

# **Museum of Contemporary Art Jacksonville, Inc.**

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**Financial Statements and  
Supplemental Information**

**Years Ended June 30, 2016 and 2015**

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## **Independent Auditors' Report**

Board of Trustees  
Museum of Contemporary Art Jacksonville, Inc.

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of the Museum of Contemporary Art Jacksonville, Inc. (the "Museum"), a direct support organization and component unit of the University of North Florida, as of and for the years ended June 30, 2016 and 2015, and the related notes to the financial statements.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditors' Responsibility***

Our responsibility is to express opinions 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 and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. 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 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 opinions.

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Museum as of June 30, 2016 and 2015, and the changes in its financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

***Other Matters***

**Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 3 through 16 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

**Other Information**

Our audits were conducted for the purpose of forming opinions on the basic financial statements taken as a whole. The schedules of functional expenses, and source and status of funds are the responsibility of management and were derived from and related to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedules of functional expenses and Schedule of the Source and Status of Funds Received from the Cultural Council of Greater Jacksonville, Inc. are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated September 8, 2016, on our consideration of the Museum's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Museum's internal control over financial reporting and compliance.

*Dixon Hughes Goodman LLP*

**Jacksonville, Florida  
September 8, 2016**

## **Museum of Contemporary Art Jacksonville, Inc. Management's Discussion and Analysis**

### Overview of the Financial Statements and Financial Analysis

The Museum of Contemporary Art Jacksonville, Inc. (the "Museum") presents its financial statements as of and for the fiscal years ended June 30, 2016 and 2015. The Museum is a cultural institute of the University of North Florida (the "University") that exists to collaboratively serve the University and Jacksonville communities through exhibitions, collections, educational programs, and publications designed to enhance the understanding and appreciation of modern and contemporary art. The Museum is a direct support organization and component unit of the University (a governmental agency).

The Museum's financial statements are presented on an accrual basis, including the recording of depreciation, which includes 1) assets and liabilities as current and non-current; 2) revenues and expenses as operating and non-operating; 3) the use of the direct method of statement of cash flows; 4) a management's discussion and analysis (MD&A) of the financial results.

The MD&A focuses on current activities, resulting changes and currently known facts to provide the reader with an overall summary of the accompanying financial statements. It should be read in conjunction with the basic financial statements and accompanying notes.

The financial statement report includes the following:

1. Basic financial statements-
  - a. Statement of Net Position
  - b. Statement of Revenues, Expenses, and Changes in Net Position
  - c. Statement of Cash Flows
  - d. Notes to the Financial Statements, and
2. Supplementary schedules-
  - a. Schedule of Functional Expenses
  - b. Schedule of the Source and Status of Funds Received from the Cultural Council of Greater Jacksonville, Inc.

### **FINANCIAL HIGHLIGHTS**

#### **2016**

- *Fundraising.* For the year ended June 30, 2016, the Museum recorded a total of \$809,052 in operating contributions, an increase of approximately \$251,000 or 45% over prior year.

In January 2015, the Museum received a \$5 million gift pledge from The Haskell Foundation to provide unrestricted operational financial support to the Museum to be administered by the UNF Foundation, Inc. ("the Foundation") as an endowment. In fiscal year 2016, the Haskell Foundation contributed the final pledged amount \$2.560 million to the MOCA endowment, which provides the Museum an economic interest in the endowed assets of the UNF Foundation.

- In July, 2015, J. Wayne and Delores Barr Weaver established the MOCA Educator for Family and Children's Programs Endowment at The Community Foundation for Northeast Florida. The Museum will receive annual support for the J. Wayne and Delores Barr Weaver Educator for Family and Children's Programs from the Endowment. In fiscal 2016, the Museum received \$24,104 in support.
- *Program Fees* generated \$280,210 in revenue, which is an increase of approximately \$3,522 or 1%. This represents museum admissions of approximately \$53,000, educational programs of approximately \$193,000 and other special events of approximately \$35,000. The presented programs and events included were the Contemporaries New Year's Eve, the Collector's Circle trip to St. Louis, Missouri.
- *Grants.* In fiscal 2016, the Museum recorded a total of \$385,910 in grants, a decrease of approximately \$151,000 or 28% below prior year. Grants of \$325,110 were designated for operating expenses and salaries from the City of Jacksonville Cultural Council (\$255,653) and Florida Cultural Affairs (\$69,457). Additional grants of \$60,800 included \$60,000 from the Jessie Ball duPont Fund for the second installment of a three-year grant totaling \$185,000 to restructure exhibition fundraising.
- *Memberships.* In fiscal 2016, the Museum realized a total of approximately \$138,000 in membership dues, which is an increase of approximately \$18,000 or 16%. The categories include Avant Garde, Collectors Circle, the Contemporaries, and core memberships.
- In fiscal 2016, MOCA provided free admission during Art Walk Wednesdays that served 34,813 guests. Bank of America sponsored Museums on Us, free admission for cardholders on the first weekend of each month (23 days total) for 1,006 guests. These opportunities benefit the community by providing free access to the arts at the Museum.
- *Museum Investments.* At June 30, 2016, the market value of investments (including money market funds classified as cash) was \$644,987 consisting of the endowment portfolio of \$602,706, and restricted funds invested of \$42,281.
- *Net Position.* In fiscal 2016, net position totalled approximately \$7.046 million, a net increase of \$2.208 million or 40% over the prior year. The increase is primarily due to the interest in affiliates from the Haskell contribution and income of approximately \$2.496 million, the net decrease of operating activities of approximately \$287,000, the net decrease of approximately \$73,000 from non-operating income, and the decrease of \$75,000 for the removal of art purchased during the fiscal year.

## **2015**

- *Fundraising.* For the year ended June 30, 2015, the Museum recorded a total of \$558,426 in operating contributions, a decrease of approximately \$191,590 or 26% below prior year. The Museum had a total of \$5,000 in commitments for campaign pledges, which were discounted and recorded on the Statement of Net Position at \$4,671.

In January 2015, the Museum received a \$5 million gift pledge from The Haskell Foundation to provide unrestricted operational financial support to the Museum to be administered by the UNF Foundation, Inc. ("the Foundation") as an endowment. The gift includes cash contribution of \$4,576,221 and forgiveness of debt of \$423,779. In June 2015, the Foundation received a net of \$2.005 million of the gift for a MOCA endowment, which provides the Museum an economic interest in the endowed assets of the Foundation.

- *Program Fees* generated \$276,688 in revenue, which was an increase of approximately \$39,000 or 16%. This represents museum admissions of approximately \$42,000, educational programs of approximately \$177,000 and other special events of approximately \$58,000. The presented programs and events included were the Contemporaries New Year's Eve, the Collector's Circle trip to Bentonville, Arkansas, and MOCA Guild events.
- *Grants*. In fiscal 2015, the Museum recorded a total of \$537,224 in grants, an increase of approximately \$88,000 or 20% over prior year. Grants of \$376,424 were designated for operating expenses and salaries from the City of Jacksonville Cultural Council (\$226,424) and Florida Cultural Affairs (\$150,000). Additional grants of \$155,000 included \$85,000 from the Jessie Ball duPont Fund for the first installment of a three-year grant totaling \$185,000 to restructure exhibition fundraising. The Museum also received the second installment of \$70,000 from the Renate, Hans and Maria Hofmann Trust for the fall 2016 exhibition featuring Hans Hofmann's work.
- *Memberships*. In fiscal 2015, the Museum realized a total of approximately \$120,000 in membership dues, which was an increase of approximately \$33,000 or 39%. The categories include Avant Garde, Collectors Circle, the Contemporaries, the MOCA Guild and core memberships.
- In fiscal 2015, Florida Blue sponsored free admission during Art Walk Wednesdays that served 31,813 guests. Bank of America sponsored Museums on Us, free admission for cardholders on the first weekend of each month (23 days total) for 566 guests. These two underwriting sponsorships and unrestricted contributions provided the community with free access to the arts at the Museum.
- *Museum Investments*. At June 30, 2015, the market value of investments (included money market funds classified as cash) was \$663,397 consisting of the endowment portfolio of \$621,120, and restricted funds invested of \$42,277.
- *Net Position*. In fiscal 2015, net position totalled approximately \$4,929 million, which was an increase of \$2,211,536 or 81% over the prior year. The increase is primarily due to the increase in operating revenues and the interest in the net position of the UNF Foundation related to the Haskell Foundation gift.

