



# McNay Art Museum

Financial Report  
(with supplementary information)  
Years Ended June 30, 2015 and 2014

# McNay Art Museum

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(with supplementary information)  
Years Ended June 30, 2015 and 2014

# McNay Art Museum

## Contents

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Independent Auditor's Report	1 - 2
<b>Financial Statements</b>	
Statements of Financial Position	3
Statement of Activities and Changes in Net Assets	4 - 5
Statements of Cash Flows	6
Notes to Financial Statements	7 - 19
<b>Supplementary Information</b>	
Independent Auditor's Report on Supplementary Information Accompanying The Basic Financial Statements	20
Schedule of Functional Expenses	21



Tel: 210-342-8000  
Fax: 210-342-0866  
www.bdo.com

9901 IH-10, Suite 500  
San Antonio, TX 78230

## Independent Auditor's Report

To the Board of Directors of  
McNay Art Museum  
San Antonio, Texas

We have audited the accompanying statements of financial position of McNay Art Museum (the Museum) as of June 30, 2015 and 2014, and the related statements of activities and changes in net assets for the year ended June 30, 2015 and cash flows for the years ended June 30, 2015 and 2014, 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 as of June 30, 2015 and 2014, and the changes in its net assets for the year ended June 30, 2015 and its cash flows for the years ended June 30, 2015 and 2014 in accordance with accounting principles generally accepted in the United States of America.

## Report on Summarized Comparative Financial Information

We have previously audited the Museum's 2014 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 23, 2014. In our opinion, the summarized comparative information on the statement of activities and changes in net assets presented herein and for the year ended June 30, 2014, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*BDO USA, LLP*

October 22, 2015

## Financial Statements

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**McNay Art Museum**  
**Statements of Financial Position**

<i>June 30,</i>	2015	2014
<b>Assets</b>		
Cash and cash equivalents	\$ 1,043,852	\$ 1,262,126
Accounts and interest receivable	80,150	80,890
Contributions receivable	588,402	225,409
Inventories	116,494	155,093
Investments	54,211,775	55,659,927
Prepaid and deferred expenses	279,155	571,003
Land, buildings, and equipment, net	30,146,024	31,948,475
Construction in progress	89,500	57,922
<b>Total Assets</b>	<b>\$ 86,555,352</b>	<b>\$ 89,960,845</b>
<b>Liabilities and Net Assets</b>		
<b>Liabilities</b>		
Accounts payable and accrued expenses	\$ 558,572	\$ 511,806
Deferred revenue	932,690	1,021,530
<b>Total Liabilities</b>	<b>1,491,262</b>	<b>1,533,336</b>
<b>Net Assets</b>		
<b>Unrestricted</b>		
Operating	766,949	378,968
Non-operating	18,205,067	21,229,707
Land, buildings, and equipment	30,146,024	31,948,475
<b>Total Unrestricted</b>	<b>49,118,040</b>	<b>53,557,150</b>
Temporarily restricted	3,739,697	3,068,436
Permanently restricted	32,206,353	31,801,923
<b>Total Net Assets</b>	<b>85,064,090</b>	<b>88,427,509</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 86,555,352</b>	<b>\$ 89,960,845</b>

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

# McNay Art Museum

## Statement of Activities and Changes in Net Assets

Year ended June 30, 2015

(With Summarized Financial Information for the Year ended June 30, 2014)

	Unrestricted				Temporarily Restricted	Permanently Restricted	Total	
	Operating	Non- Operating	Land Buildings and Equipment	Total			2015	2014
<b>Revenue, Gains and Other Support</b>								
Contributions	\$ 2,622,689	\$ 149,772	\$ -	\$ 2,772,461	\$ 261,688	\$ 2,344	\$ 3,036,493	\$ 4,320,371
Memberships	814,064	-	-	814,064	-	-	814,064	760,335
Special events - net of direct cost totaling \$186,723 in 2015 and \$122,224 in 2014	427,210	-	-	427,210	-	-	427,210	293,151
Dividends and interest, net of fees of \$176,725 in 2015, and \$188,872 in 2014	167	691,454	-	691,621	235,218	7,334	934,173	923,260
Net realized and unrealized gains on investments	-	(1,741,832)	-	(1,741,832)	1,692,005	54,069	4,242	8,060,960
Oil royalties, net of taxes of \$27,340 in 2015 and \$37,074 in 2014	114,313	-	-	114,313	-	-	114,313	159,865
Rental income	326,181	-	-	326,181	-	-	326,181	305,725
Museum store	364,272	-	-	364,272	-	-	364,272	263,113
Educational program revenue	7,818	-	-	7,818	-	-	7,818	6,327
Exhibition income	1,330,673	-	-	1,330,673	-	-	1,330,673	839,532
Admission fees	222,436	-	-	222,436	-	-	222,436	188,455
Photography fees	37,690	-	-	37,690	-	-	37,690	36,365
Miscellaneous	17,021	-	-	17,021	-	-	17,021	3,867
Transfers/ appropriations	1,567,860	(1,583,940)	-	(16,080)	(324,603)	340,683	-	-
	7,852,394	(2,484,546)	-	5,367,848	1,864,308	404,430	7,636,586	16,161,326
Net assets released from restrictions	596,925	596,122	-	1,193,047	(1,193,047)	-	-	-
<b>Total Revenue, Gains, and Other Support</b>	<b>\$ 8,449,319</b>	<b>\$ (1,888,424)</b>	<b>\$ -</b>	<b>\$ 6,560,895</b>	<b>\$ 671,261</b>	<b>\$ 404,430</b>	<b>\$ 7,636,586</b>	<b>\$ 16,161,326</b>

