Museum of Contemporary Art

Financial Statements for the

Years Ended June 30, 2017 and 2016

Contents

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Independent Auditor's Report

To the Board of Trustees
Museum of Contemporary Art

We have audited the accompanying financial statements of the Museum of Contemporary Art which comprise the statement of financial position as of June 30, 2017 and 2016 and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

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 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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Museum of Contemporary Art as of June 30, 2017 and 2016 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.

Plante & Moran, PLLC

September 28, 2017

Museum of Contemporary Art

June 30, 2017

Financial Statements

Museum of Contemporary Art

Statement of Financial Position
June 30, 2017

Assets

	2017	2016
Current Assets		
Cash and Cash Equivalents	$ 18,500,602	$ 17,923,630
Receivables		
Contributions Receivable	8,192,803	10,253,303
Other Receivables	795,523	2,794,924
Inventories	685,643	582,773
Prepaid Expenses		
Exhibitions	1,218,029	403,181
Other Prepaid Expenses	980,816	368,705
Total Current Assets	30,373,416	32,326,516
Noncurrent Assets		
Investments	117,424,498	104,817,033
Contributions Receivables	5,490,737	5,406,867
Property, Buildings and Equipment		
Land	75,204	75,204
Land Rights	3,448,054	3,448,054
Buildings and Improvements	57,015,969	56,870,011
Furniture and Equipment	7,355,052	7,074,085
Construction in Progress	12,947,493	1,776,254
Less Accumulated Depreciation	(34,407,860)	(32,613,043)
Net Property, Buildings and Equipment	46,433,912	36,630,565
Total Noncurrent Assets	169,349,147	146,854,465
Total Assets	$ 199,722,563	$ 179,180,981

Museum of Contemporary Art

Statement of Financial Position
June 30, 2017

Liabilities and Net Assets

	2017	2016
Current Liabilities		
Accounts Payable	$ 1,999,020	$ 850,681
Accrued Expenses		
Wages	175,255	118,905
Pension	339,215	270,000
Exhibitions and Other	4,226,585	2,209,142
Deferred revenue	2,300	10,000
Other Liabilities	229,958	208,296
Revenue Bonds Outstanding	-	30,000,000
Less Unamortized Discount and Debt Issuance Costs	-	(208,185)
Total Current Liabilities	6,972,333	33,458,839
Long-Term Liabilities		
Bond and Loan Payable	30,000,000	-
Less Unamortized Discount and Debt Issuance Costs	(179,808)	-
Interest Rate Swap	1,285,082	2,324,781
Total Long-Term Liabilities	31,105,274	2,324,781
Net Assets		
Unrestricted	110,822,127	85,496,391
Unrestricted - Board Designated	10,851	1,594,798
Temporary Restricted	33,259,429	38,753,623
Permanently Restricted	17,552,549	17,552,549
Total Net Assets	161,644,956	143,397,361
Total Liabilities and Net Assets	$ 199,722,563	$ 179,180,981

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

Museum of Contemporary Art

Statement of Activities
Year Ended June 30, 2017

	Operating Results	NonOperating Other	Board Designated	General and Administation Expenses	Total Unrestricted	Temporary Restricted	Permanently Restricted	2017 Total
Public Support and Revenue								
Contributions	$ 2,490,472	$ 808,747	$ -	$ -	$ 3,299,219	$ 13,877,047	$ -	$ 17,176,266
Government grants	1,729,436	-	-	-	1,729,436	50,000	-	1,779,436
Special events, net	1,629,571	-	-	-	1,629,571	-	-	1,629,571
Ancillary services	4,026,075				4,026,075	-	-	4,026,075
Exhibitions, collection, education and performance programs	455,538	-	-	-	455,538	-	-	455,538
Membership and admissions	1,327,954	-	-	-	1,327,954	-	-	1,327,954
Accumulated investment income designated for current operations	3,954,658	400,342	-	-	4,355,000	-	-	4,355,000
Net assets designated from operations	1,000,000	-	(1,000,000)	-	-	-	-	-
Net assets released from restrictions	5,822,679	17,104,648	-	-	22,927,327	(22,927,327)	-	-
Total Public Support and Revenue	22,436,383	18,313,737	(1,000,000)	-	39,750,120	(9,000,280)	-	30,749,840
Expenses								
Program services								
Exhibitions, collection, education and performance programs	7,158,261	-	-	3,886,935	11,045,196			11,045,196
Marketing, membership and public relations	2,546,452	-	-	140,490	2,686,942	-	-	2,686,942
Ancillary services	2,950,362	-	-	1,599,035	4,549,397	-	-	4,549,397
Support Services								
Fundraising	1,731,629	-	-	154,715	1,886,344	-	-	1,886,344
General and administrative	4,124,641	-	-	413,405	4,538,046	-	-	4,538,046
Debt service	889,478	228,164	-	(1,117,642)				-
Depreciation and amortization	-	2,036,215	-	(2,036,215)	-	-	-	-
Loss on disposal of property, plant and equipment	-	5,164	-	(5,164)	-	-	-	-
Facilities management	3,035,560	-	-	(3,035,560)	-	-	-	-
Total Expenses	22,436,383	2,269,543	-	-	24,705,925	-	-	24,705,925
Excess of Public Support and Revenue Over Expenses	-	16,044,194	(1,000,000)	-	15,044,195	(9,000,280)	-	6,043,915
Other Changes in Net Assets								
Investment income								
Total investment income	-	12,596,842	-	-	12,596,842	3,680,870	-	16,277,712
Investment income designated for current operations	-	(4,355,000)	-	-	(4,355,000)	-	-	(4,355,000)
Change in fair value of interest rate swap, net of periodic settlement payments	-	1,039,699	-	-	1,039,699	-	-	1,039,699
Collection funds, released from restrictions	-	174,784	-	-	174,784	(174,784)	-	-
Collection acquisitions	-	(174,784)	(583,947)	-	(758,731)	-	-	(758,731)
Change in Net Assets	-	25,325,735	(1,583,947)	-	23,741,789	(5,494,194)	-	18,247,595
Net Assets, Beginning of Year					87,091,189	38,753,623	17,552,549	143,397,361
Net Assets, End of Year					$ 110,832,978	$ 33,259,429	$ 17,552,549	$ 161,644,956