## **Statement of Net Position**

The purpose of the Statement of Net Position is to present the reader with a look at the Museum's financial condition as of the end of the fiscal year. In reading the Statement of Net Position, the reader will be able to determine the Museum's ability to continue operations; how much it owes to vendors, and lending institutions; and to see a snapshot of the assets that are available to pay the expenditures of the Museum.

**Condensed Summary of  
Net Position Information  
(In thousands of dollars)  
As of June 30, 2016**

Assets	2016	2015	Change	%
Current assets	\$ 150	\$ 237	\$ (87)	-37%
Non-current assets:				
Capital assets, net	2,075	2,378	(303)	-13%
Other	5,496	2,898	2,598	90%
Total assets	<u>\$ 7,721</u>	<u>\$ 5,513</u>	<u>\$ 2,208</u>	<u>40%</u>
Liabilities:				
Current liabilities	\$ 350	\$ 208	142	68%
Non-current liabilities	325	375	(50)	-13%
Total liabilities	<u>675</u>	<u>583</u>	<u>92</u>	<u>16%</u>
Net assets:				
Net Investment in capital assets	2,075	2,378	(303)	-13%
Interest in net assets of affiliate	4,501	2,005	2,496	124%
Restricted by donors - expendable	395	288	107	37%
Restricted for endowments	600	610	(10)	-2%
Unrestricted	(525)	(351)	(174)	50%
Total net position	<u>7,046</u>	<u>4,930</u>	<u>2,116</u>	<u>43%</u>
Total liabilities and net position	<u>\$ 7,721</u>	<u>\$ 5,513</u>	<u>\$ 2,208</u>	<u>40%</u>

The Statement of Net Position is presented as part of the basic financial statements. For fiscal year ended June 30, 2016, total net position is approximately \$7.046 million. This year's activity included the following:

**Current Assets**

**2016**

- In fiscal 2016, *current assets* totaled \$150,069.
- *Cash and cash equivalents* totaled \$61,790, which includes unrestricted cash on hand at year-end of \$59,862 and petty cash of \$1,928. These funds are available for operational expenses.
- *Accounts receivable* totaled \$74,598, which is comprised of \$30,364 in summer camp fees, \$34,234 for facility rentals and other receivables of \$10,000.
- *Prepaid expenses* totaled \$2,946, a decrease of approximately \$1,500 or 33%. This represents prepayment of administrative expenses.
- *Inventory* at fiscal year-end totaled \$10,735, representing the Museum Store merchandise for sale.



## **2015**

- In fiscal 2015, *current assets* totaled \$237,117.
- *Cash and cash equivalents* totaled \$161,869, which included unrestricted cash on hand at year-end of \$159,651 and petty cash of \$2,218. These funds are available for operational expenses.
- *Accounts receivable* were \$50,998, which was comprised of \$30,563 in summer camp fees, \$16,685 for facility rentals and grant receivable of \$3,750.
- *Pledges receivable, net of discounts* totaled \$4,671, which represented pledges receivable from the capital campaign.
- *Prepaid expenses* totaled \$4,422, a decrease of approximately \$3,000 or 42%. This represents prepayment of administrative expenses.
- *Inventory* at fiscal year-end totaled \$15,157, representing the Museum Store merchandise for sale.

### ***Non-current assets***

## **2016**

- In fiscal 2016, *non-current assets* totaled \$7.571 million.
- *Restricted Cash and Cash Equivalents* totaled \$394,932, an increase of \$112,365 over prior year. This represents funds received from grants and other programs for spending as prescribed by agreement or donor restriction. The restricted funds includes monies available for future exhibitions (\$248,598), cash held in the City of Jacksonville Cultural Council Grant (\$33,562), and the cash portion of the endowment fund (\$45,068).
- *Museum Investments* totaled \$599,919. The total represents the invested portion of the MOCA endowment fund.
- *Interest in net assets of affiliate.* In January 2015, the Museum received a \$5 million gift from the Haskell Foundation (“the Donor”): cash of \$4,576,221 and debt forgiveness of \$423,779. In fiscal year 2016, the Donor completed the pledge by providing \$2.560 million in cash to the Foundation. The Museum has an ongoing interest in the assets of UNF Foundation in the amount of \$4,501,092, net of realized losses of approximately \$64,537 at June 30, 2016.
- *Capital Assets* totaled \$2,074,729. This includes furniture, fixtures, and equipment of \$526,374 and leasehold improvements of \$5,951,106, net of accumulated depreciation of \$4,402,752.

## **2015**

- In fiscal 2015, *non-current assets* totaled \$3.270 million.
- *Restricted Cash and Cash Equivalents* totaled \$282,567, an increase of \$53,216 from prior year. This represented funds received from grants and other programs for spending as prescribed by agreement or donor restriction. At fiscal 2015 year-end, the restricted funds include monies available for future exhibitions (\$197,360), the City of Jacksonville Cultural

Council Grant (\$25,530), the cash portion of the endowment fund (\$10,939), the funds reserved for Art Acquisition (\$6,406) and a miscellaneous account (\$55).

- *Museum Investments* totaled \$610,181. The total represented the invested portion of the MOCA endowment fund.
- *Interest in net assets of affiliate.* In January 2015, the Museum received a \$5.000 million gift from the Haskell Foundation (“the Donor”): cash of \$4,576,221 and debt forgiveness of \$423,779. In June 2015, the Donor provided \$2.016 million in securities to the Foundation. The Museum has an ongoing interest in the assets of UNF Foundation in the amount of \$2,005,176, net of realized losses of \$11,135, at June 30, 2015.
- *Capital Assets* totaled \$2,377,737. This includes furniture, fixtures, and equipment of \$526,374 and leasehold improvements of \$5,951,106, net of accumulated depreciation of \$4,099,743.

## ***Liabilities***

### **2016**

- *Current liabilities* totaled \$350,026, a net increase of \$141,784 or 68%. The increases are attributed to vacation leave accrual of approximately \$56,000, salaries payable of approximately \$46,000, deferred revenue of approximately \$74,000, accounts payable of approximately \$122,000, and sales tax payable of approximately \$2,100. A \$50,000 payment for the University of North Florida line of credit is scheduled for next fiscal year.
- *Non-current liabilities* totaled \$325,000. The non-current liabilities include the non-current portion of the line of credit with the University of North Florida of \$325,000.

### **2015**

- *Current liabilities* totaled \$208,242, a net increase of \$28,011 or 16%. The increase was primarily attributed to vacation leave accrual of approximately \$24,000, salaries payable of approximately \$13,000, deferred revenue of approximately \$5,000 offset by decreases in accounts payable of approximately \$14,000, and sales tax payable of approximately \$700. A \$50,000 payment for the University of North Florida line of credit is scheduled for next fiscal year.
- *Non-current liabilities* totaled \$375,000. The non-current liabilities include the non-current portion of the line of credit with the University of North Florida of \$375,000. The loan with an emeritus member of the Museum board of trustees for \$423,779 was forgiven as a part of a gift agreement in January 2015.

## ***Net Position***

The net position at June 30, 2016 totaled approximately \$7.046 million.

The Net Position section of the Statement of Net Position provides three classifications:

1. The net investment in capital assets reflects the amounts expended for building improvements, and for furniture, fixtures, and equipment.
2. The restricted net position are listed in two categories:
  - a) the temporarily restricted for programs represents amounts which are available for spending in accordance with the donor's specified criteria;
  - b) the restricted for endowment represents the restricted nonexpendable funds, which are held in perpetuity.
  - c) The restricted for interest in net asset of affiliate endowment represents the restricted nonexpendable funds held as a part of the UNF Foundation endowment, which are held in perpetuity.
3. The unrestricted net position are the amounts available to the Museum for any purpose in support of its mission.

