ASSETS, END OF YEAR	\$ 15,992,116	\$ 23,760,505	\$ 33,215,362	\$ 72,967,983

See Accompanying Notes to Financial Statements

2014

Unrestricted	Temporarily Restricted	Permanently Restricted	Total
\$ 2,847,832	\$ -	\$ -	\$ 2,847,832
626,103	5,463,345	563,409	6,652,857
5,977	5,386,895	-	5,392,872
995,561	-	-	995,561
715,071	-	-	715,071
35,467	-	-	35,467
679,992	-	-	679,992
1,813,777	(1,813,777)	-	-
7,719,780	9,036,463	563,409	17,319,652
3,507,553	-	-	3,507,553
1,967,614	-	-	1,967,614
5,475,167	-	-	5,475,167
1,426,638	-	-	1,426,638
802,927	-	-	802,927
2,229,565	-	-	2,229,565
7,704,732	-	-	7,704,732
15,048	9,036,463	563,409	9,614,920
(362,514)	-	-	(362,514)
2,790,594	-	-	2,790,594
427,536	-	-	427,536
-	-	-	-
(9,971,078)	-	-	(9,971,078)
(340,037)	-	-	(340,037)
(679,992)	-	-	(679,992)
3,657,310	(3,657,310)	-	-
(4,478,181)	(3,657,310)	-	(8,135,491)
(4,463,133)	5,379,153	563,409	1,479,429
19,285,119	21,279,271	32,541,423	73,105,813
\$ 14,821,986	\$ 26,658,424	\$ 33,104,832	\$ 74,585,242

THE CHRYSLER MUSEUM, INCORPORATED

STATEMENTS OF OPERATING EXPENSES

For the Years Ended June 30, 2015 and 2014

	2015	2014
Natural Classification		
Salaries	\$ 3,435,137	\$ 3,318,043
Payroll taxes	280,073	234,989
Employee benefits	406,470	482,776
Total compensation and benefits	<u>4,121,680</u>	<u>4,035,808</u>
Advertising	151,895	177,425
Computer services	74,864	77,154
Consulting and outside services	505,109	918,870
Cost of sales	198,791	112,332
Depreciation	228,052	199,099
Exhibition fees and installation	523,185	166,153
Insurance	169,886	121,365
Miscellaneous	312,627	345,129
Printing and publications	132,167	123,174
Repairs and maintenance	346,421	333,424
Supplies	248,809	315,531
Telephone	49,815	52,672
Donor stewardship, professional development and travel	338,105	323,835
Utilities	594,924	402,761
	<u>594,924</u>	<u>402,761</u>
Total Operating Expenses	<u>\$ 7,996,330</u>	<u>\$ 7,704,732</u>
Functional Classification		
Program Services		
Galleries, curatorial and exhibitions	\$ 3,830,054	\$ 3,507,553
Other		
Education	846,760	718,247
Library	344,305	242,170
Gift shop	335,970	187,509
Glass Studio	498,262	480,759
Historic houses	136,075	143,461
Special events	171,124	142,415
Support programs	84,702	53,053
	<u>2,417,198</u>	<u>1,967,614</u>
Total Program Services	<u>6,247,252</u>	<u>5,475,167</u>
Supporting Services		
Development and marketing	1,020,389	1,426,638
General and administrative	728,689	802,927
	<u>728,689</u>	<u>802,927</u>
Total Supporting Services	<u>1,749,078</u>	<u>2,229,565</u>
Total Operating Expenses	<u>\$ 7,996,330</u>	<u>\$ 7,704,732</u>