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



# McNay Art Museum

## Statement of Activities and Changes in Net Assets

Year ended June 30, 2015

(With Summarized Financial Information for the Year ended June 30, 2014)

	Unrestricted				Temporarily Restricted	Permanently Restricted	Total	
	Operating	Non- Operating	Land Buildings and Equipment	Total			2015	2014
<b>Expenses</b>								
Program Services:								
Curatorial and conservation	\$ 1,491,448	\$ 656,969	\$ 349,807	\$ 2,498,224	\$ -	\$ -	\$ 2,498,224	\$ 1,887,012
Exhibitions and presentations	3,431,806		720,192	4,151,998	-	-	4,151,998	3,880,881
Education	1,003,391	7,485	679,038	1,689,914	-	-	1,689,914	1,656,986
Museum store	377,881		20,577	398,458	-	-	398,458	317,124
Library	267,785		20,577	288,362	-	-	288,362	269,061
Support Services:								
Management and general	496,798	101,061	226,345	824,204	-	-	824,204	820,615
Fundraising	736,213	15,301	41,154	792,668	-	-	792,668	731,879
<b>Total Expenses</b>	<b>7,805,322</b>	<b>780,816</b>	<b>2,057,690</b>	<b>10,643,828</b>	<b>-</b>	<b>-</b>	<b>10,643,828</b>	<b>9,563,558</b>
Change in net assets before changes related to collection items not capitalized and non-operating transfers								
	643,997	(2,669,240)	(2,057,690)	(4,082,933)	671,261	404,430	(3,007,242)	6,597,768
Changes related to collection items not capitalized								
	-	(355,400)	-	(355,400)	-	-	(355,400)	(153,050)
Loss on disposal of fixed assets								
	-	-	(777)	(777)	-	-	(777)	(3,285)
Transfers not affecting operations								
	(256,016)	-	256,016	-	-	-	-	-
<b>Change in Net Assets</b>	<b>387,981</b>	<b>(3,024,640)</b>	<b>(1,802,451)</b>	<b>(4,439,110)</b>	<b>671,261</b>	<b>404,430</b>	<b>(3,363,419)</b>	<b>6,441,433</b>
Net assets, beginning of period	378,968	21,229,707	31,948,475	53,557,150	3,068,436	31,801,923	88,427,509	81,986,076
<b>Net Assets, End of Period</b>	<b>\$ 766,949</b>	<b>\$ 18,205,067</b>	<b>\$ 30,146,024</b>	<b>\$ 49,118,040</b>	<b>\$ 3,739,697</b>	<b>\$ 32,206,353</b>	<b>\$ 85,064,090</b>	<b>\$ 88,427,509</b>

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

**McNay Art Museum**  
**Statements of Cash Flows**

<i>Years ended June 30,</i>	2015	2014
<b>Cash Flows from Operating Activities</b>		
Change in net assets	\$ (3,363,419)	\$ 6,441,433
Adjustments to Reconcile Change in Net Assets to Net Cash (Used in) Provided by Operating Activities:		
Depreciation	2,057,690	2,051,405
Net realized and unrealized (gains) on investments	(4,242)	(8,060,960)
Net loss on disposal of fixed assets	777	3,285
Decrease (Increase) in:		
Accounts and interest receivable	740	12,009
Contributions receivable	(362,993)	68,497
Inventories	38,599	(18,059)
Prepaid expenses	291,848	(338,889)
(Decrease) Increase in:		
Accounts payable and accrued expenses	46,766	186,114
Deferred revenue	(88,840)	452,046
<b>Net Cash (Used in) Provided by Operating Activities</b>	<b>(1,383,074)</b>	<b>796,881</b>
<b>Cash Flows from Investing Activities</b>		
Purchase of equipment and building improvements	(287,595)	(507,195)
Proceeds from sale of investments	31,335,950	49,784,391
Purchase of investments	(29,883,555)	(49,988,582)
<b>Net Cash Provided by (Used in) Investing Activities</b>	<b>1,164,800</b>	<b>(711,386)</b>
Net (Decrease) Increase in Cash and Cash Equivalents	(218,274)	85,495
Cash and Cash Equivalents, beginning of period	1,262,126	1,176,631
<b>Cash and Cash Equivalents, end of period</b>	<b>1,043,852</b>	<b>\$ 1,262,126</b>