## **Statement of Revenues, Expenses, and Changes in Net Position**

The purpose of the Statement of Revenues, Expenses, and Changes in Net Position is to provide details of the Museum's operating and non-operating activities for the fiscal year. This includes the revenues (net of discounts and allowances) displayed by major source, expenses, and gains and losses received or incurred by the Museum. For fiscal year 2016, the Statements of Revenues, Expenses, and Changes in Net Position reflect a \$2.116 million increase in net position.

The Statement of Revenues, Expenses, and Changes in Net Position include the following categories:

- Operating revenues are revenues received from donors (i.e. contributions, etc.) and programs and services provided (i.e. museum admissions, education programs, art classes, lecture series, special events, etc.) to various customers and constituents of the Museum.
- Operating expenses are those expenses paid to acquire or produce the goods and services provided in return for the operating revenues, and to carry out the mission of the Museum. They are detailed by expenditure type, which includes Compensation and employee benefits, services and supplies, utilities and facility maintenance, scholarships and admissions, general administrative expenses, auxiliary enterprise operating expenses, interest expense, and depreciation and amortization.
- Operating income (expense) represents the amount of operating revenue in excess of (less than) the year's operating expenses and does not include non-operating revenue.
- Non-operating revenue is received from sources for which no service is provided by the Museum (i.e. investments.)

- Contributions to permanent endowments represent contributions that are permanently restricted in an endowment fund.
- The change in net position is the result of the fiscal year's excess of expenses over revenues, which is also the difference in total net position on the Statement of Net Position.

**Condensed Summary of Revenues, Expenses,  
and Changes in Net Assets**

**For year ended June 30, 2016**

	2016	2015	Change	%
Operating revenues:				
Contributions	\$ 809,052	\$ 558,426	\$ 250,626	45%
Program fees	280,210	276,688	3,522	1%
Grants	385,910	537,224	(151,314)	-28%
Memberships	138,180	119,584	18,596	16%
NOLA MOCA sales, net cost of goods sold	429,215	424,001	5,214	1%
Museum store sales, net cost of goods sold	14,198	19,256	(5,058)	-26%
Other operating income	45,752	445,057	(399,305)	-90%
Total operating revenues	\$ 2,102,517	\$ 2,380,236	(277,719)	-12%
Operating expenses	2,388,792	2,153,484	235,308	11%
Operating loss	(286,275)	226,752	(513,027)	-226%
Non-operating income (expense):				
Interest and dividends	9,026	22,052	(13,026)	-59%
Net appreciation (depreciation) in investments	(27,488)	(17,444)	(10,044)	58%
Interest in net assets of affiliate	2,495,916	2,005,176	490,740	24%
Works of art purchased for collection	(75,000)	(25,000)	(50,000)	200%
Non-operating income	2,402,454	1,984,784	417,670	21%
Change in net assets	2,116,179	2,211,536	(95,357)	-4%
Net assets, beginning of year	4,929,536	2,718,000	2,211,536	81%
Net assets, end of year	\$ 7,045,715	\$ 4,929,536	\$ 2,116,179	43%

The Statement of Revenues, Expenses, and Changes in Net Position are presented as part of the basic financial statements. For fiscal year ended June 30, 2016, the Museum's income (loss) before additions to endowments resulted in an increase of \$2.116 million in net position. The Statements' highlights are as follows:

***Operating Revenues***

**2016**

- In fiscal 2016, *operating revenues* totaled approximately \$2.103 million, a decrease of approximately \$278,000 or 12%.
- The non-endowed *contributions* totaled \$809,052 which is an increase of approximately \$250,626 or 45% over prior year of \$558,426. The increases were in foundation gifts of approximately \$236,000, underwriting gifts of approximately \$31,000, in-kind gifts of approximately \$45,000 and board contributions of approximately \$26,000 offset by decreases

in gifts from individuals of approximately \$47,000 and special appeals gifts of approximately \$32,000. Contributions shown under Operating Revenues are exclusive of the contributions for capital additions (contributions and state matching funds) to permanent endowment.

- *Program fees* totaled \$280,210, an increase of approximately \$3,500 or 1%. The increase is attributed to increases in Museum educational programs of approximately \$13,000, and museum admissions of approximately \$11,000 offset by a decrease in event admissions of approximately \$21,000.
- *Grants.* The Museum received grants totaling \$385,910, which was a decrease of approximately \$151,000 or 28%. Grants designated for operating expenses and salaries totaled \$325,910, and for future year exhibitions and equipment totaled \$60,000.
- *Memberships.* In fiscal 2016, total new and renewal memberships increased by \$18,596 or 16% to \$138,180, which consists of \$95,500 for Avant Garde and Collectors Circle premium memberships, and \$41,040 for core memberships and other groups. Gift memberships of \$1,640 were provided to schools and nonprofit organizations.
- *Auxiliary Enterprises.* The Museum operates two auxiliary enterprises, NOLA MOCA restaurant and the Museum Store gift shop. For fiscal 2016, NOLA MOCA reported net income of \$24,905 and the Museum Store reported a net loss of \$504. Below is a condensed summary of revenues and expenses for the auxiliary enterprises.

**Auxiliary Enterprises**  
**Condensed Summary of Revenues and Expenses**  
**For year ended June 30, 2016**

	NOLA MOCA	Museum Store	Total
<b>Sales</b>	\$ 572,883	\$ 29,692	\$ 602,575
<b>Cost of goods sold</b>	143,668	15,494	159,162
<b>Gross profit</b>	\$ 429,215	\$ 14,198	\$ 443,413
<b>Operating expenses</b>			
<b>Direct expenses</b>	\$ 401,902	\$ 14,650	\$ 416,552
<b>Indirect expenses</b>	1,072	52	1,124
<b>Depreciation</b>	1,336	-	1,336
<b>Total expenses</b>	\$ 404,310	\$ 14,702	\$ 419,012
<b>Operating income (loss)</b>	\$ 24,905	\$ (504)	\$ 24,401

- *Other operating income* of approximately \$45,752 is a decrease of \$427,698 from prior year. This income includes the annual proceeds from the J.Wayne and Delores Barr Weaver Endowment of \$24,104, traveling exhibition fees of \$17,270 and miscellaneous income of \$4,378.

**2015**

- In fiscal 2015, total *operating revenues* totaled approximately \$2.380 million, a decrease of approximately \$20,052 or 1%.

- The non-endowed *contributions* totaled \$558,426, which is a decrease of approximately \$191,000 or 26% over prior year of \$750,016. The decreases were in underwriting gifts of approximately \$176,000, gifts from individuals of approximately \$55,000, corporate gifts of approximately \$6,000, annual fund gifts of approximately \$14,000, in-kind gifts of approximately \$10,000 offset by increases in gifts from foundations of approximately \$27,000, special appeals gifts of approximately of \$27,000 and board contributions of approximately \$15,000. Contributions shown under Operating Revenues are exclusive of the contributions for capital additions (contributions and state matching funds) to permanent endowment.
- *Program fees totaled \$276,688, an increase of \$39,140 or 16%. The increase is attributed to increases in Museum educational programs of approximately \$18,000, special events/trips of approximately \$12,000, admissions of approximately \$6,000 and event admissions of approximately \$1,600.*
- *Grants.* The Museum received grants totaling \$537,224, which was an increase of approximately \$88,000 or 20%. Grants designated for operating expenses and salaries totaled \$379,424, for education programs totaled \$2,800 and for future year exhibitions and equipment totaled \$155,000.
- *Memberships.* In fiscal 2015, membership fees increased by \$33,488 or 39% to \$119,584, which consists of \$70,650 for Avant Garde and Collectors Circle premium memberships, and \$45,259 for core memberships and other groups. Gift memberships of \$3,675 were provided to schools and nonprofit organizations.
- *Auxiliary Enterprises.* The Museum operates two auxiliary enterprises, NOLA MOCA restaurant and the Museum Store gift shop. For fiscal 2015, NOLA MOCA reported net income of \$41,044 and the Museum Store reported a net income of \$3,859. Below is a condensed summary of revenues and expenses for the auxiliary enterprises.