THE CHRYSLER MUSEUM, INCORPORATED

STATEMENTS OF CASH FLOWS

For the Years Ended June 30, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Cash Flows From Operating Activities		
Change in net assets	\$ (1,617,259)	\$ 1,479,429
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Net (increase) decrease in fair value of investments	4,266,575	(5,156,506)
Depreciation	228,052	199,099
Cash received restricted for long-term use	(4,370,422)	(6,566,624)
Acquisition of collection items	821,686	362,514
Property improvements expensed	278,259	10,311,115
Changes in certain operating assets and liabilities		
Inventory, prepaid expense and other assets	(136,475)	(354,345)
Pledges receivable	1,212,632	557,768
Charitable trusts	718	25,385
Accounts payable, accrued expenses and deferred revenue	(1,265,510)	(519,558)
Net Cash Provided by (Used in) Operating Activities	<u>(581,744)</u>	<u>338,277</u>
Cash Flows From Investing Activities		
Purchase of investments	(46,206,036)	(15,368,759)
Proceeds from sale of investments and maturities	33,957,218	11,755,973
Acquisition of collection items	(821,686)	(362,514)
Acquisition of property improvements	(278,259)	(10,311,115)
Additions to property and equipment	(140,579)	(301,891)
Net Cash Used in Investing Activities	<u>(13,489,342)</u>	<u>(14,588,306)</u>
Cash Flows From Financing Activities		
Contributions to permanently restricted funds	560,368	1,642,938
Contributions to temporarily restricted funds	3,810,054	4,923,686
Proceeds from note payable	785,028	11,177,972
Repayments of note payable	(3,280,291)	-
Net Cash Provided by Financing Activities	<u>1,875,159</u>	<u>17,744,596</u>
Increase (Decrease) in Cash and Cash Equivalents	<u>(12,195,927)</u>	<u>3,494,567</u>
Cash and Cash Equivalents, Beginning of Year	15,167,459	11,672,892
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 2,971,532</u>	<u>\$ 15,167,459</u>
Supplemental Disclosure of Cash Flow Information		
Cash paid during the year for interest	<u>\$ 541,917</u>	<u>\$ 355,636</u>
Prepaid acquisition of property and equipment	<u>\$ -</u>	<u>\$ 203,974</u>

THE CHRYSLER MUSEUM, INCORPORATED

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - NATURE OF ORGANIZATION

The Chrysler Museum, Incorporated (Museum) is one of America's most distinguished art museums. Located in Hampton Roads, a community of 1.7 million in southeastern Virginia, the Museum welcomes approximately 200,000 annual visitors from around the world. The Museum operates on an annual budget of approximately \$8 million and employs a staff of approximately 120.

The Museum is home to a world-class collection of over 30,000 paintings, sculptures, photographs, and decorative arts primarily assembled by industrialist Walter P. Chrysler, Jr. The Museum is particularly well known for its glass collection, one of the finest and most comprehensive anywhere.

The Museum also administers two Historic Houses, the Moses Myers House and the Norfolk History Museum, each of which is located in downtown Norfolk. The Moses Myers House, which was the residence of Norfolk's first Jewish citizens, includes more than seventy percent of its original late eighteenth century furnishings.

In addition to its fine permanent collection, the Museum presents each year a dynamic schedule of changing exhibitions and a wide variety of interpretive programs. Each is designed to make the works on view in the Museum galleries accessible and meaningful to a diverse audience.

Through an active program of loans from its collection and through the professional involvement of its staff, the Museum maintains an active presence in the international museum community.

The Museum is particularly proud of its record of community citizenship and good management. The Museum is a regular partner and collaborator with regional governments, businesses, educational organizations, and cultural groups, seeking to leverage resources to provide the highest quality service at the lowest cost. At the insistence of the Museum's Trustees, the Museum operates every year on a balanced budget.

The Museum's mission is to act as a catalyst. We bring art and people together to enrich and transform lives. A free admission policy along with interpretive programming ensures the Museum is truly accessible to the community we exist to serve.

The Chrysler Museum Glass Studio is an educational tool that offers the public an experimental approach to the exciting properties of glass. This addition to the Museum complements our comprehensive glass collection with an engaging approach that demonstrates the many glass processes used to create these extraordinary objects.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation The Museum is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. All donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a temporary restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as "Net assets released from restrictions."

THE CHRYSLER MUSEUM, INCORPORATED

NOTES TO FINANCIAL STATEMENTS

Estimates Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenue and expenses. Actual results could differ from those estimates.

Art Collection In conformity with the practice followed by most museums, the collection is not presented in the accompanying statements of financial position. The value of accessions (collection items purchased by the Museum) and the deaccession proceeds are reported as non-operating activities in the accompanying statements of activities. Contributed collection items are not reflected in the financial statements.

The Museum is committed to applying the highest professional standards to the care and preservation of its unique collection. Each of the items is cataloged, preserved, and cared for, and activities verifying their existence and assessing their condition are performed continuously. Accessions and deaccessions are approved by the Museum's Board of Trustees and the proceeds from deaccession are used solely for the acquisition of collection items. Additionally, in an effort to maintain the purchasing power of such proceeds, the Board has similarly designated the investment income earned on these funds. At June 30, 2015, the Museum's collection was insured at a level deemed appropriate by management.