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

# McNay Art Museum

## Notes to Financial Statements

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### 1. Organization and Summary of Significant Accounting Policies

#### *Organization*

The McNay Art Museum (the Museum) is a not-for-profit organization with the mission of engaging a diverse community in the discovery and enjoyment of the visual arts. The Museum is located in San Antonio, Texas.

#### *Summary of Significant Accounting Policies*

##### *Basis of Presentation*

The financial statements of the Museum have been prepared on the accrual basis of accounting and in accordance with accounting principles generally accepted in the United States of America (GAAP). Accordingly, the Museum reports information regarding its financial position and activities according to three classes of net assets:

Unrestricted - Net assets that are not subject to donor-imposed restrictions. Unrestricted net assets may be designated for specific purposes by action of the Board of Trustees and, accordingly, include operating and non-operating assets and land, buildings, and equipment. Non-operating activities primarily consist of earnings on permanently endowed funds that the donor has designated as "unrestricted" to be utilized for operations.

Temporarily Restricted - Net assets whose use by the Museum is subject to donor-imposed restrictions that can be fulfilled by actions of the Museum pursuant to those restrictions, or that expire by the passage of time. In addition, temporarily restricted net assets include earnings, both realized and unrealized, on funds whose earnings are restricted for a specific purpose by the donor (see notes 7 and 14).

Permanently Restricted - Net assets subject to donor-imposed restrictions that must be maintained permanently by the Museum. Generally, the donors of these assets permit the Museum to use all or part of the income from these assets for operating or other purposes (see notes 8 and 14).

#### *Comparative Financial Information*

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with GAAP. Accordingly, such information should be read in conjunction with the Museum's financial statements for the year ended, June 30, 2014, from which the summarized information was derived.

#### *Cash and Cash Equivalents*

For purposes of the Statement of Cash Flows, the Museum considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

# McNay Art Museum

## Notes to Financial Statements

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### 1. Organization and Summary of Significant Accounting Policies (Continued)

#### *Accounts Receivable*

Accounts receivable represent amounts due in less than one year. The Museum reviews all outstanding amounts and determines collectability of its receivables based on past experience with customers. Credit losses have been minimal and consistent with management's estimates. The Museum has not established an allowance for doubtful accounts as it has not been considered necessary. The Museum recognized no bad debts from accounts receivable as of June 30, 2015 or 2014.

#### *Contributions Receivable*

Unconditional promises to give from grantors and donors are measured at fair value and recorded as revenues in the period in which the promise to give is received. Management reviews all outstanding amounts and determines collectability based on past experience with the Museum's donors. As of June 30, 2015 and 2014 no allowance has been established against these receivables as management deems them collectible. The Museum recognized no bad debts from contributions receivable as of June 30, 2015 and 2014.

#### *Inventories*

Inventories consisting of items held for resale at the Museum store are carried at the lower of cost (first-in, first-out) or market.

#### *Investments*

Investments are reported at fair market value as of the date of the financial statements.

#### *Prepaid and Deferred Expenses*

Prepaid expenses are primarily comprised of advance payments made to vendors for insurance and exhibitions.

#### *Land, Buildings, and Equipment*

Land, buildings, and equipment are recorded at cost or at the fair market value at the date of gift when assets are contributed. The Museum's capitalization policy requires that all items purchased with a useful life of greater than one year and a cost in excess of \$1,250 be capitalized. Depreciation is recorded in the land, buildings, and equipment fund using the straight-line method. Estimated useful lives used in computing depreciation are as follows:

	Years
Buildings, improvements, and landscaping	25
Furniture, fixtures, and equipment	10
Computer and audio visual equipment	5

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# McNay Art Museum

## Notes to Financial Statements

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### 1. Organization and Summary of Significant Accounting Policies (Continued)

#### *Art Collection*

In conformity with industry practice, items purchased or donated for the collection are not recorded as assets in the accompanying statement of financial position. Purchases are reported as decreases in unrestricted net assets or as decreases in temporarily restricted net assets if the assets used to purchase the items were restricted by donors. See Note 11.

The collections of the Museum represent one of its most valuable assets; therefore the Museum employs full-time employees to manage stewardship of the collections in accordance with its collection and acquisition policy. Each item in the collection is numbered and catalogued in an electronic database. The Museum loans collection items to other museums from time to time for display purposes.