## ***Operating Expenses***

### **2016**

Operating expenses in fiscal 2016 were approximately \$2.389 million. The following details several expense categories:

- *Compensation and employee benefits* totaled \$955,495 is an increase of \$94,958 or 11%. This represents amounts paid for employee salaries and associated fringe benefit costs.
- *Services and supplies* totaled \$543,359 is an increase of \$116,823 or 27%. The Museum's services and supplies are categorized as Museum general, exhibition or education expenses. Below is a chart of the expenses for fiscal 2016.

<b>2016 Services and Supplies</b>	<b>Museum General</b>	<b>Exhibitions</b>	<b>Events</b>	<b>Education</b>	<b>Total</b>
Administrative expenses	\$ 34,143	\$ 6,457	\$ 1,754	\$ 79	42,433
Advertising and Social Media	10,206	52,386	5	5,389	67,986
Exhibit installations, equipment rental	12,065	21,107	8,864	9,681	51,717
Printing and Publications	45,205	72,311	-	2,486	120,002
Professional and Contract Services	30,740	99,286	10,205	5,375	145,606
Shipping of artwork	-	115,615	-	-	115,615
<b>Total</b>	<b>\$ 132,359</b>	<b>\$ 367,162</b>	<b>\$ 20,828</b>	<b>\$ 23,010</b>	<b>\$ 543,359</b>

- *Utilities and facility maintenance* paid by MOCA totaled \$2,658. Effective in fiscal 2011, all other utilities and major facility maintenance are paid by the University of North Florida.
- *Gift Memberships* totaled approximately \$1,600 and were distributed through community partners and redeemed by approximately 23 families in the community.
- *NOLA MOCA operating expenses* were \$404,310, which includes compensation and benefits of \$310,799, services and supplies of \$42,873, utilities and maintenance of \$11,147, general administrative expenses of \$37,084, and depreciation on restaurant equipment of \$1,336.
- *Museum Store operating expenses* were \$14,702 including compensation and benefits of \$12,764, services and supplies of \$342 and general administrative expenses of \$1,544.
- *General and administrative (G&A) expenses* totaled \$164,996. Below is a chart detailing the G&A expenses by category.

<b>2016 General Administrative Expenses</b>	<b>Museum General</b>	<b>Exhibitions</b>	<b>Events</b>	<b>Education</b>	<b>Total</b>
Administrative expenses	\$ 32,683	\$ 84	\$ -	\$ 267	\$ 33,034
Equipment	828	846	-	-	1,674
Travel: staff, artists, membership trip	22,966	18,762	15,789	1,574	59,091
Membership events, donor cultivation, public relations	2,558	18,433	48,775	1,430	71,196
<b>Total</b>	<b>\$ 59,035</b>	<b>\$ 38,125</b>	<b>\$ 64,564</b>	<b>\$ 3,271</b>	<b>\$ 164,995</b>

- *Depreciation and amortization* on capital assets totaled \$303,008, with depreciation of \$300,719 on leasehold improvements and \$2,290 on furniture, fixtures and equipment.

## **2015**

Operating expenses in fiscal 2015 were approximately \$2.153 million. The following details several expense categories:

- *Compensation and employee benefits* totaled \$860,537 increase by \$82,130 or 11%. This represents amounts paid for employee salaries and associated fringe benefit costs.
- *Services and supplies* totaled \$426,536 is a decrease of \$128,407 or 23%. The Museum's services and supplies are categorized as Museum general, exhibition or education expenses. Below is a chart of the expenses for fiscal 2015.

<b>2015 Services and Supplies</b>	<b>Museum General</b>	<b>Exhibitions</b>	<b>Events</b>	<b>Education</b>	<b>Total</b>
Administrative expenses	\$ 17,451	\$ 10,525	\$ 3,591	\$ 129	\$ 31,696
Advertising and Social Media	2,403	43,413	2,264	5,026	53,106
Exhibit installations, equipment rental	11,726	28,269	6,585	10,291	56,871
Printing and Publications	4,797	54,045	7,198	3,827	69,867
Professional and Contract Services	25,560	86,602	8,001	5,750	125,913
Shipping of artwork	-	89,083	-	-	89,083
<b>Total</b>	<b>\$ 61,937</b>	<b>\$ 311,937</b>	<b>\$ 27,639</b>	<b>\$ 25,023</b>	<b>\$ 426,536</b>

- *Utilities and facility maintenance* paid by MOCA Café Nola totaled \$8,595. Effective in fiscal 2011, all other utilities and major facility maintenance are paid by the University of North Florida.
- *Gift Memberships* totaled \$3,675 and were distributed through community partners and redeemed by approximately 23 families in the community.
- *Café Nola operating expenses* were \$382,956, which includes compensation and benefits of \$312,406, services and supplies of \$36,401, utilities and maintenance of \$8,595, general administrative expenses of \$24,218, and depreciation on restaurant equipment of \$1,336.
- *Museum Store operating expenses* were \$15,397 including compensation and benefits of \$12,029, services and supplies of \$1,256 and general administrative expenses of \$2,113.
- *General and administrative (G&A) expenses* totaled \$162,163. The chart below details the G&A expenses by category.

<b>2015 General Administrative Expenses</b>	<b>Museum General</b>	<b>Exhibitions</b>	<b>Events</b>	<b>Education</b>	<b>Total</b>
Administrative expenses	\$ 36,626	\$ 562	\$ -	\$ 26	\$ 37,214
Equipment	1,722	2,117	-	-	3,839
Travel: staff, artists, membership trip	19,364	16,193	8,723	7,455	51,735
Membership events, donor cultivation, public relations	1,468	22,181	44,974	752	69,375
<b>Total</b>	<b>\$ 59,180</b>	<b>\$ 41,053</b>	<b>\$ 53,697</b>	<b>\$ 8,233</b>	<b>\$ 162,163</b>

- *Depreciation and amortization* on capital assets totaled \$303,506, with depreciation of \$300,884 on leasehold improvements and \$2,622 on furniture, fixtures and equipment.

## ***Non-operating Revenues/Expenses***

### **2016**

- *Non-operating income (expense)*. In fiscal 2016, non-operating income (expense) totaled (\$93,462). The investment earnings loss totaled \$18,462, which includes interest and dividends of \$9,026, realized gain of \$3,525 and net depreciation in investments of \$31,013. Non-operating expense consisted of sixteen works of art purchased for the permanent collection from restricted funds at a cost of \$75,000. The pieces of artwork purchased: *Tool Box series: Tool Box I - X*, artist Jim Dine, *Five Forms Derived from a Cube*, artist Sol LeWitt and *Time (Smelt)*, artist Jackie Saccoccio.



*Interest in net assets of affiliate* represents the net of the Haskell contribution and investment activity in the UNF Foundation on behalf of the Museum of \$2,495,917. The investment income derived from the permanently restricted account is for the sole purpose of MOCA unrestricted operations.

## **2015**

- *Non-operating income (expense)*. In fiscal 2015, non-operating income totaled (\$20,392). The investment earnings loss totaled \$59,123, this includes interest and dividends of \$22,052, realized gain of \$1,199 and net depreciation in investments of \$18,643. Non-operating expense consisted of a work of art purchased for the permanent collection from restricted funds at a cost of \$25,000. The pieces of artwork purchased: *Street Light*, artist Kevin Peterson; *Brand New*, artist Jenny Morgan; and *Untitled (Lucian and Katherine)*, artist Angela Strassheim.

*Interest in net assets of affiliate* represents the net contribution of \$2,005,176 to the UNF Foundation to create an endowment on behalf of MOCA. The investment income derived from the permanently restricted account is for the sole purpose MOCA unrestricted operations.