Cash and Cash Equivalents For purposes of the statements of financial position and cash flows, cash and cash equivalents are defined as demand deposits, certificate of deposits and all highly liquid debt instruments purchased with an original maturity of three months or less, other than those maintained as a part of investment portfolios.

Inventory Inventory is valued at lower of cost (using the first-in, first-out method) or market.

Pledges Receivable Pledges receivable represent unconditional promises to give and are recorded at net realizable value. Promises to give to be received after one year are discounted at an appropriate discount rate commensurate with the risks involved. An allowance for uncollectible pledges receivable is provided based upon management's judgment. Conditional promises to give are not included as support until the conditions are substantially met.

Investments The Museum's investments are carried at their fair values in the statements of financial position. Changes in fair value are included in the change in net assets in the accompanying statements of activities.

Property and Equipment Property and equipment are recorded at cost if purchased and at estimated fair value if donated. Asset purchases of \$500 or more are capitalized, while maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed currently. Depreciation is calculated using the straight-line method based on useful lives of 3-30 years.

THE CHRYSLER MUSEUM, INCORPORATED

NOTES TO FINANCIAL STATEMENTS

The Museum building and Historic Houses are owned by the City of Norfolk. By mutual agreement, the Museum occupies without charge, its facilities owned by the City of Norfolk. Most improvements and additions to the buildings have been funded jointly by the City and by Museum contributions restricted for such purposes. As required by the City, all improvements and additions to the Museum building and Historic Houses are the property of the City. As required by this agreement, the Museum transferred \$278,259 and \$10,311,115 of property improvements to the City of Norfolk during the years ended June 30, 2015 and 2014, respectively. The Museum does not recognize contribution income and the offsetting rental expense for the use of its facilities because the value is not readily determinable due to the special use nature of the facility.

On October 28, 2011, the City of Norfolk awarded the Museum \$10,000,000 to support its capital campaign project. Payments are subject to City appropriation and as such the Museum recognizes revenue under this arrangement when invoiced. Support from this arrangement totaled \$2,000,000 during the year ended June 30, 2015 and has been recognized in the accompanying financial statements. As of June 30, 2015 and 2014, cumulative support from this award totaled \$5,750,000 and \$3,750,000, respectively, with a remaining balance of \$4,250,000 and \$6,250,000, respectively.

Deferred Revenue Deferred revenue results primarily from camps and rental of the Museum for special events received in advance and which will be recognized as revenue when the event occurs in the following fiscal year.

Advertising Advertising costs are charged to operations when incurred and totaled \$151,895, and \$177,425 for the years ended June 30, 2015 and 2014, respectively.

Functional Allocation of Expenses The cost of providing the various program and supporting services has been summarized on a functional basis in the statements of activities and statements of operating expenses. In presenting the Museum's natural classification of expenses on a functional basis, direct expenses are aggregated by function and indirect expenses, primarily facilities management and depreciation, are allocated among the functional programs and services benefited.

Volunteers A substantial number of unpaid volunteers have made significant contributions of their time and talent to further the mission of the Museum. The value of these contributed services is not reported in these financial statements since it is not susceptible to objective measurement or valuation, and because the criteria for recognition of such volunteer efforts have not been satisfied.

Income Taxes The Museum is an organization described in Section 501(c)(3) of the Internal Revenue Code and is exempt from federal and state income taxes. Exempt organizations are subject to tax on income regularly conducted trade or business activities that are not substantially related to the organization's exempt purpose. Tax returns are generally subject to examinations for three years from the date filed. This period of limitations has expired for returns filed for tax years 2011 and earlier. Management continually evaluates tax positions reflected in the Museum's tax filings and does not believe that any material uncertain tax positions exist.

Subsequent Events Management has evaluated subsequent events through December 3, 2015, the date which the financial statements were available to be issued.