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

Museum of Contemporary Art

Statement of Activities
Year Ended June 30, 2016

	Operating Results	NonOperating Other	Board Designated	General and Administation Allocation	Total Unrestricted	Temporary Restricted	Permanently Restricted	2016 Total
Public Support and Revenue								
Contributions	$ 2,424,170	$ 124,197	$ -	$ -	$ 2,548,367	$ 14,902,285	$ 450,000	$ 17,900,652
Government grants	1,757,057	-	-	-	1,757,057	75,374	-	1,832,431
Special events, net	1,991,113	-	1,000,000	-	2,991,113	-	-	2,991,113
Ancillary services	3,342,493	-		-	3,342,493	-	-	3,342,493
Exhibitions, collection, education and performance programs	711,721	-	-	-	711,721	-	-	711,721
Membership and admissions	1,160,479	-	-	-	1,160,479	-	-	1,160,479
Accumulated investment income designated for current operations	3,918,950	286,050	-	-	4,205,000	-	-	4,205,000
Net assets designated from operations	100,000		(100,000)	-	-	-	-	-
Net assets released from restrictions	7,607,528	5,668,089	-	-	13,275,617	(13,275,617)	-	-
Total Public Support and Revenue	23,013,511	6,078,336	900,000	-	29,991,847	1,702,042	450,000	32,143,889
Expenses								
Program services								
Exhibitions, collection, education and performance programs	7,204,624	-	-	4,086,416	11,291,040	-	-	11,291,040
Marketing, membership and public relations	3,068,619	-	-	147,700	3,216,319	-	-	3,216,319
Ancillary services	2,508,963	-	-	1,673,693	4,182,656	-	-	4,182,656
Support Services								
Fundraising	1,851,968	-	-	162,656	2,014,624	-	-	2,014,624
General and administrative	3,958,022	-	-	434,622	4,392,644	-	-	4,392,644
Debt service	923,331	16,015	-	(939,346)	-	-	-	-
Depreciation	-	2,067,757	-	(2,067,757)	-	-	-	-
Facilities management	3,497,984	-	-	(3,497,984)	-	-	-	-
Total Expenses	23,013,511	2,083,772	-	-	25,097,283	-	-	25,097,283
Excess of Public Support and Revenue Over Expenses	-	3,994,564	900,000	-	4,894,563	1,702,042	450,000	7,046,606
Other Changes in Net Assets								
Investment income								
Total investment income	-	(2,917,363)	-	-	(2,917,363)	(834,824)	-	(3,752,187)
Investment income designated for current operations	-	(4,205,000)	-		(4,205,000)	-	-	(4,205,000)
Change in fair value of interest rate swap, net of periodic settlement payments	-	(146,214)	-	-	(146,214)	-	-	(146,214)
Collection funds, released from restrictions	-	1,082,783	-	-	1,082,783	(1,082,783)	-	-
Collection acquisitions	-	(1,082,783)	(36,000)	-	(1,118,783)	-	-	(1,118,783)
Change in Net Assets	-	(3,274,013)	864,000	-	(2,410,014)	(215,565)	450,000	(2,175,578)
Net Assets, Beginning of Year					89,501,203	38,969,188	17,102,549	145,572,940
Net Assets, End of Year					$ 87,091,189	$ 38,753,623	$ 17,552,549	$ 143,397,361

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

Museum of Contemporary Art

Statement of Cash Flows
Years Ended June 30, 2017 and 2016

	2017	2016
Cash Flows from Operating Activities		
Change in net assets	$ 18,247,595	$ (2,175,578)
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation expense	2,036,214	2,067,756
Interest expense on bond issuance costs	228,164	16,015
Loss on disposal of property, plant and equipment	5,164	-
Amortization of discount on pledges receivable	3,465	55,754
Acquisitions of art	758,730	1,118,783
Permanently restricted contributions	-	(450,000)
Net realized and unrealized (gain)/loss on investments	(16,320,257)	3,690,979
Change in value of interest rate swap	(1,039,699)	146,214
(Increase) decrease in		
Contributions and other receivables	1,973,165	2,365,308
Inventories, prepaid expenses and other assets	469,574	(785,941)
Increase (decrease)		
Accounts payable and accrued expenses	3,291,347	(107,729)
Deferred revenue	(7,700)	(38,700)
Other liabilities	21,661	75,263
Net Cash Provided by Operating Activities	9,667,423	5,978,124
Cash Flows from Investing Activities		
Purchases of investments	(9,660,000)	(10,500,000)
Proceed from disposition of investments	13,372,792	11,777,437
Addition of property, buildings and equipment	(11,844,726)	(1,887,517)
Acquisitions of art	(758,730)	(1,118,783)
Net Cash Used in Investing Activities	(8,890,664)	(1,728,863)
Cash Flows from Financing Activities		
Redemption of Revenue Bonds	-	(500,000)
Bond issuance costs	(199,787)	-
Permanently restricted contributions received	-	450,000
Net Cash Used in Financing Activities	(199,787)	(50,000)
Net Increase in Cash and Cash Equivalents	576,972	4,199,261
Cash and Cash Equivalents, Beginning Balance	17,923,629	13,724,368
Cash and Cash Equivalents, Ending Cash Balance	$ 18,500,602	$ 17,923,629
Supplemental Information - Cash paid for interest	$ 276,877	$ 711,065

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

Notes to Financial Statements

Note 1 - Nature of Operations

The Museum of Contemporary Art (the Museum) was founded in 1967. The mission of the Museum is to be an innovative and compelling center of contemporary art where the public can directly experience the work and ideas of living artists and understand the historical, social and cultural context of the art of our time. The Museum boldly interweaves exhibitions, performances, collections and educational programs to excite, challenge and illuminate its visitors and to provide insight into the creative process. The Museum aspires to engage a broad and diverse audience, create a sense of community, and be a place for contemplation, stimulation and discussion about contemporary art and culture.