## **Additions to Endowments**

### **2016**

- *Permanent Endowments*. The Museum did not receive any donor contributions to its permanent endowments in fiscal 2016. There were no State matching funds received in fiscal 2016.

### **2015**

- *Permanent Endowments*. The Museum did not receive any donor contributions to its permanent endowments in fiscal 2015. There were no State matching funds received in fiscal 2015.

## **Statements of Cash Flows**

The Statements of Cash Flows show the cash provided and used for operating, capital and related financing activities and investing activities.

- Operating activities include funds received (i.e. from private donors, grants program fees, memberships, auxiliary enterprises – Café Nola restaurant and the Museum Store, etc.) and payments (i.e. for programs, employee services, and suppliers for goods and services) made for the Museum's operation.
- Capital and related financing activities include outflows of cash for debt service, capital expenses, and other notes payable and receivable.
- Investing activities represent funds used to purchase investments and the associated investment earnings.

## **Economic Outlook**

The Museum has no knowledge of any current facts, decisions, or conditions that are expected to have a significant effect on the financial position or results of operations during this fiscal year.

Management believes the Museum's overall financial position continues to improve and will be sufficient to cover its obligations.

## **Requests for Information**

This financial report is designed to provide a general overview of the Museum's finances for all those with an interest therein. Questions concerning any of the information provided in this report or requests for additional information may be addressed to:

Beverly A. Evans, Director of Finance  
Museum of Contemporary Art Jacksonville, Inc.  
A Cultural Institute of the  
University of North Florida  
333 North Laura Street  
Jacksonville, FL 32202  
(904) 366-6911

**Museum of Contemporary Art Jacksonville, Inc.**

**STATEMENTS OF NET POSITION**

**June 30, 2016 and 2015**

	<b>2016</b>	<b>2015</b>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 61,790	\$ 161,869
Accounts receivable	74,598	50,998
Pledges receivable, net of discounts	-	4,671
Prepaid expenses	2,946	4,422
Inventory	10,735	15,157
Total current assets	150,069	237,117
<b>NONCURRENT ASSETS</b>		
Restricted cash and cash equivalents	394,932	282,567
Investments, at fair value	599,919	610,181
Interest in net assets of affiliate	4,501,092	2,005,176
Capital assets, net of depreciation and amortization	2,074,729	2,377,737
Total noncurrent assets	7,570,672	5,275,661
Total assets	\$ 7,720,741	\$ 5,512,778
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued expenses	\$ 167,764	\$ 53,986
Other payables	58,443	43,946
Deferred revenue	73,819	60,310
Long-term debt - current portion	50,000	50,000
Total current liabilities	350,026	208,242
<b>NONCURRENT LIABILITIES</b>		
Long-term debt	325,000	375,000
Total liabilities	675,026	583,242
<b>NET ASSETS</b>		
Invested in capital assets	2,074,729	2,377,737
Interest in net assets of affiliate	4,501,092	2,005,176
Restricted for programs	392,145	287,238
Restricted for endowment	602,706	610,181
Unrestricted net assets (deficit)	(524,957)	(350,796)
Total net assets	7,045,715	4,929,536
Total liabilities and net assets	\$ 7,720,741	\$ 5,512,778

The accompanying notes are an integral part of these financial statements.

**Museum of Contemporary Art Jacksonville, Inc.**

**STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS**

**Years ended June 30, 2016 and 2015**

	<b>2016</b>	<b>2015</b>
<b>OPERATING REVENUES</b>		
Contributions	\$ 809,052	\$ 558,426
Program fees	280,210	276,688
Grants	385,910	537,224
Memberships	138,180	119,584
Café Nola sales, net cost of goods sold of \$\$143,668 and 153,600 during 2016 and 2015, respectively	429,215	424,001
Museum Store sales, net cost of goods sold of \$15,494 and \$21,127 during 2016 and 2015, respectively	14,198	19,256
Other operating income	45,752	445,057
Total operating revenues	2,102,517	2,380,236
<b>OPERATING EXPENSES</b>		
Compensation and employee benefits	955,495	860,537
Services and supplies	543,359	426,536
Utilities and facility maintenance	2,658	50
Scholarships and educational programs	1,600	3,675
Café Nola operating expenses	404,310	382,956
Museum Store operating expenses	14,702	15,397
General administrative expenses	164,995	162,163
Depreciation and amortization	301,673	302,170
Total operating expenses	2,388,792	2,153,484
Operating gain (loss)	(286,275)	226,752
Non-operating income (expense):		
Interest and dividends	9,026	22,052
Net appreciation (depreciation) in investments	(27,488)	(17,444)
Interest in net assets of affiliate	2,495,916	2,005,176
Works of art purchased for collection from restricted funds	(75,000)	(25,000)
Non-operating income (expense)	2,402,454	1,984,784
Change in net assets	2,116,179	2,211,536
Net assets, beginning of year	4,929,536	2,718,000
Net assets, end of year	\$ 7,045,715	\$ 4,929,536

The accompanying notes are an integral part of these financial statements.

Museum of Contemporary Art Jacksonville, Inc.

STATEMENTS OF CASH FLOWS

Years ended June 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
<b>CASH FLOWS PROVIDED BY (USED IN) OPERATING ACTIVITIES:</b>		
Received from donors	\$ 813,723	\$ 558,426
Received from program fees	256,779	261,682
Received from grant activity	389,660	533,474
Received from members	145,050	119,569
Received from auxiliary enterprises	446,133	440,385
Other operating revenues	45,752	21,278
Payments to employees for services	(932,221)	(823,114)
Payments to suppliers for goods and services	(1,017,790)	(999,603)
Payments for scholarships and educational programs	(1,600)	(3,675)
Net cash provided by operating activities	<u>145,486</u>	<u>108,422</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>		
Payment on notes payable	<u>(50,000)</u>	<u>(50,000)</u>
Net cash used by capital and related financing activities	<u>(50,000)</u>	<u>(50,000)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchase of investments	(87,311)	(74,832)
Proceeds from sale of investments	70,085	107,749
Interest and dividends	9,026	22,053
Purchase of art for collection	<u>(75,000)</u>	<u>(25,000)</u>
Net cash provided (used) by investing activities	<u>(83,200)</u>	<u>29,970</u>
 Net increase (decrease) in cash and cash equivalents	 12,286	 88,392
Cash and cash equivalents, beginning of year	<u>444,436</u>	<u>356,044</u>
Cash and cash equivalents, end of year	<u>\$ 456,722</u>	<u>\$ 444,436</u>
 Reconciliation of operating income (loss) to net cash provided by operating activities:		
Operating income (loss)	\$ (286,275)	\$ 226,752
Adjustments to reconcile operating income (loss) to net cash by provided by operating activities:		
Depreciation and amortization	303,008	303,507
Gain on forgiveness of debt	-	(423,779)
Changes in assets and liabilities:		
Accounts receivable	(23,600)	(26,728)
Pledges receivable	4,671	-
Prepaid expenses and other assets	1,476	3,233
Inventory	4,422	(2,576)
Accounts payable and accrued expenses	128,275	22,927
Deferred revenue	13,509	5,086
Net cash provided by operating activities	<u>\$ 145,486</u>	<u>\$ 108,422</u>

The accompanying notes are an integral part of these financial statements.

## NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### 1. Reporting entity

The Museum of Contemporary Art Jacksonville, Inc. (the Museum), a cultural institute of the University of North Florida (the University), is a not-for-profit entity that collaboratively serves the University and Jacksonville communities through exhibitions, collections, educational programs, and publications designed to enhance the understanding and appreciation of modern and contemporary art. Effective May 15, 2009, the Museum entered into an agreement to operate as a direct support organization of the University.

### 2. Basis of accounting

The financial statements of the Museum have been prepared using the economic resources measurement focus and the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recognized when they are incurred.