THE CHRYSLER MUSEUM, INCORPORATED

NOTES TO FINANCIAL STATEMENTS

NOTE 3 - PLEDGES RECEIVABLE

Pledges receivable at June 30, 2015 and 2014 consist of the following:

	<u>2015</u>	<u>2014</u>
Amounts due within one year	\$ 1,472,267	\$ 1,503,910
Amounts due in more than one year but less than five years	3,579,508	4,421,016
Amounts due in more than five years	<u>4,041,864</u>	<u>4,555,624</u>
Total pledges receivable	9,093,639	10,480,550
Less allowance for doubtful accounts	(447,635)	(518,290)
Less present value discount (ranging from 0.95% - 4.84%)	<u>(2,268,905)</u>	<u>(2,372,529)</u>
Total pledges receivable, net	<u>\$ 6,377,099</u>	<u>\$ 7,589,731</u>

NOTE 4 - SPLIT-INTEREST AGREEMENTS

Split-interest agreements with donors consist of irrevocable charitable gift annuities, charitable remainder trusts and a perpetual trust. Split-interest agreements are reported at fair value in the statements of financial position.

Charitable gift annuities are recognized as an asset at fair value at the date of the annuity agreement. An annuity liability is recognized for the present value of future cash flows expected to be paid to the donor and contribution revenues are recognized equal to the difference between the asset and the annuity liability. Liabilities are adjusted during the terms of the annuities for payments to donors, accretion of discounts and changes in the life expectancies of the donors.

Charitable remainder trusts provide for the payment of distributions to designated beneficiaries over the trusts' terms. At the end of the trusts' terms, the remaining assets are to be available for the Museum's use, subject to donor-imposed restrictions. The Museum is also the beneficiary of a perpetual trust which was recognized as an asset and contribution revenue at the date the trust was established. Distributions from the trust are recorded as investment income and the assets are adjusted for changes in the fair value of the trust assets. These trusts are administered and held by others.

Initial contributions and annual adjustments for all split-interest agreements are calculated based on estimated life expectancies and other assumptions. Discount rates used in the calculations at June 30, 2015 and 2014 ranged from 1.60% to 1.91% based on the mid-term annual Applicable Federal Rate.

At June 30, 2015 and 2014, the Museum recorded liabilities to beneficiaries of the charitable gift annuities totaling \$110,305 and \$116,225, respectively, which are included in accrued expenses in the accompanying statements of financial position.

THE CHRYSLER MUSEUM, INCORPORATED

NOTES TO FINANCIAL STATEMENTS

NOTE 5 - INVESTMENTS

Investments at June 30, 2015 and 2014 consist of the following:

	<u>2015</u>	<u>2014</u>
Money market funds	\$ 1,311,586	\$ 1,181,907
Registered mutual funds	23,874,591	21,877,313
Fixed income	7,617,282	7,685,990
Credit	41,891	76,422
Private equity	2,373,191	2,618,033
Multi-strategy and other	36,193,706	29,840,579
Real assets	<u>3,031,790</u>	<u>3,188,315</u>
	74,444,037	66,468,559
Gift annuity investments	<u>319,119</u>	<u>312,354</u>
Total investments	<u>\$ 74,763,156</u>	<u>\$ 66,780,913</u>

The following summarizes investments in entities that calculate fair value based on net asset value per share as of June 30, 2015 and 2014:

Description	<u>2015</u>			Redemption Frequency (if Currently Eligible)	Redemption Notice Period
	Fair Value	Unfunded Commitments			
Fixed income	\$ 3,055,883	\$ -		Daily	
Credit	41,891	-		Daily	
Private equity	2,373,191	182,600		Ineligible, annual	90 days
Multi-strategy and other	36,193,706	-		Ineligible, quarterly, tri-annual	60-120 days
Real assets	<u>3,031,790</u>	<u>1,166,133</u>		Ineligible	
	<u>\$ 44,696,461</u>	<u>\$ 1,348,733</u>			

THE CHRYSLER MUSEUM, INCORPORATED

NOTES TO FINANCIAL STATEMENTS

Description	2014			
	Fair Value	Unfunded Commitments	Redemption Frequency (if Currently Eligible)	Redemption Notice Period
Fixed income	\$ 3,173,230	\$ -	Daily	
Credit	76,422	-	Daily	
Private equity	2,618,033	202,041	Ineligible, annual	90 days
Multi-strategy and other	29,840,579	-	Ineligible, quarterly, tri-annual	60-100 days
Real assets	3,188,315	2,370,833	Ineligible	
	<u>\$ 38,896,579</u>	<u>\$ 2,572,874</u>		