Note 2 - Summary of Significant Accounting Policies

Basis of Presentation

Net assets of the Museum are classified as unrestricted, temporarily restricted, or permanently restricted depending on the presence and characteristics of the donor-imposed restrictions limiting the Museum's ability to use or dispose of contributed assets or the economic benefits embodied in those assets.

The separate classes of net assets are defined as follows:

> Unrestricted - Net assets that are not subject to donor-imposed stipulations or whose donor-imposed stipulations have expired.
>
> Temporarily Restricted - Net assets subject to donor-imposed stipulations that can be satisfied by actions of the Museum or by the passage of time.
>
> Permanently Restricted - Net assets subject to donor-imposed stipulations that are to be maintained permanently by the Museum. Generally, the donors of these assets permit the Museum to use all or part of the interest and dividends earned on these assets.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand and cash in banks and short-term highly liquid investments, which are readily convertible into cash within 90 days of purchase. Short-term investments consist primarily of deposit and savings accounts, which are convertible to a known amount of cash and carry an insignificant risk of change in value. The Museum maintains its cash and cash equivalents in bank deposit accounts at highly rated financial institutions, the balances of which at times may exceed federally insured limits. The Museum has not experienced any losses in such accounts. The Museum believes it is not exposed to any significant credit risk on cash and cash equivalents.

Public Support and Revenue Recognition

Public support and revenue are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or law. Expirations of temporary restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between applicable classes of net assets.

Contributions, including unconditional promises to give, are recorded when a commitment is received from the donor. All contributions are available for unrestricted use unless specifically restricted by the donor. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Unconditional promises to give due in subsequent years are reported at the present value of future cash flows, using rates applicable to the years in which the promises are to be received. Amortization of the discount to present value is included in contribution revenue. Promises to give noncash assets are recorded at fair value.

Endowment contributions are permanently restricted by the donor. Investment earnings with donor restrictions are recorded in temporarily restricted net assets based on the nature of the restrictions.

Revenue from government grants designated for use in specific activities is recognized in the period when expenditures have been incurred in compliance with the grantor's restrictions.

Investments

Investments are reported at fair value. For alternative investments, fair value is estimated as the net asset value per share provided by the investee as a practical expedient (as disclosed in Note 4). Investment income or loss (including realized gains and losses on investments, changes in unrealized holding gains and losses, interest and dividends) on investments is included in total investment income in the statement of activities.

The investments are exposed to various risks such as interest rate, credit and overall market volatility. Due to these risk factors, it is reasonably possible that changes in the value of investments will occur in the near term and could materially affect the amounts reported in the statement of financial position.

Inventories

Inventories are valued at the lower of cost, using the retail method, or market.

Depreciation and Amortization

Property, buildings and equipment are stated at cost. Included is construction-in-progress of $12,947,493 and $1,776,254 for the years ending June 30, 2017 and 2016, respectively, representing to-date costs for the museum's renovation project that started in November 2016 and completion date expected to be in the fall of 2017. The depreciation policy is to depreciate or amortize the cost over the estimated useful lives of the assets as indicated in the following table using the straight-line method.

	Years
Buildings and improvements	15- 40
Furniture and equipment	3-5

In-Kind Contributions and Donated Services

The financial statements reflect amounts for in-kind contributions and donated services for which an objective basis is available to measure their value. Revenues are reflected in contributions and the expenses are recorded in the corresponding functional expense category in the accompanying statements of activities. The Museum has recorded in-kind contributions, which include air travel, books, catering, equipment, furnishings and lodging at their estimated fair values of $20,749 and $138,964 for the years ended June 30, 2017 and 2016, respectively.

The Museum receives a substantial amount of donated services from unpaid volunteers who have made significant contributions of their time to help execute the Museum's programs, principally in educational and fundraising activities. Volunteer services are recognized in the statements of activities if the criteria for recognition of those services have been met. Volunteer services were not required to be recognized for the years ended June 30, 2017 and 2016.

Interest Rate Swap

The Museum's interest rate swap is recognized as a liability on the statements of financial position and measured at fair value. Any change in fair value is recognized immediately in the statements of activities.

Functional Expenses

The costs of providing the program and support services have been reported on a functional basis in the statement of activities and changes in net assets. Indirect costs have been allocated between the various programs and support services based on estimates, as determined by management. Although the methods of allocation used are considered reasonable, other methods could be used that would produce a different amount.

Prepaid Expenses and Other Assets

Expenses related to exhibitions scheduled to occur mostly or entirely in future fiscal years are included in prepaid expenses and are expensed in the fiscal year in which the exhibition mostly occurs.

Bond Issuance Cost

Bond issuance costs are being amortized using the straight-line method over the term of the bond and loan agreement, with is 10 years. Amortization expense is included in debt service cost on the statement of activities.

Income and Property Taxes

The Museum qualifies as a charitable and educational organization exempt from federal and state income taxes under provisions of Section 501(a) as an entity described in Section 501(c)(3) of the Internal Revenue Code. The Illinois Department of Revenue has also declared both the Museum and its warehouse exempt from real estate property taxes.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities as of the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Collection

In conformity with generally accepted accounting principles and the practice commonly followed by most American art museums, the value of the Museum's collection is not included in the financial statements. Contributions for the purchase of art objects, the proceeds from deaccessions of art and the cost of art objects purchased are reported as other changes in net assets in the statements of activities. The Museum's policy is to maintain and continue to acquire significant works of contemporary art (principally 1945 to present). From time to time, objects may be sold in accordance with the Museum's collection management policy. Deaccessions may result if one of the following conditions has been met: (a) physical condition has deteriorated to a point beyond display or study; or (b) an object is believed to be no longer pertinent to the scope of the Museum's collection. All proceeds realized from deaccessions are allocated to purchase other works of art. There were no deaccessions for the years ended June 30, 2017 and 2016, respectively.