Contributions reflected in the financial statements include only recorded cash receipts and pledges, and do not include gifts of works of art received by the Museum, valued at \$1,072,870 and \$499,690 for the years ended June 30, 2015 and 2014, respectively.

Gifts of cash or other property restricted by donors for the purchase of items for the collection are classified as temporarily restricted until expended, and acquisitions are made in accordance with the terms of the gifts.

#### *Revenue Recognition*

The Museum recognizes revenue from contributions, membership, admissions, rentals and exhibits. Revenue is recognized when earned or given. Amounts contributed for future periods are recorded as deferred revenue.

Special events revenue is recorded at the time of the event net of direct cost of benefits to attendees.

#### *Contributions*

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

The Museum reports gifts of land, buildings, and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used, and gifts of cash or other assets that must be used to acquire long-lived assets, are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Museum reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service. The Museum did not receive any gifts of land, buildings, or equipment for the years ending June 30, 2015 and 2014.

# McNay Art Museum

## Notes to Financial Statements

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### 1. Organization and Summary of Significant Accounting Policies (Continued)

#### *Deferred Revenue*

Deferred revenue represents revenue attributable to events that have not yet occurred.

#### *Fair Value of Financial Instruments*

The Fair Value Measurements and Disclosures Topic of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC), 820-10, defines fair value, establishes a three-level valuation hierarchy for disclosure of fair value measurements, and expands disclosures about fair value measurements. An instrument's categorization within the hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

Level 1 - Inputs that utilize quoted prices (unadjusted) in active markets for identical assets that the Museum has the ability to access.

Level 2 - Inputs that include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument. Fair values for these instruments are estimated using pricing models, quoted prices of securities with similar characteristics, or discounted cash flows.

Level 3 - Inputs that are unobservable for the asset or liability, which are typically based on an entity's own assumptions, as there is little, if any, related market activity.

#### *Federal Income Tax Exemption*

The Museum is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (IRC); therefore, no provision for income taxes has been made in these statements. The Museum follows the provisions of ASC 740-10 *Accounting for Uncertainty in Income Taxes*, which requires recognition and disclosure of uncertain tax positions in the financial statements. The Museum's management believes that it has appropriate support for any tax positions taken and that it has no material uncertain tax positions. Accordingly, it will not recognize any liability for uncertain tax benefits. For the years ended June 30, 2015 and 2014, the Museum did not recognize any interest or penalties in the financial statements.

Tax years 2014-2012 remain open to examination by the taxing jurisdictions which the Museum is subject to, and these periods have not been extended beyond the applicable statute of limitations.

#### *Functional allocation of expenses*

The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activities and statements of functional expenses. Accordingly, certain costs have been allocated between the programs and supporting services benefited.

#### *Advertising*

Advertising costs are expensed as incurred. Advertising expense was \$380,503 and \$248,676 for the years ended June 30, 2015 and 2014, respectively.

# McNay Art Museum

## Notes to Financial Statements

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### 1. Organization and Summary of Significant Accounting Policies (Continued)

#### *Estimates*

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities, at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

### 2. Concentration Risk

Financial instruments which potentially subject the Museum to a concentration risk consist principally of cash.

The Museum maintains multiple bank accounts in San Antonio, Texas. Accounts at the institutions are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 for interest-bearing accounts, and without limit for non-interest-bearing transaction accounts. The museum holds amounts over the \$250,000 insured limit at various levels during the year.

### 3. Contributions Receivable

Contributions receivable at June 30, 2015, and expected date of receipt, are listed below:

	Within One Year	Within Five Years	Total
Unrestricted	\$ 488,402	\$ 100,000	\$ 588,402
Restricted	-	-	-
<b>Contributions Receivable</b>	<b>\$ 488,402</b>	<b>\$ 100,000</b>	<b>\$ 588,402</b>

Contributions receivable at June 30, 2014, and expected date of receipt, are listed below:

	Within One Year	Within Five Years	Total
Unrestricted	\$ 180,409	\$ 20,000	\$ 200,409
Restricted	25,000	-	25,000
<b>Contributions Receivable</b>	<b>205,409</b>	<b>20,000</b>	<b>225,409</b>

No discount has been applied to the contributions receivable at June 30, 2015 and 2014 as the amount is immaterial to the financial statements.