Investment income (loss) for the years ended June 30, consists of the following:

	2015	2014
Interest and dividends	\$ 869,961	\$ 862,450
Capital gain distributions	2,547,399	2,263,510
Increase (decrease) in fair value of investments	(4,266,575)	5,156,506
Investment management fees	(107,000)	(99,000)
Total investment income (loss)	<u>\$ (956,215)</u>	<u>\$ 8,183,466</u>

Investment income (loss) is recorded in the following net asset categories in the statements of activities for the years ended June 30:

	2015	2014
Unrestricted net assets		
Operating	\$ 3,219	\$ 5,977
Non-operating	(327,156)	2,790,594
	<u>(323,937)</u>	<u>2,796,571</u>
Temporarily restricted net assets	(632,278)	5,386,895
Total investment income (loss)	<u>\$ (956,215)</u>	<u>\$ 8,183,466</u>

Unrestricted non-operating investment income (loss) includes amounts from board designated funds.

THE CHRYSLER MUSEUM, INCORPORATED

NOTES TO FINANCIAL STATEMENTS

NOTE 6 – FAIR VALUE MEASUREMENTS

The Museum has certain assets and liabilities that are valued using a fair value hierarchy. The three levels of fair value hierarchy for recurring fair value measurements are prioritized based on the inputs to valuation techniques used to measure fair value and are as follows:

- Level 1 – quoted prices in active markets for identical assets or liabilities.
- Level 2 – observable inputs that include quoted market prices for similar assets or liabilities; quoted market prices that are not in an active market; or other inputs that are observable and can be corroborated by observable market data for substantially the full term of the assets or liabilities.
- Level 3 – unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation.

The following tables present the Museum’s assets and liabilities that are measured at fair value on a recurring basis for each hierarchy level at June 30, 2015 and 2014:

	2015			Total
	Level 1	Level 2	Level 3	
Assets				
Investments				
Money market funds	\$ 1,311,586	\$ -	\$ -	\$ 1,311,586
Registered mutual funds	23,874,591	-	-	23,874,591
Fixed income	4,561,399	-	3,055,883	7,617,282
Credit	-	-	41,891	41,891
Private equity	-	-	2,373,191	2,373,191
Multi-strategy and other	-	-	36,193,706	36,193,706
Real assets	-	-	3,031,790	3,031,790
	<u>29,747,576</u>	<u>-</u>	<u>44,696,461</u>	<u>74,444,037</u>
Gift annuity investments	<u>319,119</u>	<u>-</u>	<u>-</u>	<u>319,119</u>
	<u>30,066,695</u>	<u>-</u>	<u>44,696,461</u>	<u>74,763,156</u>
Charitable trusts	<u>-</u>	<u>-</u>	<u>116,912</u>	<u>116,912</u>
	<u>\$ 30,066,695</u>	<u>\$ -</u>	<u>\$ 44,813,373</u>	<u>\$ 74,880,068</u>
Liabilities				
Gift annuity liabilities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 110,305</u>	<u>\$ 110,305</u>
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 110,305</u>	<u>\$ 110,305</u>

THE CHRYSLER MUSEUM, INCORPORATED

NOTES TO FINANCIAL STATEMENTS

	2014			
	Level 1	Level 2	Level 3	Total
Assets				
Investments				
Money market funds	\$ 1,181,907	\$ -	\$ -	\$ 1,181,907
Registered mutual fund	21,877,313	-	-	21,877,313
Fixed income	4,512,760	-	3,173,230	7,685,990
Credit	-	-	76,422	76,422
Private equity	-	-	2,618,033	2,618,033
Multi-strategy and other	-	-	29,840,579	29,840,579
Real assets	-	-	3,188,315	3,188,315
	<u>27,571,980</u>	<u>-</u>	<u>38,896,579</u>	<u>66,468,559</u>
Gift annuity investments	<u>312,354</u>	<u>-</u>	<u>-</u>	<u>312,354</u>
Total investments	<u>27,884,334</u>	<u>-</u>	<u>38,896,579</u>	<u>66,780,913</u>
Charitable trusts	<u>-</u>	<u>-</u>	<u>117,630</u>	<u>117,630</u>
Total assets at fair value	<u>\$ 27,884,334</u>	<u>\$ -</u>	<u>\$ 39,014,209</u>	<u>\$ 66,898,543</u>
Liabilities				
Gift annuity liabilities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 116,225</u>	<u>\$ 116,225</u>
Total liabilities at fair value	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 116,225</u>	<u>\$ 116,225</u>

The following tables present a reconciliation of assets and liabilities in which significant unobservable inputs (Level 3) were used to determine fair value for the years ended June 30, 2015 and 2014.