Upcoming Accounting Changes

In May 2014, the Financial Accounting Standards Board issued Accounting Standards Update No. 2014-09, Revenue from Contracts with Customers (Topic 606), which will supersede the current revenue recognition to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for goods or services. The ASU also requires additional disclosure about the nature amount, timing and uncertainty of revenue and cash flows arising from customer contracts, including significant judgements and assets recognized from costs incurred to obtain or fulfill a contract. The new guidance will be effective for the Museum's year ending June 30, 2020. The ASU permits application of the new revenue recognition guidance to be applied using one of two retrospective application methods: retrospectively to each period presented (full retrospective method), or retrospectively with the cumulative effect of initially applying the guidance recognized at the date of initial application (the cumulative catch-up transition method). The Museum will most likely adopt the cumulative catch-up method if the implementation of the standard does not result in a significant adjustment. Management is currently evaluating the contracts in place to determine the full impact this standard will have and plans to complete this evaluation by the end of 2017.

In February 2016, the Financial Accounting Standards Board issued ASU 2016-02, Leases, which will supersede the current lease requirements in ASC 840. The ASU requires lessees to recognize a right of use asset and related lease liability for all leases, with a limited exception for short-term leases. Leases will be classified as either finance or operating, with the classification affecting the pattern of expense recognition in the statement of operations. Currently, leases are classified as either capital or operating, with only capital leases recognized on the balance sheet. The reporting of lease related expenses in the statements of operations and cash flows will be generally consistent with the current guidance. The new lease footnote guidance will be effective for the Museum's year ending June 30, 2021 and will be applied using a modified retrospective transition method to the beginning of the earliest period presented. The effect of applying the new lease guidance on the financial statements is expected to increase long-term assets and long-term liabilities on the statement of financial position. The changes in net assets are not expected to be significant as recognition and measurement of expenses and cash flows for leases will be substantially the same under the new standard.

The Financial Accounting Standards Board (FASB) issued Accounting Standards Update No. 2016-14, Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities in August, 2016. ASU 2016-14 requires significant changes to the financial reporting model of organizations who follow FASB not-for-profit rules, including changing from three classes of net assets to two classes, net assets with donor restrictions and net assets without donor restrictions. The ASU will also require changes in the way certain information is aggregated and reported by the Museum, including required disclosures about the liquidity and availability of resources. The new standard is effective for the Museum's year ending June 30, 2019 and thereafter and must be applied on a retrospective basis. The Museum is currently gathering the appropriate information to implement those disclosure changes in a timely manner.

Subsequent Events

The financial statements and related disclosures include evaluation of events through and including, September 28, 2017, which is the date the financial statements were available to be issued.

Note 3 - Contributions Receivable

Contributions receivable as of June 30, 2017 and 2016 are as follows:

	2017	2016
Receivable in one year	$ 8,192,803	$ 10,253,303
Receivable in two to five years	5,481,002	5,328,667
Receivable in more than five years	500,000	565,000
Gross Contributions Receivable	14,173,805	16,146,970
Less: Discounts to fair value	(490,265)	(486,800)
Net Contributions Receivable	$ 13,683,540	$ 15,660,170

The discount rate used in determining the fair value of contributions receivable ranged from 0.22% to 3.37% for both the years ended 2017 and 2016.

Note 4 - Fair Value Measurements

Accounting standards require certain assets and liabilities be reported at fair value in the financial statements and provide a framework for establishing that fair value. The framework for determining fair value is based on a hierarchy that prioritizes the inputs and valuation techniques used to measure fair value.

The following tables present information about the Museum's assets and liabilities measured at fair value on a recurring basis at June 30, 2017 and 2016 and the valuation techniques used by the Museum to determine those fair values.

Fair values determined by Level 1 inputs use quoted prices in active markets for identical assets or liabilities that the Museum has the ability to access.

Fair values determined by Level 2 inputs use other inputs that are observable, either directly or indirectly. These Level 2 inputs include quoted prices for similar assets and liabilities in active markets, and other inputs such as interest rates and yield curves that are observable at commonly quoted intervals.

Level 3 inputs are unobservable inputs, including inputs that are available in situations where there is little, if any, market activity for the related asset. These Level 3 fair value measurements are based primarily on management's own estimates using pricing models, discounted cash flow methodologies, or similar techniques taking into account the characteristics of the asset.

In instances whereby inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The Museum's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset or liability.

Investment Strategies and Valuation Input

Fixed Income - This category consists of mutual funds, which are primarily invested in debt securities. The fair value of mutual funds, which are readily marketable, is determined by obtaining quoted prices on nationally recognized securities exchanges.

Equity Securities - This category consists of mutual funds, all of which are primarily invested in equity securities. The fair value of mutual funds, which are readily marketable, is determined by obtaining quoted prices on nationally recognized securities exchanges.

Commingled Trusts - Includes investments in funds that focus on long-only domestic and international equities. The valuations were based on the net asset values of the funds, whose investments were traded on an active market.

Hedge Funds - Equities (Long/Short) - This category includes investments in hedge funds that invest both long and short primarily in U.S. common stocks. Management of the hedge funds has the ability to shift investments between value and growth strategies, between small and large capitalization stakes, and between a net long position and a net short position. The investments are predominately exposed to the U.S. market, but will also take advantage of investment opportunities in Europe, Asia and Emerging Markets. The fair values of the investments in this category have been estimated using the net asset value per share of the hedge funds.

Absolute Return Funds - This category includes multi-strategy absolute return funds focused on analyzing the probability-adjusted returns of individual securities and assets and capturing the alpha in mispriced assets/securities across conventional and alternative financial strategies. Fund management initiates long and short positions targeting solid absolute risk-adjusted returns. The fair values of the absolute return funds in this category have been estimated using the net asset value per share of the investments.

Accounting standards require certain assets and liabilities be reported at fair value in the financial statements and provides a framework for establishing that fair value. The framework for determining fair value is based on a hierarchy that prioritizes the inputs and valuation techniques used to measure fair value.

The following tables set forth by level within the fair value hierarchy the Museum's financial assets and liabilities that were accounted for at fair value on a recurring basis as of June 30, 2017 and 2016.