# McNay Art Museum

## Notes to Financial Statements

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### 4. Investments

The carrying value of investments, which is the fair value, is based upon values provided by external investment managers. Fees paid to the external investment managers of \$278,701 and \$188,872 were withdrawn from the account during the year ended June 30, 2015 and 2014 respectively. Therefore, valuation of the investments at year-end reflects value net of fees. Fair values, cost, and unrealized appreciation are summarized as follows:

Total investments are composed of the following at June 30, 2015:

	Cost	Fair Value	Unrealized Appreciation
Money market funds	\$ 5,234,679	\$ 5,234,679	\$ -
U.S. Treasury notes	744,199	804,255	60,056
U.S. Government agencies	1,042,675	1,106,381	63,706
Corporate debt securities	9,876,935	10,128,567	251,632
Equity securities	25,525,475	29,526,259	4,000,784
Limited partnership - publically traded	4,146,157	4,594,482	448,325
Limited partnership - privately held	3,000,000	2,817,152	(182,848)
<b>Total Investments</b>	<b>\$ 49,570,120</b>	<b>\$ 54,211,775</b>	<b>\$ 4,641,655</b>

Total investments are composed of the following at June 30, 2014:

	Cost	Fair Value	Unrealized Appreciation
Money market funds	\$ 10,428,105	\$ 10,428,105	\$ -
U.S. Treasury notes	1,282,689	1,445,289	162,600
U.S. Government agencies	1,010,473	1,022,670	12,197
Municipal bonds	99,822	100,770	948
Corporate debt securities	7,709,924	8,068,203	358,279
Equity securities	21,904,465	28,305,115	6,400,650
Limited partnership - publically traded	2,240,828	3,399,974	1,159,146
Limited partnership - privately held	2,000,000	2,889,801	889,801
<b>Total Investments</b>	<b>\$ 46,676,306</b>	<b>55,659,927</b>	<b>\$ 8,983,621</b>



# McNay Art Museum

## Notes to Financial Statements

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### 5. Land, Buildings, and Equipment

Major classification of land, buildings, and equipment are summarized below:

<i>Years ended June 30,</i>	2015	2014
Land	\$ 585,962	\$ 585,962
Buildings, improvements, and landscaping	50,258,472	50,134,186
Furniture and equipment	2,473,971	2,497,983
Total Land, Buildings and Equipment	53,318,405	53,218,131
Less: Accumulated depreciation	(23,172,381)	(21,269,656)
Net Land, Buildings, and Equipment	\$ 30,146,024	\$ 31,948,475

Depreciation expense totaled \$2,057,690 and \$2,051,405 for the years ended June 30, 2015 and 2014, respectively. The Museum disposed of furniture and equipment with cost of \$155,743 and a net book value of \$154,966 during the year ended June 30, 2015.

### 6. Operating Leases

The Organization has several non-cancelable operating leases for equipment that expire at different dates through June 2019. The following are future minimum lease payments under these leases:

<i>Year ending June 30,</i>	Amount
2016	41,177
2017	40,740
2018	40,740
2019	30,555
	\$ 153,212

### 7. Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following purposes:

<i>Years Ended June 30,</i>	2015	2014
Art acquisitions/conservation	\$ 1,041,917	\$ 934,980
Education, exhibitions, and presentations	1,822,396	1,141,909
Other	875,384	991,547
Total Temporarily Restricted Net Assets	\$ 3,739,697	\$ 3,068,436

# McNay Art Museum

## Notes to Financial Statements

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### 8. Permanently Restricted Net Assets

The following permanently restricted net assets must be invested in perpetuity; the income from these investments is expendable to support the listed functions:

<i>Years ended June 30,</i>	2015	2014
Auditorium and gallery maintenance	\$ 700,000	\$ 700,000
Art acquisitions	737,691	737,691
Educational programs, exhibitions, and presentations	9,633,978	9,231,932
Curatorial and conservation	1,000,000	1,000,000
Director's chair	1,000,000	1,000,000
Any activities of the museum	19,134,684	19,132,300
<b>Total Permanently Restricted Net Assets</b>	<b>\$ 32,206,353</b>	<b>\$ 31,801,923</b>

### 9. Net Assets Released from Restrictions

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose, or by occurrence of other events specified by donors.

<i>Years ended June 30,</i>	2015	2014
Art acquisitions	\$ 355,400	\$ 153,050
Exhibitions, presentation, and education	511,478	465,521
Other	326,169	288,626
<b>Total Net Assets Released from Restrictions</b>	<b>\$ 1,193,047</b>	<b>\$ 907,197</b>

### 10. Contributed Services

A substantial number of volunteers have made significant contributions of their time to develop the Museum, especially its fundraising and educational programs. Approximately 12,000 volunteer hours were contributed during each of the years ended June 30, 2015 and 2014. Accounting principles do not permit recording the value of this type of contributed services in the financial statements.

### 11. Objects Held for Display

Objects held for display (the Museum collection) consist primarily of a strong collection of 19th and 20th century European and American paintings, prints, sculptures, and one of the leading collections of theatre arts in the country. The Museum collection is essential to its mission. The Museum has established stewardship procedures for the accession (acquisition), deaccession (disposal), loan, and care of the collection.