	2015				Fair Value June 30, 2015
	Fair Value July 1, 2014	Net Realized and Unrealized Gains (Losses)	Purchases	Sales	
Investments					
Fixed income	\$ 3,173,230	\$ (267,347)	\$ 150,000	\$ -	\$ 3,055,883
Credit	76,422	(22,171)	-	(12,360)	41,891
Private equity	2,618,033	155,721	90,775	(491,338)	2,373,191
Multi-strategy and other	29,840,579	370,188	11,800,000	(5,817,061)	36,193,706
Real assets	3,188,315	(61,049)	351,500	(446,976)	3,031,790
Charitable trust	<u>117,630</u>	<u>(718)</u>	<u>-</u>	<u>-</u>	<u>116,912</u>
Total assets	<u>\$ 39,014,209</u>	<u>\$ 174,624</u>	<u>\$ 12,392,275</u>	<u>\$ (6,767,735)</u>	<u>\$ 44,813,373</u>
Gift annuity liabilities	<u>\$ 116,225</u>	<u>\$ 11,449</u>	<u>\$ -</u>	<u>\$ (17,369)</u>	<u>\$ 110,305</u>

THE CHRYSLER MUSEUM, INCORPORATED

NOTES TO FINANCIAL STATEMENTS

	2014				Fair Value June 30, 2014
	Fair Value July 1, 2013	Net Realized and Unrealized Gains (Losses)	Purchases	Sales	
Investments					
Fixed income	\$ -	\$ 173,230	\$ 3,000,000	\$ -	\$ 3,173,230
Credit	202,520	(1,298)	-	(124,800)	76,422
Private equity	4,021,134	644,899	77,500	(2,125,500)	2,618,033
Multi-strategy and other	22,295,234	2,979,764	8,500,000	(3,934,419)	29,840,579
Real assets	2,893,016	31,075	638,000	(373,776)	3,188,315
Charitable trust	143,015	(25,385)	-	-	117,630
Total assets	<u>\$ 29,554,919</u>	<u>\$3,802,285</u>	<u>\$12,215,500</u>	<u>\$ (6,558,495)</u>	<u>\$ 39,014,209</u>
Gift annuity liabilities	<u>\$ 122,322</u>	<u>\$ 11,272</u>	<u>\$ -</u>	<u>\$ (17,369)</u>	<u>\$ 116,225</u>

Net unrealized gains (losses) included in net gains (losses) for the period related to assets held at June 30, 2015 and 2014 and totaled \$(897,042) and \$2,256,523, respectively, and are included in temporarily restricted net assets.

Investments in fixed income, credit, private equity, multi-strategy and other, and real assets for which a quoted market price is not available are carried at fair value as determined by the underlying investment fund management. Such valuations are based upon judgments that reflect various factors including, but not limited to, market values when available, restrictions affecting marketability, operating results, financial condition of the investees and the price of recent transactions. Due to the inherent uncertainty of investment valuation, the fair values may differ significantly from the values that would have been used had a ready market for all investments existed, and the difference could be material.

Fair value for the charitable trusts and gift annuity liabilities are determined by calculating the present value of the future distributions expected to be received or paid, using published life expectancy tables and rates ranging from 0.95% to 1.91%. There have been no changes in the valuation techniques and related inputs.

NOTE 7 - PROPERTY AND EQUIPMENT

Property and equipment at June 30, 2015 and 2014 consist of the following:

	2015	2014
Furniture, fixtures and equipment	\$ 2,291,346	\$ 2,150,767
Less accumulated depreciation	(1,216,536)	(988,484)
Property and equipment, net	<u>\$ 1,074,810</u>	<u>\$ 1,162,283</u>

THE CHRYSLER MUSEUM, INCORPORATED

NOTES TO FINANCIAL STATEMENTS

NOTE 8 - NOTE PAYABLE

On June 26, 2012, the Museum obtained a construction line of credit in the aggregate amount of up to \$15,000,000 for the Museum expansion project. As of June 30, 2015 and 2014, the line of credit balance outstanding was \$11,719,709 and \$14,214,972, respectively. This line was payable in monthly installments of interest only beginning July 2012 through November 2014 at 3.75%. On November 25, 2014, the Museum entered into a change in terms agreement. Under this new agreement, the Museum will pay 94 monthly interest payments at 3.75% beginning December 2014 calculated on the outstanding balance. Annual principal payments of \$1,875,000 will be due beginning in January 2016. One final payment of outstanding principal and interest is due January 2023. This loan is secured by certain Museum investment securities.