There was no concentration of risk within the assets, with no individual fund representing more than 10% of the total as of June 30, 2017 and 2016.

		Recurring Fair Value Measurements as of Reporting Date Using:		
Description	Fair Values as of June 30, 2017	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Net Asset Value
Assets:				
Fixed income - mutual funds	$ 7,211,162	$ 7,211,162	$ -	$ -
Equity securities - mutual				
Large cap equities	15,934,131	15,934,131	-	-
Small/Mid cap equities	8,114,724	8,114,724	-	-
International Equities	-	-	-	-
Commingled trusts				
Large cap equities	17,264,589	-	-	17,264,589
International Equities	22,761,060	-	-	22,761,060
Hedge funds - equities	20,367,140	-	-	20,367,140
Absolute return funds	24,363,692	-	-	24,363,692
	$ 116,016,498	$ 31,260,017	$ -	$ 84,756,481
Liabilities:				
Interest rate swap	$ 1,285,082	$ -	$ 1,285,082	$ -

Description	Fair Values as of June 30, 2016	Recurring Fair Value Measurements as of Reporting Date Using: Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Net Asset Value
Assets:				
Fixed income - mutual funds	$ 7,168,399	$ 7,168,399	$ -	$ -
Equity securities - mutual				
Large cap equities	13,875,047	13,875,047	-	-
Small cap equities	7,315,112	7,315,112	-	-
International equities	-	-	-	-
Commingled trusts				
Large cap equities	15,850,964	-	-	15,850,964
International equities	14,405,996	-	-	14,405,996
Hedge funds - equities	17,865,493	-	-	17,865,493
Absolute return funds	26,928,023	-	-	26,928,023
	$ 103,409,033	$ 28,358,558	$ -	$ 75,050,475
Liabilities:				
Interest rate swap	$ 2,324,781	$ -	$ 2,324,781	$ -

Not included in the above tables is an investment in a real estate investment limited partnership of $1,408,000 for the years ended 2017 and 2016, which is recorded at cost. Investments in transit of $1,087,875 at June 30, 2016 were recorded in other receivables on the statement of financial position.

Level 1 Valuation Techniques and Observable Inputs

Estimated fair values for the Museum's fixed income and equity securities are based on quoted market prices.

Level 2 Valuation Techniques and Observable Inputs

The estimated fair values for the commingled trusts, hedge funds, and absolute return funds are based on respective net asset values per fund.

The derivative instruments consist solely of interest rate swaps that are not traded on an exchange and are recorded at fair value based on a variety of observable inputs, including contractual terms, interest rate curves, yield curves, measure of volatility and correlations of such inputs. The Museum's derivative instruments are classified as Level 2 in the fair value hierarchy.

Notes to Financial Statements

Investments in Entities that Calculate Net Asset Value per Share

The Museum holds shares or interests in investment companies at year end whereby the fair value of the investment held is estimated based on the net asset value per share (or its equivalent) of the investment company.

At year end, the fair value, unfunded commitments, and redemption rules of those investments are as follows:

	Net Asset Value as of June 30, 2017	Unfunded Commitments		Redemption Frequency (if currently Eligible)	Redemption Notice Period
Commingled trusts					
Large cap equities	$ 17,264,589	None		Monthly	10 Days
International equities	22,761,060	None		Semi-	0-90 Days
Hedge funds - equities	2,745,025	None		Daily	10 Days
Hedge funds - equities	7,806,952	None		Quarterly	45-90 Days
Hedge funds - equities	9,791,411	None		Annually	45-90 Days
Hedge funds - equities	23,752	None		Not Eligible	*
Absolute return funds	4,392,983	None		Monthly	45 Days
Absolute return funds	8,320,951	None		Quarterly	30-90 Days
Absolute return funds	10,977,342	None		Annually	45-120 Days
Absolute return funds	672,416	Yes	**	Not Eligible	N/A
	$ 84,756,481				

* Investments in this category are being liquidated.

** Unfunded commitments of $1,340,000.

	Net Asset Value as of June 30, 2016	Unfunded Commitments	Redemption Frequency (if currently Eligible)	Redemption Notice Period
Commingled trusts				
Large cap equities	$ 15,850,963	None	Monthly	10 Days
International equities	14,405,996	None	Semi-	0-90 Days
Hedge funds - equities	4,931,961	None	Quarterly	10-65 Days
Hedge funds - equities	5,920,241	None	Annually	60-90 Days
Hedge funds - equities	4,763,916	None	Not Eligible	* 45 Days
Hedge funds - equities	2,249,375	None	Not Eligible	**
Absolute return funds	14,757,011	None	Quarterly	30-90 Days
Absolute return funds	12,171,012	None	Annually	45-120 Days
	$ 75,050,475			

* All investments in this category are in a 1-2 year lockup.

** Investments in this category are being liquidated.

Note 5 - Investments Policy and Strategies

The long-term financial goal for the Museum is to preserve and grow the value of its assets (fund) on a real (i.e., inflation-adjusted) basis, which will allow for a predictable and stable level of spending to meet annual operating needs while maintaining the spending power of the endowment. The Investment Committee is responsible for managing and overseeing the implementation of the fund's investment policies on behalf of the Board of Trustees.

Under the policy, as approved by the Board of Trustees, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of various benchmark indices, including the S&P 500 index, MSCI EAFE and the Merrill Lynch 1-3 Year Treasury index, while assuming a moderate level of investment risk. The Museum expects its endowment funds, over time, to provide an average rate of return, net of all fees, of approximately 5.5% plus the secular rate of inflation annually. Actual returns in any given year may vary from this amount.

The Museum relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Museum targets a diversified asset allocation to achieve its long-term return objectives within prudent risk constraints.

To attain the long-term objective and exceed the 5% spending policy (see below), a significant portion of the fund must be invested in nonhedged equities, which are expected to remain the highest returning major asset type. The Investment Committee believes that a normal commitment to nonhedged equities of 45%, within a range of 40-55%, is desirable for this purpose.

