Indianapolis Museum of Art

Auditor's Report and Consolidated Financial Statements

June 30, 2014 and 2013

Indianapolis Museum of Art

June 30, 2014 and 2013

Contents

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Independent Auditor's Report

Board of Governors
Indianapolis Museum of Art
Indianapolis, Indiana

We have audited the accompanying consolidated financial statements of Indianapolis Museum of Art and its subsidiary, which comprise the consolidated statements of financial position as of June 30, 2014 and 2013, and the related consolidated 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 consolidated 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 consolidated 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 consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Indianapolis Museum of Art and its subsidiary as of June 30, 2014 and 2013, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

BKD, LLP

Indianapolis, Indiana
December 9, 2014

Indianapolis Museum of Art

Consolidated Statements of Financial Position

June 30, 2014 and 2013

(In Thousands)

Assets

	2014	2013
Cash	$ 3,595	$ 1,141
Accounts receivable	367	377
Contributions receivable, net	3,083	3,825
Government grant reimbursements receivable	69	149
Inventories	571	591
Prepaid expenses	1,726	872
Investments	381,747	344,775
Estate notes and charitable lead trusts	13,620	13,843
Unamortized bond issue costs	592	820
Library accessions	1,100	1,072
Property and equipment	113,081	118,658
Collections - Note 1	-	-
Total assets	$ 519,551	$ 486,123

Liabilities

	2014	2013
Accounts payable	$ 861	$ 804
Accrued salaries, wages and employee benefits	1,063	884
Deferred revenue	503	609
Other liabilities	1,441	992
Accrued pension expense	2,652	2,975
Fair value of interest rate swap agreements	3,540	3,845
Tax-exempt bonds payable (including bond premium of $1,939 in 2014 and $2,024 in 2013)	122,104	123,079
Total liabilities	132,164	133,188

Net Assets

	2014	2013
Unrestricted	113,552	102,435
Temporarily restricted	139,452	120,371
Permanently restricted	134,383	130,129
Total net assets	387,387	352,935
Total liabilities and net assets	$ 519,551	$ 486,123

Indianapolis Museum of Art

Consolidated Statements of Activities
Years Ended June 30, 2014 and 2013
(In Thousands)

	2014			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenue, Gains and Other Support				
Gifts, grants and memberships				
Annual giving, including memberships	$ 1,815	$ -	$ -	$ 1,815
Other contributions	1,464	1,717	2,204	5,385
Grants	449	-	-	449
Revenue from activities				
Admissions, fees and sales	3,764	-	-	3,764
Investment return designated for current operations and art acquisitions	6,987	14,435	-	21,422
	14,479	16,152	2,204	32,835
Net assets released from restrictions	14,799	(14,799)	-	-
Total revenue, gains and other support	29,278	1,353	2,204	32,835
Expenses				
Curatorial	8,463	-	-	8,463
Educational	5,469	-	-	5,469
Horticultural	1,642	-	-	1,642
Museum stores	1,862	-	-	1,862
Management and general	1,975	-	-	1,975
Fundraising	1,627	-	-	1,627
Total expenses	21,038	-	-	21,038
Change in Net Assets Before Depreciation and Interest	8,240	1,353	2,204	11,797
Depreciation	6,344	-	-	6,344
Interest	3,320	-	-	3,320
Total depreciation and interest	9,664	-	-	9,664
Change in Net Assets From Operations	(1,424)	1,353	2,204	2,133
Nonoperating Revenue (Expense)				
Investment return greater than amounts designated for current operations and art acquisitions	12,802	20,681	-	33,483
Other transfers	-	(2,050)	2,050	-
Changes in projected benefit obligation arising during the period	607	-	-	607
Amortization included in net periodic pension cost	(726)	-	-	(726)
Change in fair value of interest rate swap agreements	306	-	-	306
Loss on refinancing	(317)	-	-	(317)
Loss on disposal of equipment	-	-	-	-
Change in split interest agreements	(3)	(592)	-	(595)
Proceeds from sales of art	-	-	-	-
Purchases of art	(439)	-	-	(439)
Net assets released from restriction - art acquisition	311	(311)	-	-
Change in Net Assets	11,117	19,081	4,254	34,452
Net Assets, Beginning of Year	102,435	120,371	130,129	352,935
Net Assets, End of Year	$ 113,552	$ 139,452	$ 134,383	$ 387,387