Future maturities of the long-term note payable are as follows:

<u>Year</u>	<u>Amount</u>
2016	\$ 1,875,000
2017	1,875,000
2018	1,875,000
2019	1,875,000
2020	1,875,000
Thereafter	<u>2,344,709</u>
Total	<u>\$ 11,719,709</u>

NOTE 9 - EMPLOYEE BENEFIT PLAN

The Museum offers a 403(b) retirement plan covering substantially all employees who have attained age 21, have been employed for at least one year, and who work a minimum of 1,000 hours annually. Contributions to the plan are at the discretion of the Board of Trustees and approved annually. The Museum's policy is to fund the contributions as accrued. Employer contributions to the plan were \$103,298 and \$108,492 in 2015 and 2014, respectively, exclusive of plan administrative costs.

NOTE 10 - BOARD DESIGNATED AND RESTRICTED NET ASSETS

Quasi-Endowment Funds Board designated net assets include quasi-endowment funds which consists of deaccession proceeds and other unrestricted income which the board has designated for accession, capital, and program use. These quasi-endowment funds follow the spending policy of Museum endowments as discussed in Note 12.

All board designated contributions are recorded as non-operating contributions in the statements of activities. Since all board designated net assets result from an internal designation, they are not considered temporarily restricted, but are classified and reported as unrestricted net assets.

THE CHRYSLER MUSEUM, INCORPORATED

NOTES TO FINANCIAL STATEMENTS

Board designated and restricted net assets at June 30, 2015 and 2014, classified as to purpose, are as follows:

	<u>2015</u>	<u>2014</u>
Unrestricted – Board designated		
Accessions	\$ 4,914,284	\$ 5,032,010
Capital improvements	1,380,719	1,139,894
Program and supporting services	6,984,679	5,973,069
	<u>13,279,682</u>	<u>12,144,973</u>
Temporarily restricted		
Accessions	2,594,494	3,032,902
Capital improvements	2,630,449	2,617,370
Program and supporting services	13,495,866	15,211,955
Time-restricted pledges	5,039,696	5,796,197
	<u>23,760,505</u>	<u>26,658,424</u>
Permanently restricted		
Accessions	3,321,713	3,321,713
Program and supporting services	29,893,649	29,783,119
	<u>33,215,362</u>	<u>33,104,832</u>
Total Board designated and restricted net assets	<u>\$ 70,255,549</u>	<u>\$ 71,908,229</u>

Board designated net assets are shown net of the note payable, which is secured by board designated endowment investments.

The above funds aggregated by purpose at June 30, 2015 and 2014 consist of the following:

	<u>2015</u>	<u>2014</u>
Accessions	\$ 10,830,491	\$ 11,386,625
Capital improvements	4,011,168	3,757,264
Program and supporting services	50,374,194	50,968,143
Time-restricted pledges	5,039,696	5,796,197
	<u>\$ 70,255,549</u>	<u>\$ 71,908,229</u>

THE CHRYSLER MUSEUM, INCORPORATED

NOTES TO FINANCIAL STATEMENTS

NOTE 11 - NET ASSETS RELEASED FROM RESTRICTIONS

Temporarily restricted net assets were released from donor restrictions during the years ended June 30, 2015 and 2014 by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors, and are summarized as follows:

	<u>2015</u>	<u>2014</u>
Operational support		
Program and supporting services	\$ 1,634,061	\$ 1,813,777
Non-operating support		
Accessions	740,661	295,428
Capital improvements	<u>2,940,007</u>	<u>3,361,882</u>
Total non-operating support	<u>3,680,668</u>	<u>3,657,310</u>
Total net assets released from restrictions	<u>\$ 5,314,729</u>	<u>\$ 5,471,087</u>

NOTE 12 - ENDOWMENTS

The Museum's endowment consists of approximately 50 individual funds established for a variety of purposes. Its endowment includes both donor-restricted endowment funds and funds designated by the Board of Trustees to function as endowments. Net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Governing Board's Interpretation of Law The Board of Trustees has interpreted UPMIFA 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. The Museum classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Museum.