Another portion of the fund will be invested in alternative investments, comprising absolute return hedge funds and hedged equity funds. These two asset classes are included because the Investment Committee believes they have long-term expected return potential similar to equities, but with less expected risk. In addition, these two asset classes provide diversification benefits due to their reduced correlation to equity and bond markets. The Investment Committee believes that a normal commitment to alternatives of 45%, within a range of 40-50%, is desirable for this purpose, with ranges of 15-20% in hedged equity funds and 25-30% in absolute return funds.

The remainder of the fund, typically 5-15%, will be invested in fixed income. Fixed income investments typically provide higher current income and more stable, but lower, total returns than equities. For the most part, the fund's fixed income is invested in high quality instruments. It is expected that the dollar weighted credit quality will be A or higher.

With respect to all managers, individual security selection, security size and quality, number of portfolio industries or holdings, current income levels, the use of options and financial futures and turnover are left to broad manager discretion, subject to usual standards of fiduciary prudence. No single fund manager shall manage more than 10% (at market) of the total funds.

With respect to alternative managers, additional constraints are imposed. No single alternative manager shall manage more than 7.5% (at market) of the total fund. The Investment Committee will strive to employ alternative managers who combine depth of experience, risk management capability and prudent use of leverage.

The Investment Committee takes into account any applicable Letter of Credit covenants in conjunction with the Museum's bond issue, for example eligible investments and minimum cash, liquidity and investment requirements.

Investment Spending Policy

As stated above, the Board of Trustees has adopted a spending policy of 5% of the fair value of investments, excluding those restricted to art acquisition, based on a rolling 12-quarter average for support of current operations. The remainder is retained to support operations of future years and to offset potential market declines.

Note 6 - Investment Return

The Museum reports its total return on investments as follows: investment income includes current income (interest and dividends), and net realized and unrealized gains and losses. Investment income also includes interest on cash equivalents.

	2017	2016
Return on investments		
Interest and dividends (net of fees of $56,444 and $79,459 in 2017 and 2016, respectively)	$ 177,139	$ 172,344
Net realized and unrealized gain (loss) on investments		
Hedge fund - equities	2,683,689	(1,199,376)
Absolute return funds	2,919,882	(1,568,787)
Other investments	10,497,001	(1,156,368)
Gain (Loss) on investments	$ 16,277,712	$ (3,752,187)

The investment portfolio earned a return of 14.76% and -4.01% for the years ended June 30, 2017 and 2016, respectively.

Notes to Financial Statements

Note 7 – Bond and Loan Payable Agreement

In June 1994, the Museum borrowed $50,000,000 under a loan agreement with the Illinois Development Finance Authority (IDFA). Pursuant to the loan agreement, the IDFA issued a $50,000,000 aggregate principal amount of variable/fixed rate demand revenue bonds, Series 1994, and loaned the proceeds to the Museum. The proceeds were used to acquire, construct and equip the Museum; renovate, improve and equip the additional off-site storage facilities; pay a portion of the interest on the bonds during construction; and pay certain costs in connection with the issuance of the bonds. The total remaining principal balance was $30,000,000 for the year ended June 30, 2016. Interest is payable monthly and the interest rate is determined using a variable rate as defined in the agreement. During the year ended June 30, 2016, the weighted average interest rate, including letter of credit fees, was 0.58. As of June 30, 2016, the bonds operated in a weekly floating mode bearing an interest rate, including letter of credit fees, of 0.91%. Interest expense for the years ended June 30, 2016 was $38,007. In the event that the remarketing agent is unable to remarket the bonds, the bonds become pledged to the bank under the letter of credit (as described below). If the letter of credit cannot be renewed and an alternative letter of credit cannot be obtained, the bonds become immediately due.

Pursuant to the above agreement, the Museum had entered into a related reimbursement and irrevocable letter of credit agreement with JPMorgan Chase Bank, N.A. and Northern Trust that provide the approximate amount of the carrying value of the bond principal and interest as collateral. The aforementioned agreements contained several financial and operating covenants, the most restrictive of which relate to liquidity requirements, additional indebtedness and investment policy. The letter of credit agreement expired on December 31, 2016. The letter of credit was not renewed.

As of October 1, 2016, at the request of the Museum, the Illinois Finance Authority (IFA) issued $30,000,000 Illinois Finance Authority Revenue Refunding Bonds, Series 2016. Bank of America Public Capital Corp then purchased the $30,000,000 Revenue Refunding Bonds, Series 2016 directly from IFA. Bank of America loaned the proceeds from that purchase to the Museum for the purpose of refunding and redeeming the outstanding Illinois Development Finance Authority Variable/Fixed Rate Demand Revenue Bonds, Series 1994. The Series 1994 Revenue Bonds were paid in full on December 1, 2016.

Additionally, on October 1, 2016, the Museum entered into a bond and loan agreement in the amount of $30,000,000 with a principal maturity date of February 1, 2029 with Bank of America Public Capital Corp. The total remaining principal balance was $30,000,000 for the year ended June 30, 2017. Interest is payable monthly and the interest rate is calculated using the index floating rate defined in the agreement. During the year ended June 30, 2017, the weighted average interest rate was 1.356%. Interest expense for the year ended June 30, 2017 was $271,275.

As of June 30, 2017 and 2016, the bond is reported net of unamortized discount and debt issuance costs of $179,808 and $208,185, for an ending balance of $29,820,192 and $29,791,815, respectively.

Note 8 - Change in Accounting Principle

As of July 1, 2016, the Museum adopted new guidance related to the presentation of debt issuance costs in its balance sheet. Under the new guidance, debt issuance costs are reported as a direct deduction from the carrying amount of the related debt. Previously, debt issuance costs were presented as an asset. The new presentation requirements have been applied retrospectively and amounts reported as of June 30, 2016 statement of financial position have been restated as follows:

	As Previously Reported	As Restated	Effect of Change
Assets - Bond issuance costs, net of accumulated	$ 208,185	$ -	$ (208,185)
Current Liabilities - Revenue bonds outstanding	$ 30,000,000	$ 30,000,000	$ -
Less: Bond issuance costs, net of accumulated		(208,185)	(208,185)
Net Revenue Bonds Outstanding	$ 30,000,000	$ 29,791,815	$ (208,185)

The new guidance does not affect how the debt issuance costs are accounted for after initial recognition, and these amounts continue to be amortized over the term of the related debt. However, the amortization of debt issuance costs is now required to be reported as a component of interest expense; previously, these amounts were reports as part of depreciation and amortization expense. The statement of activities for the year ended June 30, 2016 has been restated to report $16,015 as debt service.