The Museum follows GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, GASB Statement No. 35, *Basic Financial Statements - and Management's Discussion and Analysis - for Public Colleges and Universities*, GASB Statement No. 37, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments: Omnibus - an amendment of GASB Statements No. 21 and No. 34*, and GASB Statement No. 38, *Certain Financial Statement Note Disclosures* as applicable to proprietary funds, GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and GASB Statement 72 *Fair Value Measurement and Application*.

GASB Statements No. 34, 35 and 63 establish standards for external financial reporting which include a statement of net position, a statement of revenues, expenses and changes in net position, and a statement of cash flows using the direct method. GASB Statements No. 34, 35 and 63 also include a requirement that management provide a discussion and analysis of the basic financial statements and it requires the classification of net position into three components – net investment in capital assets; restricted net position; and unrestricted net position. These classifications are defined as follows:

Net investment in capital assets consist of capital assets, net of accumulated depreciation, reduced by outstanding balances of any debt that is attributable to those assets.

Restricted net position consist of assets that have externally imposed constraints placed upon their use, either by donors (such as through debt covenants) or through laws, regulations, or restrictions imposed by law through constitutional provisions or enabling legislation, reduced by any liabilities to be paid from these assets.

Unrestricted net position consist of net assets that do not meet the definition of "restricted."

As provided by GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting*, the Museum has elected to adopt Financial Accounting Standards Board statements that do not conflict with GASB.

3. Cash and cash equivalents

For purposes of the statement of cash flows, the Museum includes cash on hand, cash on deposit, and investments with original maturities of ninety days or less to be cash and cash equivalents.

4. Investments

Investments are reported at fair value determined to be the amount at which financial instruments could be exchanged in a current transaction between willing parties, usually quoted market prices. The Museum intends to hold its investments for the long term. However, the needs of the organization may require the sale of a portion of these assets on a short-term basis, subject to the approval of the Finance/Investment Committee.

5. Capital Assets

Purchased or constructed additions to capital assets are recorded at cost. Donated items are stated at independent appraisal or estimated value, at the date of donation. Depreciation is recorded using the straight-line method over the estimated useful lives of the assets, which are as follows:

Furniture, fixtures, and equipment	3 to 10 years
Leasehold improvements	5 to 20 years

Expenses for maintenance and repairs are charged to operations as incurred. Expenses for major renewals are capitalized. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the respective accounts and the resulting gain or loss, if any, is included in operations.

6. Merchandise Inventory

Merchandise inventory is stated at the lower of cost or market determined by the retail method, on a first-in, first-out (FIFO) basis.

7. Pledges receivable

The Museum accounts for its pledges in accordance with GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions* (GASB 33). GASB 33 establishes reporting standards for nonexchange transactions, which in the case of the Museum, are restricted pledges to be contributed in the future. Pledges are presented at fair value and recorded net of allowances for uncollectible accounts. Under the provisions of GASB 33, endowment pledges are not recognized.

An allowance for uncollectible pledges is estimated and recorded based on management's judgment of the collectability of pledges receivable in future years. At June 30, 2015 Museum considered all remaining pledges receivable to be fully collectible.

8. Interest in Net Position of Affiliate

Interest in the net position of affiliate represents endowment contributions received by The University of North Florida Foundation, Inc. (the "UNF Foundation") which includes the related investment earnings and losses in which the donor restricted for support of MOCA operations.

9. Collections

The Museum's permanent collections of art currently consists of over 1000 works of art, including painting, printmaking, sculpture, and photography primarily representing the period from 1960 to the present. The Museum endeavors to create a permanent collection of significant depth, scope, and quality to be used for study, scholarly research, and exhibition – all tools that foster an education, awareness and experience with contemporary visual art. Strategic acquisitions for the collections are planned by the Collections & Exhibition Committee of the Board of Trustees.

The collections, which were acquired through purchases and contributions since the Museum's inception, are not capitalized as assets in the financial statements. In accordance with GASB Statement 34, the Museum does not capitalize collections meeting the criteria to be: a) held for public exhibition, education, or research in furtherance of public service, rather than financial gain; b) protected, kept unencumbered, cared for, and preserved; and c) subject to organization policy that requires the proceeds from sales of collection items to be used to acquire other items for the collections. The collection has an insured value of eight million dollars.

In fiscal year 2016, sixteen pieces of artwork totaling \$75,000 were purchased and added to the permanent collection. Three pieces of artwork were purchased for \$25,000 in fiscal year 2015.

10. Income taxes

The Museum is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code; accordingly, the accompanying financial statements do not reflect a provision or liability for federal and state income taxes. The Museum has determined that it does not have any material unrecognized tax benefits or obligations as of June 30, 2016 and 2015.

11. Advertising

The Museum expenses advertising costs as incurred. Advertising expense charged to operations were \$67,986 and \$27,092 for the years ended June 30, 2016 and 2015, respectively.



12. In-kind contributions

Donated materials, equipment, and other non-cash contributions are recorded at their estimated fair values, if determinable, at the date of the donations. Nominal values are recorded if fair values are not determinable. Contributions of services are recognized in the financial statements if the services enhance or create non-financial assets or require specialized skills that are provided by individuals possessing those skills, and would typically need to be purchased if not donated.

The Museum receives a significant amount of donated services from unpaid volunteers who assist in fund raising, educational, and program services. These volunteer services do not meet the criteria for recognition in the financial statements.

Administrative and fiscal services, office space and other miscellaneous support services are provided to the Museum by the University at no cost. No value has been assigned to these services in the accompanying statement of revenues, expenses, and changes in net position, since there is no objective basis for determining the value.

13. Operating income

Operating revenues and expenses for a proprietary fund are those that result from providing services and producing and delivering goods and or services. Also included are all revenues and expenses not related to capital and related financing, non-capital financing, or investing activities.

All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. Interest and dividends, investment gains/(losses), and works of art purchased for collection from restricted funds are considered non-operating. When both restricted and unrestricted resources are available for use, the Museum's policy is to use restricted resources first, then unrestricted resources as needed.

14. Grant and Contract Revenue and Support

The Museum receives funding from government agencies and other organizations that specifies the types of expenses for which the grant or contract funds may be used. Any of the funding sources may, at its discretion, request reimbursement for expenses or return of funds, or both, as a result of non-compliance by the Museum with the terms of the grants and contracts. The Museum has not been notified of any significant unallowable costs relating to its grants or contracts.

15. Compensated Absences

Employees earn the right to be compensated during absences for annual leave (vacation) and sick leave pursuant to Section 6C-5.305 of the Florida Administrative Code. Employees earn annual and sick leave based on their years of service. For annual leave, however, a maximum of 352 hours can be carried forward from one year to the next or paid upon termination for administrative and professional (A&P) employees and 240 hours can be carried forward from one year to the next or paid upon termination for University support personnel services (USPS) employees. Additionally, employees who have completed at least ten years of service are eligible to receive payment for one fourth of

their accrued sick leave hours, upon termination, not to exceed 480 hours. Vacation pay and sick leave payments are expensed as earned by the employee. Accrued compensated absences as of June 30, 2016 and 2015 were as follows:

	2016	2015
Beginning Balance	\$ 41,708	\$ 17,912
Additions	50,003	43,756
Reductions	(35,693)	(19,960)
Ending Balance	<u>\$ 56,018</u>	<u>\$ 41,708</u>

16. Non-cash transactions

The Museum's change in the fair value of its investments due to net unrealized losses of (\$31,013) and (\$18,643) for the years ended June 30, 2016 and 2015, respectively.

A note payable of \$423,779 was forgiven during 2015. The forgiveness of the loan was recorded in other operating income.

See Note I for non-cash transaction related to Interest in Net Position of Affiliate.

17. 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 amounts reported in the financial statements and accompanying notes. Actual results could differ from these estimates.

18. New Accounting Standard

The Museum implemented GASB Statement No. 72, *Fair Value Measurement and Application* ("GASB 72") effective July 1, 2015. GASB 72 establishes the accounting and financial reporting issues related to fair value measurements of investments. The fair value is the unit price that would be received to sell an asset or liability. The fair value hierarchy is determined using valuation techniques that measure fair value into three levels. Level 1 inputs are quoted prices (unadjusted) for identical assets or liabilities in active markets. Level 2 inputs are observable for an asset or liabilities, either directly or indirectly. Level 3 inputs are unobservable inputs for an asset or liability. There was no change to the current or prior period financial statements as a result of adopting GASB 72.