# McNay Art Museum

## Notes to Financial Statements

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### 11. Objects Held for Display (Continued)

As noted in note 1, objects held for display are not recorded in the financial statements of the Museum. The proceeds received as a result of any deaccessions are used to acquire other works of art for the collection.

### 12. Retirement Plan

The Museum established a defined contribution 403(b) retirement plan (the Plan) effective April 2003 and makes bi-weekly contributions to the Plan on behalf of eligible employees. The Plan investments are employee-directed. The museum contributed \$147,667 and \$145,454 to the plan for the fiscal years ended June 30, 2015 and 2014, respectively. Employees are eligible for a 5% employer contribution beginning on the first anniversary of their hire date, after completion of 1000 hours of service, and attaining the age of 20½ years.

The Museum also sponsors a 457(b) deferred compensation plan, enabling certain employees to enhance their retirement by allowing them to defer compensation and receive benefits at separation of service. The Museum contributed \$50,944 and \$49,970 to this plan for the years ended June 30, 2015 and 2014 respectively.

### 13. Fair Values of Financial Instruments

The Museum uses fair value measurements to record fair value adjustments to certain assets and liabilities to determine fair value disclosures. For additional information on how the Museum measures fair value, refer to note 1.

The following tables set forth by level, within the fair value hierarchy, these Museum assets at fair value as of June 30, 2015:

	Level 1	Level 2	Level3	Total
Cash and equivalents	\$ 5,234,679	\$ -	\$ -	\$ 5,234,679
U.S. Treasury notes	804,255	-	-	804,255
U.S. Government agencies	1,106,381	-	-	1,106,381
Corporate debt securities	10,128,567	-	-	10,128,567
Equity securities	29,526,259	-	-	29,526,259
Limited partnership publicly traded	4,594,482	-	-	4,594,482
Limited partnership privately held	-	2,817,152	-	2,817,152
<b>Total Assets at Fair Value</b>	<b>\$ 51,394,623</b>	<b>\$ 2,817,152</b>	<b>\$ -</b>	<b>\$ 54,211,775</b>

# McNay Art Museum

## Notes to Financial Statements

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### 13. Fair Values of Financial Instruments (Continued)

The following tables set forth by level, within the fair value hierarchy, these Museum assets at fair value as of June 30, 2014:

	Level 1	Level 2	Level 3	Total
Cash and equivalents	\$ 10,428,105	\$ -	\$ -	\$ 10,428,105
U.S. Treasury notes	1,445,289	-	-	1,445,289
U.S. Government agencies	1,022,670	-	-	1,022,670
Municipal bonds	100,770	-	-	100,770
Corporate debt securities	8,068,203	-	-	8,068,203
Equity securities	28,305,115	-	-	28,305,115
Limited partnership publicly traded	3,399,974	-	-	3,399,974
Limited partnership privately held	-	2,889,801	-	2,889,801
Total Assets at Fair Value	\$ 52,770,126	\$ 2,889,801	\$ -	\$ 55,659,927

### 14. Endowment Funds

#### *General Information*

The Museum maintains various endowment funds established for a variety of purposes. These endowments include both donor-restricted endowment contributions, and funds designated by the Board of Trustees to function as endowments. The donor-restricted endowment funds fall under the provisions of the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA), which was adopted by the state of Texas with an effective date of September 1, 2008. This policy defines the Museum's interpretation of the provisions of this law as they relate to the prudent management of its endowment fund.

#### *Background*

In July, 2006, the Uniform Law Commission (ULC) approved UPMIFA as a modernized version of the Uniform Management of Institutional Funds Act of 1972 (UMIFA) which governed the investment and management of donor-restricted endowment funds by not-for-profit organizations. The major change of the new law is that UPMIFA prescribes new guidelines for expenditure of a donor-restricted endowment fund when there are no explicit donor stipulations. These guidelines require the Museum to determine what constitutes prudent spending based upon consideration of the donor's intent that the endowment fund continues permanently, the purpose of the fund, and relevant economic factors. UPMIFA emphasizes the perpetuation of the purchasing power of the fund, not just the original dollars contributed to the fund. Although the Act does not require that a specified amount be set aside as principal, the Act assumes that an organization will preserve "principal" by maintaining the purchasing power of amounts contributed, and will spend "income" by making distributions using a reasonable spending rate.

# McNay Art Museum

## Notes to Financial Statements

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### 14. Endowment Funds (Continued)

#### *Endowment "Principal" Interpretation*

The Museum has interpreted UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds, absent explicit donor stipulations to the contrary. As a result of this interpretation, the Museum classifies as permanently restricted net assets the original value of gifts donated to the permanent endowment (the "Principal"). The remaining portion of the donor-restricted endowment fund that is not classified as permanently restricted net assets is classified as non-operating or 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.