Note 9 - Interest Rate Swap

The Museum utilizes derivative financial instruments to reduce its market exposure risks from changes in interest rates. The instruments used to mitigate these risks are interest rate swaps.

The following table presents the amounts and the locations of the amounts relating to the Museum's interest rate swap in the Museum's financial statements as of and for the years ended June 30, 2017 and 2016:

	2017	2016
Statement of Financial Position Information		
Location on statement of fair value of liability:		
Interest rate swap	$ 1,285,082	$ 2,324,781
Statement of Activities Information		
Change in fair value of interest rate swap, net of periodic settlement payments	$ 1,039,699	$ (146,214)
Periodic settlement payments included in debt service	(158,239)	(673,058)
Total gain (loss) on interest rate swap	$ 881,460	$ (819,272)

The Museum had an interest rate swap with JPMorgan Chase Bank, N.A. to hedge the interest rate risk associated with $25,000,000 of the Museum's $30,000,000 variable rate debt. The purpose of the swap was to fix interest rates on variable rate debt and to reduce certain exposures to interest rate fluctuation. The interest rate swap had an interest rate of 2.915%. The interests of JPMorgan Chase Bank, N.A's swap was transferred by novation to Bank of America, N.A. on October 27, 2016.

On October 27, 2016, the Museum entered into an interest rate swap transaction and has an interest rate swap with Bank of America, N.A. to hedge the interest rate risk associated with $25,000,000 of the Museum's $30,000,000 debt with Bank of America Public Capital Corp. The purpose of the swap is to fix interest rates on variable debt and to reduce certain exposures to interest rate fluctuation. The interest rate swap has an interest rate of 2.107% and matures on November 1, 2026. The Museum will pay Bank of America, N.A. at the fixed rate as noted and Bank of America, N.A. will pay the Museum interest at a variable rate equal to 70% of LIBOR.

The Museum is exposed to credit-related losses in the event of nonperformance to this financial instrument. However, the counterparty to this agreement is Bank of America, N.A., and the risk of loss due to nonperformance is considered by management to be minimal. The Museum does not hold or issue interest rate swaps for trading purposes.

Note 10 - Special Events

Special events consisted of the following:

	2017	2016
Public support	$ 2,903,567	$ 3,956,664
Direct expenses	(1,273,996)	(965,551)
Net public support	1,629,571	2,991,113
Revenues released from temporarily restricted	398,065	70,025
Net Revenue	$ 2,027,636	$ 3,061,138
Gross Revenue from Special Events	$ 3,301,632	$ 4,026,689

Note 11 - Retirement Plans

The Museum offers a 403(b) retirement plan to all employees and sponsors a money purchase defined contribution retirement plan that is available to all eligible employees, as defined in the agreement. For the years ended June 30, 2017 and 2016, contributions to the money purchase defined contribution retirement plan are determined as 5% of each covered employee's compensation and are funded as accrued. Pension expense totaled $340,514 and $260,047 for the years ended June 30, 2017 and 2016, respectively.

Note 12 - Employment Agreement

Effective July, 1, 2017, the Museum extended the employment agreement with its current director for an additional 5 years. Employment under this employment agreement is through June 30, 2022. If the Museum terminates this agreement without cause, the Museum would continue to pay the director's current base salary for 12 months from the date of termination.

Note 13 - Concentrations

Individual contributions in excess of $1,000,000 totaled $5,500,000 from four donors for the year ended June 30, 2017. Individual contributions in excess of $1,000,000 totaled $4,000,000 from one donor for the year ended June 30, 2016. The receivable balances for these contributors were $1,300,000 and $0 as of June 30, 2017 and 2016, respectively.

Note 14 - Endowment

Endowment

The Museum's endowment consists of 18 individual funds established for a variety of purposes. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The Museum has interpreted the Uniform Prudent Management of Institutional Funds Act (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. As a result of this interpretation, the Museum classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment and (b) the original value of subsequent gifts to the permanent endowment. 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 in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Museum considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

(1) The duration and preservation of the fund
(2) The purpose of the Museum and the donor-restricted endowment fund
(3) General economic conditions
(4) The possible effect of inflation and deflation
(5) The expected total return from income and the appreciation of investments
(6) Other resources of the Museum
(7) The investment policies of the Museum

Return Objectives, Risk Parameters and Strategies Employed for Achieving Objectives

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 historic dollar value of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Museum must hold in perpetuity as well as board-designated funds.

See Note 5 for a detailed description of the Museum's return objectives, risk parameters and strategies employed for achieving objectives.

Endowment Spending Policy

The Museum has a policy of appropriating for distribution each year 5% (unless distribution percentage is stipulated by the donor) of the opening balance of each fund. In establishing this policy, the Museum considered the long-term expected return on its endowment. Accordingly, over the long term, the Museum expects the current spending policy to allow its endowment to grow at an average of 0.5% annually after appropriating the 5% spending policy. This is consistent with the Museum's objective to provide real growth through new gifts and investment return.

Notes to Financial Statements

Funds Information

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Museum to retain as a fund of perpetual duration. In accordance with accounting principles generally accepted in the United States of America, deficiencies of this nature that are reported in unrestricted assets were $319,094 as of June 30, 2016. There were no deficiencies of this nature that are reported in unrestricted net assets as of June 30, 2017.