THE CHRYSLER MUSEUM, INCORPORATED

NOTES TO FINANCIAL STATEMENTS

Investment Return Objectives and Risk 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 a donor-specified period as well as board-designated funds. Under this policy, as approved by the Board of Trustees, the endowment assets are invested in a manner that is intended to (a) provide for a spending rate that keeps pace with inflation while protecting and growing the real value of the funds corpus, (b) attain an average annual real return, net of fees, of at least 5.0% over the long term, as measured over rolling five-year periods, and (c) control risks that may hinder achievement of these goals.

Spending Policy The Museum utilizes a total return, spending-rate policy in order to provide portfolio management flexibility, preserve the purchasing power (real value) of the funds, and aid the Museum's budgetary process. To meet these objectives, the Museum focuses on the overall return on investments, including interest, dividends, and net investment appreciation. For the Museum's budgeting requirements, the Museum is limited to using up to its spending rate, currently 5.0%, applied to a five-year moving average of the applicable board designated, temporarily and permanently restricted funds' fair value, to determine how much of the total return will be used for each year's budget. If in any one year, the full spending rate is not expended, the unspent portion carries forward and is added to subsequent year's spending rate. Income in excess of the spending-rate formula is thus available, subject to original gift instruments, to maintain or increase the real value of the funds.

Endowment funds by net asset class at June 30, 2015 and 2014 is as follows:

	2015			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor restricted	\$ -	\$ 9,298,665	\$ 33,215,362	\$ 42,514,027
Board designated	25,620,164	-	-	25,620,164
 Total endowment funds	 \$ 25,620,164	 \$ 9,298,665	 \$ 33,215,362	 \$ 68,134,191
	2014			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor restricted	\$ -	\$ 11,360,120	\$ 33,104,832	\$ 44,464,952
Board designated	26,508,535	-	-	26,508,535
 Total endowment funds	 \$ 26,508,535	 \$ 11,360,120	 \$ 33,104,832	 \$ 70,973,487

THE CHRYSLER MUSEUM, INCORPORATED

NOTES TO FINANCIAL STATEMENTS

Changes in endowment funds by net asset class at June 30, 2015 and 2014 are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Balance, June 30, 2013	\$ 24,087,847	\$ 8,019,449	\$ 32,541,423	\$ 64,648,719
Contributions	427,537	-	563,409	990,946
Investment income	2,763,581	4,435,241	-	7,198,822
Expenditures	(770,430)	(1,094,570)	-	(1,865,000)
Balance, June 30, 2014	26,508,535	11,360,120	33,104,832	70,973,487
Contributions	306,613	-	110,530	417,143
Investment loss	(325,046)	(519,971)	-	(845,017)
Expenditures	(869,938)	(1,541,484)	-	(2,411,422)
Balance, June 30, 2015	<u>\$ 25,620,164</u>	<u>\$ 9,298,665</u>	<u>\$ 33,215,362</u>	<u>\$ 68,134,191</u>

NOTE 13 - CAPITALIZED INTEREST

Interest costs consist of the following for the years ended June 30, 2015 and 2014:

	2015	2014
Interest costs incurred	\$ 541,917	\$ 355,636
Less amount capitalized	-	(355,636)
Interest expensed	<u>\$ 541,917</u>	<u>\$ -</u>

NOTE 14 - CONCENTRATION OF CREDIT RISK

At various times during the years presented, the Museum may have had on deposit with a single financial institution more than \$250,000, which is the basic limit currently insured by the Federal Deposit Insurance Corporation (FDIC).

The Museum routinely invests excess cash in overnight investments. These investments are not insured but are collateralized by high corporate debt and U.S. Government Agency securities. Approximately \$2,219,000 and \$14,434,000 was invested in this manner at June 30, 2015 and 2014.

NOTE 15 - RECLASSIFICATIONS

Certain amounts in the 2014 financial statements have been reclassified to conform with the current year financial statement presentation. These reclassifications had no effect on financial position or operating results as previously reported.