#### *Endowment Investment Objectives*

Endowment investments are managed by professional money manager(s) under the direction of the Investment Committee of the Board of Trustees of the Museum. Funds are invested in a manner that seeks to produce results that meet or exceed the performance of generally recognized market indices, while assuming a moderate level of investment risk.

To satisfy this performance objective, the Museum relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Museum targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

#### *Endowment "Income" Appropriation (Spending Policy)*

The Museum's policy is to appropriate for distribution each year a percentage of its endowment fund's average fair value based on a 12-quarter rolling average as of March 31 of the preceding year. For the fiscal year ended June 30, 2015, the distribution percentage was 5%. The percentage will remain at 5% until further action by the Board of Trustees. In establishing this policy, the Museum considered the long-term expected return on its endowment.

Accordingly, over the long term, the Museum expects the spending policy to allow its endowment to grow at an average of 4% annually. This is consistent with the Museum's objective to maintain the purchasing power of the endowment assets held in perpetuity, or for a specified term, as well as provide additional real growth through new gifts and investment return.

In accordance with UPMIFA, in all its endowment spending activity, the Museum considers the following factors in making a determination to appropriate (spend) or accumulate donor-restricted endowment funds:

1. The duration and preservation of the fund
2. The purposes of the Museum and the donor-restricted endowment fund
3. General economic and investment market 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, and
7. The investment policies of the Museum

# McNay Art Museum

## Notes to Financial Statements

### 14. Endowment Funds (Continued)

#### *Endowment Composition by Type of Fund as of June 30, 2015*

	Unrestricted*	Temporarily Restricted	Permanently Restricted	Total
Board designated endowment funds	\$ 2,655,201	\$ 646,127	\$ -	\$ 3,301,328
Donor endowment funds	11,545,599	2,776,053	32,206,353	46,528,005
<b>Total Funds</b>	<b>\$ 14,200,800</b>	<b>\$ 3,422,180</b>	<b>\$ 32,206,353</b>	<b>\$ 49,829,333</b>

#### *Changes in Endowment for the Year Ended June 30, 2015*

	Unrestricted*	Temporarily Restricted	Permanently Restricted	Total
Endowment, beginning of period	\$ 17,000,115	\$ 2,529,401	\$ 31,801,923	\$ 51,331,439
Investment Return:				
Interest and dividends	644,230	232,575	7,334	884,139
Net appreciation (realized and unrealized)	(1,898,369)	1,670,803	54,069	(173,497)
<b>Total Investment Return</b>	<b>(1,254,139)</b>	<b>1,903,378</b>	<b>61,403</b>	<b>710,642</b>
Contributions	29,406	-	2,344	31,750
Transfers	(1,506,544)	-	340,683	(1,165,861)
Release from restriction	(68,038)	(1,010,599)	-	(1,078,637)
<b>Total Funds</b>	<b>\$ 14,200,800</b>	<b>\$ 3,422,180</b>	<b>\$ 32,206,353</b>	<b>\$ 49,829,333</b>

#### *Endowment Composition by Type of Fund as of June 30, 2014*

	Unrestricted*	Temporarily Restricted	Permanently Restricted	Total
Board designated endowment funds	\$ 2,630,133	\$ 531,346	\$ -	\$ 3,161,479
Donor restricted funds	14,369,982	1,998,055	31,801,923	49,169,960
<b>Total Funds</b>	<b>\$ 17,000,115</b>	<b>\$ 2,529,401</b>	<b>\$ 31,801,923</b>	<b>\$ 52,331,439</b>

\* Represents earnings on permanently endowed funds that are designated for operations and board designated endowments.

**McNay Art Museum**  
**Notes to Financial Statements**

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**14. Endowment Funds (Continued)**

*Changes in Endowment for the Year Ended June 30, 2014*

	Unrestricted*	Temporarily Restricted	Permanently Restricted	Total
Endowment, beginning of period	\$ 9,885,099	\$ 2,626,545	\$ 31,452,361	\$ 43,964,005
Investment Return:				
Interest and dividends	727,615	185,026	6,537	919,178
Net appreciation (realized and unrealized)	6,480,867	1,430,974	49,875	7,961,716
<b>Total Investment Return</b>	<b>7,208,482</b>	<b>1,616,000</b>	<b>56,412</b>	<b>8,880,894</b>
Contributions	367,292	-	13,576	380,868
Transfers	(442,851)	(1,328,054)	279,574	(1,491,331)
Release from restriction	(17,907)	(385,090)	-	(402,997)
<b>Total Funds</b>	<b>\$ 17,000,115</b>	<b>\$ 2,529,401</b>	<b>\$ 31,801,923</b>	<b>\$ 51,331,439</b>

\* Represents earnings on permanently endowed funds that are designated for operations and board designated endowments.