**NOTE B – CASH AND CASH EQUIVALENTS**

Investment decisions are made subject to guidelines established by the Museum's Finance/Investment Committee and approved by the Board. All deposits and investments are held at the financial institutions in the name of the Museum.

Cash and cash equivalents

As of June 30, 2016 and 2015, unrestricted cash and cash equivalents included petty cash funds and bank demand accounts subject to immediate withdrawal consisting of the following:

	2016	2015
Cash on deposit	\$ 59,862	\$ 159,651
Petty cash funds	1,928	2,218
Total	<u>\$ 61,790</u>	<u>\$ 161,869</u>

As of June 30, 2016 and 2015, restricted cash and cash equivalents included bank demand accounts subject to immediate withdrawal consisting of cash on deposit in the amount of \$185,302 and \$282,567 respectively.

**Custodial credit risk - deposits.** Custodial credit risk for deposits is the risk that, in the event of a depository financial institution's failure, the Museum's deposits may not be returned to it. At June 30, 2016 and 2015, the Museum's unrestricted cash deposits with financial institutions were \$59,862 and \$159,651 respectively.

At June 30, 2016 and 2015, the Museum's restricted cash deposits with financial institutions were \$394,932 and \$282,567, respectively. All of these restricted deposits were insured by the Federal Deposit Insurance Corporation.

**NOTE C – INVESTMENTS**

Investments

Investments are recorded at fair value and consist of the following at June 30, 2016 and 2015:

Investment Type	2016	2015
U.S Treasury Bills	\$ 599,919	\$ -
Mutual Funds	-	610,181
	<u>\$ 599,919</u>	<u>\$ 610,181</u>

**Credit risk.** Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. At June 30, the Museum securities quality ratings are as follows:

Investment Type	2016	
	Fair Value	Quality Rating Unrated
U.S. Treasury Bills	\$ 599,919	\$ 599,919

  

Investment Type	2015	
	Fair Value	Quality Rating Unrated
Mutual Funds	\$ 610,181	\$ 610,181

**Interest rate risk.** Interest rate risk is the risk that changes in the interest rates that will adversely affect the fair value of an investment. The Museum's policy for managing its exposure to fair value loss occurring from interest rate risk is through maintaining diversification of its investments and investment maturities so as to minimize the impact of downturns in the market as stated above.

Fine Arts Endowment

The Museum has a trust agreement with the State of Florida, Department of State, fine arts endowment matching fund program since January 1991 that created a \$600,000 fund. In managing the investments of the fine arts endowment fund, the Museum must comply with an established investment plan specified by the State of Florida, Department of State and requires the preservation of the \$600,000 program fund. The Museum may expend funds generated from the endowment program fund only for operating costs incurred while engaged in programs directly related to fine arts activities. The balance of the endowment at June 30, 2016 and 2015 was \$602,706 and \$621,120, respectively, which is included in investments, and restricted cash and cash equivalents on the respective statements of net position.

**NOTE D - FAIR VALUE MEASUREMENTS**

The Museum has provided additional information about fair value measurements which is based on the assumptions that market participants would use when pricing an asset or liability. A fair value hierarchy was established that prioritizes the information used to develop these assumptions. 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 unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

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

Level 3 Inputs that are unobservable, about which little or no market data exists, therefore requiring an entity to develop its own assumptions.

Inputs broadly refer to the assumptions that market participants use to make valuation decisions, including assumptions about risk. The Museum uses the market approach valuation technique to value its investments.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the unobservable inputs. Prices for money market, fixed income and mutual funds included in investments, are readily available in the active markets in which those securities are traded, and the resulting fair values are categorized as Level 1.

Following is a description of the valuation methodologies used for assets measured at fair value. There were no changes in methodologies as June 30, 2016 and 2015.

*Level 1 Fair Value Measurements*

The fair value of money market funds and mutual funds are based on quoted net asset values of the shares held by the Museum at year-end.

*Level 3 Fair Value Measurements*

Pledges receivable represent unconditional promises to give, and are presented at their estimated net realizable value as of June 30, 2016. Pledges are discounted using a risk free interest rate, and are recorded net of allowances for uncollectible amounts. These assets, in the absence of observable market data, are classified as Level 3 as of June 30, 2015.

The following table presents the assets carried on the statement of net position by level within the valuation hierarchy as of June 30, 2016 and 2015.

<b>Assets at Fair Value as of June 30, 2016</b>				
	Level 1	Level 2	Level 3	Total
U.S. Treasury Bills	\$ 599,919	\$ -	\$ -	\$ 599,919
Interest in net position of affiliate	-	-	4,501,092	4,501,092
Total	\$ 599,919	\$ -	\$ 4,501,092	\$ 5,101,011

<b>Assets at Fair Value as of June 30, 2015</b>				
	Level 1	Level 2	Level 3	Total
Mutual Funds				
Equity funds	\$ 329,167	\$ -	\$ -	\$ 329,167
Bond funds	108,304	-	-	108,304
Other	172,710	-	-	172,710
Interest in net position of affiliate	-	-	2,005,176	2,005,176
Pledges receivable, net of discounts	-	-	4,671	4,671
Total	\$ 610,181	\$ -	\$ 2,009,847	\$ 2,620,028

The following table includes a roll forward of the amounts for the year ended June 30, 2016 for investments classified within Level 3. The classification of an asset within Level 3 is based upon the significance of the unobservable inputs to the overall fair value measurement.

	<u>2016</u>	<u>2015</u>
Fair value, beginning of year	\$ 2,009,847	\$ 4,671
Income from interest in net position of affiliate	2,495,916	2,005,176
Payments received on pledges receivable	(5,000)	-
Change in pledges receivable discount	329	-
Fair value, end of year	<u>\$ 4,501,092</u>	<u>\$ 2,009,847</u>

There were no significant transfers between levels fiscal year 2016 and 2015.

#### NOTE E – CAPITAL ASSETS, NET

Capital asset activity for the year ended June 30, 2016 was as follows:

	<u>Beginning balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	<u>Ending Balance</u>
Furniture, fixtures and equipment	\$ 526,374	\$ -	\$ -	\$ -	\$ 526,374
Leasehold Improvements	5,951,106	-	-	-	5,951,106
Total capital assets	<u>6,477,480</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,477,480</u>
Less accumulated depreciation for:					
Furniture, fixtures and equipment	520,983	2,290	-	-	523,273
Leasehold Improvements	3,578,760	300,718	-	-	3,879,478
Total accumulated depreciation	<u>4,099,743</u>	<u>303,008</u>	<u>-</u>	<u>-</u>	<u>4,402,751</u>
Capital assets, net	<u>\$ 2,377,737</u>	<u>\$ (303,008)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,074,729</u>

Capital asset activity for the year ended June 30, 2015 was as follows:

	<u>Beginning balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	<u>Ending Balance</u>
Furniture, fixtures and equipment	\$ 526,374	\$ -	\$ -	\$ -	\$ 526,374
Leasehold Improvements	5,951,106	-	-	-	5,951,106
Total capital assets	<u>6,477,480</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,477,480</u>
Less accumulated depreciation for:					
Furniture, fixtures and equipment	518,361	2,622	-	-	520,983
Leasehold Improvements	3,277,875	300,885	-	-	3,578,760
Total accumulated depreciation	<u>3,796,236</u>	<u>303,507</u>	<u>-</u>	<u>-</u>	<u>4,099,743</u>
Capital assets, net	<u>\$ 2,681,244</u>	<u>\$ (303,507)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,377,737</u>

Depreciation expense for property and equipment was \$303,008 and \$303,507 for 2016 and 2015, respectively, which includes \$301,673 (\$302,170 for 2015) for museum operations and \$1,335 (\$1,337 for 2015) for NOLA MOCA.