2013			
Unrestricted	**Temporarily Restricted**	**Permanently Restricted**	**Total**
$ 1,452	$ -	$ -	$ 1,452
1,187	3,153	1,016	5,356
632	-	-	632
3,023	-	-	3,023
5,630	15,386	-	21,016
11,924	18,539	1,016	31,479
16,050	(16,050)	-	-
27,974	2,489	1,016	31,479
10,311	-	-	10,311
5,428	-	-	5,428
1,864	-	-	1,864
1,900	-	-	1,900
2,297	-	-	2,297
1,748	-	-	1,748
23,548	-	-	23,548
4,426	2,489	1,016	7,931
6,361	-	-	6,361
1,730	-	-	1,730
8,091	-	-	8,091
(3,665)	2,489	1,016	(160)
6,491	4,234	-	10,725
-	-	-	-
738	-	-	738
389	-	-	389
2,131	-	-	2,131
(449)	-	-	(449)
(142)	-	-	(142)
302	(420)	-	(118)
49	49	-	98
(672)	-	-	(672)
591	(591)	-	-
5,763	5,761	1,016	12,540
96,672	114,610	129,113	340,395
$ 102,435	$ 120,371	$ 130,129	$ 352,935

Indianapolis Museum of Art

Consolidated Statements of Cash Flows
Years Ended June 30, 2014 and 2013
(In Thousands)

	2014	2013
Operating Activities		
Change in net assets	$ 34,452	$ 12,540
Items not requiring (providing) cash		
Loss on bond refinancing	317	449
Depreciation	6,343	6,361
Noncash contributions	(133)	(377)
Loss on disposal of property and equipment	-	142
Acquisition and sales of art, net	439	574
Contributions restricted for long-term investment	(4,134)	(2,777)
Realized gains on investments	(14,738)	(8,474)
Unrealized gains on investments	(41,558)	(23,131)
Change in fair value of interest rate swap agreement	(306)	(2,131)
Changes in		
Accounts receivable	10	(88)
Contributions receivable	742	68
Prepaid expenses and other assets	(788)	150
Estate notes and charitable lead trusts	223	23
Accounts payable	136	(141)
Accrued expenses and other liabilities	223	(1,493)
Net cash used in operating activities	(18,772)	(18,305)
Investing Activities		
Acquisitions of art	(439)	(672)
Proceeds from sale of art	-	98
Purchases of property and equipment	(872)	(844)
Purchases of investments	(35,989)	(40,989)
Sales and maturities of investments	55,446	58,660
Net cash provided by investing activities	18,146	16,253
Financing Activities		
Proceeds from contributions restricted for		
Investments in endowment	2,474	1,139
Investments in art and property and equipment	583	769
Investments subject to various purchases	1,077	869
Issuance of bonds	55,140	68,079
Retirement of bonds	(55,000)	(67,600)
Principal payments on bonds	(1,030)	-
Cost incurred from long-term debt issuance	(140)	(498)
Payments on capital lease obligations	(24)	(23)
Net cash provided by financing activities	3,080	2,735
Increase in Cash	2,454	683
Cash, Beginning of Year	1,141	458
Cash, End of Year	$ 3,595	$ 1,141
Supplemental Information		
Interest paid	$ 2,818	$ 1,420
Property and equipment in accounts payable	12	90

Note 1: Nature of Operations and Summary of Significant Accounting Policies

General

Indianapolis Museum of Art (Museum) was incorporated as a not-for-profit organization in May 1892, under the laws of the State of Indiana.

The consolidated financial statements include the accounts of the Indianapolis Museum of Art and Oldfields, LLC, its wholly owned subsidiary. Oldfields, LLC was established during 2004 to hold certain real estate. The consolidated financial statements also include the Museum's affiliated organizations: Alliance of the Indianapolis Museum of Art, the Asian Art Society, the Contemporary Art Society, the Design Arts Society, the Fashion Arts Society and the Horticultural Society. The affiliated organizations are special interest groups within the Museum membership which operate for the benefit of the Museum donating cash and services of volunteers to various Museum activities. No amounts are included in the consolidated financial statements for services of volunteers.

The Museum provides art education opportunities for its members and the general public through the acquisition, preservation and exhibition of its permanent collections. The Museum's primary sources of revenue and support are contributions and earnings on investments.

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 and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of the revenues, expenses, gains, losses and other changes in net assets during the reporting period. Actual results could differ from those estimates.

Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets are those whose use by the Museum has been limited by donors to a specific time period or purpose. Permanently restricted net assets have been restricted by donors to be maintained by the Museum in perpetuity.

Cash

At June 30, 2014, the Museum's cash accounts exceeded federally insured limits by approximately $2,559,000.