Endowment net asset composition by type of fund as of June 30, 2017:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ -	$ 3,294,872	$ 17,552,549	$ 20,847,421

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets Beginning of year	$ (319,094)	$ 1,592,916	$ 17,552,549	$ 18,826,371
Net appreciation (realized and unrealized)	319,094	2,778,361	-	3,097,455
Contributions	-	-	-	-
Amounts appropriated for expenditures	-	(1,076,405)	-	(1,076,405)
Change in endowment net	319,094	1,701,956	-	2,021,050
Endowment net assets, End of year	$ -	$ 3,294,872	$ 17,552,549	$ 20,847,421

Endowment net asset composition by type of fund as of June 30, 2016:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ (319,094)	$ 1,592,916	$ 17,552,549	$ 18,826,371

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets Beginning of year	$ -	$ 2,879,249	$ 17,102,549	$ 19,981,798
Net appreciation (realized and unrealized)	(319,094)	(794,567)	-	(1,113,661)
Contributions	-	-	450,000	450,000
Amounts appropriated for expenditures	-	(491,766)	-	(491,766)
Change in endowment net	(319,094)	(1,286,333)	450,000	(1,155,427)
Endowment net assets, End of year	$ (319,094)	$ 1,592,916	$ 17,552,549	$ 18,826,371

Note 15 - Temporarily Restricted Net Assets

Temporarily restricted net assets include contributions for which donor-imposed restrictions have not been met and for which the proceeds are not permanently restricted, as well as collection deaccessions for which the proceeds have not yet been used for collection accessions. Temporarily restricted net assets as of June 30, 2017 and 2016 are available for the following purposes:

	2017	2016
50th Anniversary	$ 2,607,150	$ -
Future exhibitions and performances	2,254,995	2,000,241
Education programs	650,284	195,250
Special events	90,425	106,225
Permanent Collection - Accessions		
Funded by deaccessions	5,592,160	4,949,542
Funded by gifts	2,185,957	2,045,120
Time and purpose restricted - Endowment earnings	3,294,872	1,592,916
Time and purpose restricted - MCA Vision Campaign	11,597,453	17,250,308
Time and purpose capital - MCA Vision Campaign	3,904,758	9,763,897
Time restricted - MCA Annual Fund	650,970	421,484
Time restricted - Chicago Contemporary Campaign	423,640	423,640
Time or purpose restricted - Other	6,765	5,000
Total	$ 33,259,429	$ 38,753,623

Investment income earned on permanently restricted net assets, noted above as endowment earnings, is restricted for educational programs, exhibition funds, and art acquisition and is included in temporarily restricted net assets. This investment income is released from restrictions as related education or exhibition expenses are incurred or art is acquired.

Note 16 - Net Assets Released from Restriction

Net assets were released from restrictions by incurring expenses to satisfy the purposes specified by donor grant agreements as follows:

	2017	2016
Future exhibitions and performances	$ 2,128,325	$ 3,336,747
Education programs	626,597	826,586
Special events	398,065	70,025
Capital expenditures	9,029,713	1,374,373
Permanent collection - Accessions	174,783	1,082,783
Earnings appropriated for expenditures on endowments	1,076,405	491,766
Time and purpose restricted - MCA Vision Campaign	9,359,795	6,174,480
Time restricted - MCA Annual Fund Campaign	278,466	324,136
Time or purpose restricted - Other	29,962	677,503
Total	$ 23,102,111	$ 14,358,400

Note 17 - Permanently Restricted Net Assets

Permanently restricted net assets include contributions for which donor-imposed restrictions stipulate that they be maintained permanently by the Museum. Permanently restricted net assets as of June 30, 2017 and 2016 are available for the following purposes:

	2017	2016
Education programs	$ 4,454,558	$ 4,454,558
Exhibitions	10,450,000	10,450,000
Art acquisition	100,001	100,001
Operations	2,547,990	2,547,990
Total	$ 17,552,549	$ 17,552,549

Note 18 - Related Parties and Conflicts of Interest

The Museum maintains a Conflict of Interest Policy, which applies to all trustees, members of standing committees, as well as senior management and other designated members of staff. The policy requires that each person to whom the policy applies complete an annual disclosure statement to identify any business, financial or personal interest in matters relating to the Museum.

The policy forbids such individuals from voting on or using their personal influence in connection with such matters. In the event the Museum does conduct business with a related party, the financial terms of those relationships are reported annually to the Audit Committee, whose members must be independent per the terms of its charter.

One member of the Museum's Board of Trustees is a senior manager with an auction house that provides auction services to the Museum; one member of the Museum's Board of Trustees is associated with a law firm that provides legal services to the Museum; and one member of the Museum's Board of Trustees is an executive with a financial institution that is a party to the letter of credit agreement which expired on December 31, 2016 and was not renewed. These services were provided at rates consistent with the market rates for not-for-profit organizations. Trustees recuse themselves from decisions pertaining to the selection of services in their respective businesses.

Note 19 - Sale of Real Estate and Use Agreement

"Museums in the Park" is a program of The Chicago Park District, which provides monetary and other benefits to members whose cultural facilities are located on land owned by The Chicago Park District. In addition, members are eligible to receive certain state funds and benefits, subject to availability. The Museum and The Chicago Park District agreed to enter into an agreement of sale and purchase so that the Museum may avail itself of the benefits of the Museums in the Park program and so that The Chicago Park District may benefit from the addition of the Museum to this program while also extending the current boundaries of Lake Shore Park, which is located just east of the Museum. Under the agreement of purchase and sale, dated February 11, 2005, the Museum conveyed title to its land at 220 East Chicago Avenue, excluding the building, its contents and other improvements on the property to The Chicago Park District for $1. As a condition of closing, the Museum and The Chicago Park District entered into a use agreement, which grants the Museum the exclusive right to occupy and use the land for a period of 99 years, with the opportunity to extend the term for an additional 99 years. Under conditions defined in the use agreement and Special Warranty Deed, the Museum has the option to terminate the use agreement at any time through the earlier of the receipt of a certain level of The Chicago Park District funding or January 1, 2030. Should the Museum exercise this option, title to the property shall revert to the Museum. Accordingly, as of June 30, 2017 and 2016, the Museum's land rights are valued at $3,448,054, which is the same amount as reported for this land in prior fiscal years.