#### NOTE F - LEASES

The Museum entered into an agreement on April 20, 2000 with the City of Jacksonville, Florida to lease the land, building, and other improvements for use in operation of the art museum. The term of the lease is for ninety-nine (99) years ending on April 20, 2099, with rent of \$10 payable annually. On May 15, 2009, the City of Jacksonville consented to the assignment of the lease by the Museum to the University of North Florida.

#### NOTE G - PENSIONS

All employees of the Museum are eligible to be covered by the State of Florida, Florida Retirement System, which is a cost sharing multiple-employer defined benefit pension plan. Pension benefits vest for employees who have completed at least eight years of creditable service. Effective July 1, 2011, employees are assessed a 3% of salary mandatory retirement contribution on a bi-weekly basis. Benefits may be received upon 30 years of service, death or disability, or at retirement age of 62. Reduced benefits may be received prior to age 62 for vested employees with terminated employment. The Museum makes contributions to the plan in accordance with rates determined by Chapter 121 of the Florida Statutes. The retirement plan is funded by employer contributions at a rate of 10.26% and 10.37% of the gross pay for regular employees for 2016 and 2015, respectively.

The Pension Plan issues a publicly available financial report that includes financial statements, ten-year historical trend information and other required supplementary information. That report may be obtained by writing to the:

State of Florida Division of Retirement  
Department of Management Services  
P.O. Box 9000  
Tallahassee, Florida 32315-9000

Faculty members and A&P employees can also elect to participate in an optional retirement program (ORP), a defined contribution pension plan. This program provides full and immediate vesting of all contributions. The Museum contributes a percentage of earnings and the participants can also contribute up to 5.14% of salary in various investment options. There are no age or length of service requirements to participate in the ORP. Annuity income at retirement is based on the investment value and the type of annuity selected. During the years ended June 30, 2016 and 2015, total pension costs were \$54,878 and \$53,701, respectively. The Museum's liability for any unfunded pension benefit obligation is limited to the payment of the required contribution at the rates established by law on future payrolls of the Museum. The Museum at June 30, 2016 was current in its payments to the Florida Retirement System.

The Deferred Retirement Optional Program (DROP) is a program under which an eligible member of the Florida Retirement System may elect to participate, deferring receipt of retirement benefits while continuing employment with a Florida Retirement System

employer. The deferred monthly benefit accrues on behalf of the participant, plus interest compounded monthly for the specified period of the DROP participation. Upon termination of employment, the participant receives the total DROP benefits and begins to receive previously determined retirement benefits.

**NOTE H – LONG-TERM DEBT**

	2016		2015	
	Current	Long-Term	Current	Long-Term
Revolving loan from the University of North Florida, non-interest bearing and payable on demand. A \$50,000 payment is expected to be made in the next year.	50,000	325,000	50,000	375,000
Total	<u>\$ 50,000</u>	<u>\$ 325,000</u>	<u>\$ 50,000</u>	<u>\$ 375,000</u>

**NOTE I – RELATED PARTY TRANSACTIONS**

In January 2015, the Haskell Foundation (“the Donor”) entered into an agreement to make an endowment contribution to the University of North Florida Foundation, Inc. (“UNF Foundation”) to provide unrestricted operational support to the Museum. The endowment gift agreement includes a total cash contribution of \$4,576,221. Haskell contributions of \$2,571,045 and \$2,005,176 were received in 2016 and 2015, respectively. The corpus of the endowment contribution will remain permanently restricted and investment income will be utilized to support the operations and activities of the Museum. The Museum’s ongoing interest in the assets of UNF Foundation totaled \$4,501,092, at June 30, 2016.

**NOTE J – SUBSEQUENT EVENTS**

The Museum has evaluated the effect subsequent events would have on the financial statements through September 8, 2016, which is the date the financial statements were available to be issued. The Museum noted no subsequent events requiring disclosure.



**SUPPLEMENTAL INFORMATION**

## **Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards***

Board of Trustees  
Museum of Contemporary Art Jacksonville, Inc.

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Museum of Contemporary Art Jacksonville, Inc. (a nonprofit organization) (the "Museum") as of and for the years ended June 30, 2016 and 2015, and the related notes to the financial statements and have issued our report thereon dated September 8, 2016.

### ***Internal Control over Financial Reporting***

In planning and performing our audits, we considered the Museum's internal control over financial reporting (internal control) to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Museum's internal control. Accordingly, we do not express an opinion on the effectiveness of the Museum's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency*, or a combination of deficiencies, in internal control that is less severe than material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### ***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether the Museum's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audits, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.



***Purpose of this Report***

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Dixon Hughes Goodman LLP*

**Jacksonville, Florida  
September 8, 2016**

Museum of Contemporary Art Jacksonville, Inc.

SCHEDULE OF FUNCTIONAL EXPENSES

June 30, 2016

EXPENSES	Program Services		Supporting Services		Total Museum Operations	Auxiliary Enterprises			Total
	Museum Programs	Education Programs	Management and General	Fundraising		Café Nola Restaurant	Museum Store	Total Auxiliary Enterprises	
Compensation	\$ 225,703	\$ 131,096	\$ 310,741	\$ 57,859	\$ 725,399	\$ 252,263	\$ 12,640	\$ 264,903	\$ 990,302
Employee Benefits	60,757	43,547	104,259	21,533	230,096	59,608	176	59,784	289,880
Payroll Taxes	-	-	-	-	-	-	-	-	-
Services and Supplies	322,444	27,138	160,242	33,535	543,359	42,873	342	43,215	586,574
Utilities and Facility Maintenance	-	-	2,658	-	2,658	11,147	-	11,147	13,805
General Administrative	49,477	5,909	62,035	47,574	164,995	37,084	1,544	38,628	203,623
Scholarships and Program Admissions	-	100	-	1,500	1,600	-	-	-	1,600
Depreciation and Amortization	-	-	301,673	-	301,673	1,335	-	1,335	303,008
<b>Total expenses</b>	<b>\$ 658,381</b>	<b>\$ 207,790</b>	<b>\$ 941,608</b>	<b>\$ 162,001</b>	<b>\$ 1,969,780</b>	<b>\$ 404,310</b>	<b>\$ 14,702</b>	<b>\$ 419,012</b>	<b>\$ 2,388,792</b>

Museum of Contemporary Art Jacksonville, Inc.

SCHEDULE OF THE SOURCE AND STATUS OF FUNDS  
RECEIVED FROM THE CULTURAL COUNCIL OF GREATER JACKSONVILLE, INC.

For the fiscal year ending June 30, 2016

City of Jacksonville - Cultural Council of Greater Jacksonville, Inc.  
Program: Cultural Services Grant Program - General Operating Support  
Contract Period: October 1, 2015 - September 30, 2016

**Receipt of City Funds**

	City Fiscal Year 2014-2015	City Fiscal Year 2015-2016
Amount of Award	\$ 233,029	\$ 263,194
Actual Amount Received this Period	58,257	197,396
Amount Remaining to be Distributed	<u>\$ -</u>	<u>\$ 65,798</u>

**Expenditure of City Funds**

City Fiscal Year 2014-2015  
Grant \$233,029

	Budget	Actual 7/01/2015 - 9/30/2015	Actual 10/01/2015 - 6/30/2016	Budget Remaining
<b>Item:</b>				
Salaries and benefits	\$ 233,029	\$ 58,257	\$ -	\$ -
Total	<u>\$ 233,029</u>	<u>\$ 58,257</u>	<u>\$ -</u>	<u>\$ -</u>

City Fiscal Year 2015-2016  
Grant \$263,194

	Budget	Actual 7/01/2015 - 9/30/2015	Actual 10/01/2015 - 6/30/2016	Budget Remaining
<b>Item:</b>				
Salaries and benefits	\$ 263,194	\$ -	\$ 197,396	\$ 65,798
Total	<u>\$ 263,194</u>	<u>\$ -</u>	<u>\$ 197,396</u>	<u>\$ 65,798</u>