**15. Subsequent Events**

Subsequent events have been evaluated through October 22, 2015, which is the date the financial statements were available to be issued.

## Supplementary Information

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Tel: 210-342-8000  
Fax: 210-342-0866  
www.bdo.com

9901 IH-10, Suite 500  
San Antonio, TX 78230

## Independent Auditor's Report on Supplementary Information Accompanying The Basic Financial Statements

To the Board of Directors  
McNay Art Museum  
San Antonio, Texas

Our report on our audit of the basic financial statements of the McNay Art Museum, as of and for the years ended June 30, 2015 and 2014, appears on page 1. The audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. Such information is the responsibility of management and was derived from, and is directly related to, the underlying and other accounting records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional information, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

*BDO USA, LLP*

October 22, 2015

# McNay Art Museum

## Schedule of Functional Expenses

Year ended June 30, 2015  
 (With Summarized Financial Information for the Year ended June 30, 2014)

	Program Services					Support Services			Totals		
	Curatorial and Conservation	Exhibitions and Presentations	Education	Museum Store	Library	Total Program Services	Management and General	Fund- raising	Total Support Services	2015	2014
Salaries and wages	770,669	1,381,076	490,963	129,532	173,305	2,945,545	187,803	339,245	527,048	3,472,593	3,330,685
Payroll taxes	61,367	109,972	39,094	10,314	13,800	234,547	14,954	27,013	41,967	276,514	245,639
Employee benefits	115,391	206,788	73,513	19,395	25,949	441,036	28,121	50,795	78,916	519,952	502,028
Professional fees	574,318	1,118	10,659	-	-	586,095	106,258	112,589	218,847	804,942	333,883
Lectures	-	-	27,699	-	-	27,699	-	-	-	27,699	25,041
Supplies	17,717	23,151	28,903	3,492	4,549	77,812	75,370	22,133	97,503	175,315	110,333
Communications	3,934	4,209	2,077	691	424	11,335	13,380	3,165	16,545	27,880	28,291
Postage and freight	17,630	1,012	5,126	58	762	24,588	1,488	12,271	13,759	38,347	40,370
Occupancy	156,433	181,989	171,590	5,200	5,200	520,412	57,198	10,397	67,595	588,007	551,455
Equipment rental & mtce	40,688	42,854	34,494	2,079	8,997	129,112	29,895	13,410	43,305	172,417	177,306
Printing and publication	10,756	6,846	17,470	547	2,954	38,573	10,369	59,374	69,743	108,316	105,819
Marketing, advertising and publicity	23,268	69,805	11,634	11,634	-	116,341	-	-	-	116,341	77,061
Travel	99,281	17,962	18,178	1,201	3,877	140,499	11,022	5,643	16,665	157,164	163,680
School busing	-	-	20,193	-	-	20,193	-	-	-	20,193	15,097
Conferences, seminars, and meetings	12,024	17,676	11,742	665	1,589	43,696	15,756	65,869	81,625	125,321	81,260
Organization dues and subscriptions	1,326	1,179	1,872	202	1,697	6,276	16,812	9,256	26,068	32,344	29,100
Insurance	146,871	27,302	15,601	7,801	7,801	205,376	4,680	-	4,680	210,056	206,070
Store cost of sales	-	-	-	185,070	-	185,070	-	-	-	185,070	123,268
Maintenance of Collection	92,714	-	-	-	-	92,714	-	-	-	92,714	92,077
Concerts, films, etc.	-	30,447	29,751	-	-	60,198	-	-	-	60,198	69,311
Library books	-	-	-	-	16,881	16,881	-	-	-	16,881	13,299
Exhibitions	-	1,308,424	-	-	-	1,308,424	-	-	-	1,308,424	1,144,721
Credit card fees	2,641	-	-	-	-	2,641	8,956	19,737	28,693	31,334	28,228
Miscellaneous	1,389	(4)	317	-	-	1,702	15,797	617	16,414	18,116	18,131
	2,148,417	3,431,806	1,010,876	377,881	267,785	7,236,765	597,859	751,514	1,349,374	8,586,138	7,512,153
Depreciation	349,807	720,192	679,038	20,577	20,577	1,790,191	226,345	41,154	267,499	2,057,690	2,051,405
<b>Total Expenses</b>	<b>\$ 2,498,224</b>	<b>\$ 4,151,998</b>	<b>\$ 1,689,914</b>	<b>\$ 398,458</b>	<b>\$ 288,362</b>	<b>\$ 9,026,956</b>	<b>\$ 824,204</b>	<b>\$ 792,668</b>	<b>\$ 1,616,873</b>	<b>\$ 10,643,828</b>	<b>\$ 9,563,558</b>