Investments and Investment Return

Investments are carried at fair value. For those investments without quoted market prices, the fair value was provided by the managers of the investment funds. These estimated values are subject to uncertainty, and therefore, may differ significantly from the value that would have been used had a market for such investments existed. Such differences could be material. Investment return includes dividend, interest and other investment income and realized and unrealized gains and losses.

Investment return is reflected in the consolidated statements of activities as unrestricted, temporarily restricted or permanently restricted based upon the existence and nature of any donor or legally imposed restrictions.

The Museum maintains pooled investment accounts for its endowments. Investment income and realized and unrealized gains and losses from securities in the pooled investment accounts are allocated quarterly to the individual endowments based on the relationship of the fair value of the interest of each endowment to the total fair value of the pooled investment accounts, as adjusted for additions to or deductions from those accounts.

Property and Equipment

Expenditures for property and equipment and items which substantially increase the useful lives of existing assets are capitalized at cost. The Museum provides for depreciation on the straight-line method at rates designed to depreciate the costs of assets over estimated useful lives as follows:

Furnishings and equipment	10 years
Buildings and grounds	50 years
Land improvements	20 years

Long-Lived Asset Impairment

The Museum evaluates the recoverability of the carrying value of long-lived assets whenever events or circumstances indicate the carrying amount may not be recoverable. If a long-lived asset is tested for recoverability and the undiscounted estimated future cash flows expected to result from the use and eventual disposition of the asset is less than the carrying amount of the asset, the asset cost is adjusted to fair value and an impairment loss is recognized as the amount by which the carrying amount of a long-lived asset exceeds its fair value. No asset impairment was recognized during the years ended June 30, 2014 or 2013.

Collections - Art Objects

According to the Museum's policy, collections include all works of art, historical treasures, library accessions and similar assets that are (a) held for public service rather than financial gain, (b) protected, kept unencumbered, cared for and preserved, and (c) subject to the Museum's policy that requires the proceeds of items that are sold to be used to acquire other items for collections. The collections, which have been acquired through purchases and contributions since the Museum's inception, are not recognized as an asset on the consolidated statements of financial position. Purchases of collection items are recorded as decreases in unrestricted or temporarily restricted net assets in the year in which the items are acquired. Proceeds from deaccessions or insurance recoveries, if any, are reflected as increases in the appropriate net asset class.

Income Taxes

The Museum is exempt from federal income taxes under Section 501 of the Internal Revenue Code and a similar provision of state law. The Museum is not considered to be a private foundation. However, the Museum is subject to federal income tax on any unrelated business taxable income.

The Museum files tax returns in the U.S. federal jurisdiction. With a few exceptions, the Museum is no longer subject to U.S. federal, state and local or non-U.S. income tax examinations by tax authorities for years before 2011.

Contributions Receivable

Unconditional promises to give are recognized as revenues or gains in the period received and as assets, decreases of liabilities or expenses depending on the form of the benefits received.

While contributions, including promises to give, are required to be recorded as revenue in the year received, expenses funded by such contributions normally occur in subsequent years. This means fluctuations between years in the amount of contributions received or receivable can have a significant impact on the total change in net assets of the Museum, as can the timing of program expenses which result therefrom. Management reviews promises to give and writes off any promises at the time they become uncollectible past their due date. The Museum has estimated an allowance for uncollectible promises to give of $175,000 as of June 30, 2014 and 2013.

Support and Revenue

The Museum reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidated statements of activities as net assets released from restrictions. Gifts and investment income that are originally restricted by the donor and for which the restriction is met in the same time period are recorded as temporarily restricted and then released from restriction.

(Table Dollar Amounts in Thousands)

Estate Notes and Charitable Lead Trusts

The Museum is the beneficiary under various estate notes and charitable lead trusts.

Estate notes represent an irrevocable pledge (or debt) against a donor's estate, to the extent the pledge is not satisfied during the donor's lifetime. Estate notes are initially recorded at fair value determined by using the discounted present value of the amounts to be received in the future. The resulting discount is amortized using the level-yield method and is reported as contribution revenue. Discount rates utilized were 1.91% to 8.23% for 2014 and .95% to 8.23% for 2013.

Charitable lead trusts are arrangements in which a donor establishes and funds a trust to provide distributions to a designated beneficiary organization for a specified period of time. Upon termination of the trust, the remainder of the trust assets is paid to the donor or to another beneficiary designated by the donor. Charitable lead trusts administered by the Museum are recorded at fair value only upon initial recognition, while those being administered by third parties are adjusted to fair value annually using discount rates based on current market conditions.

The following schedule summarizes estate notes and charitable lead trusts for the years ended June 30, 2014 and 2013:

	2014	2013
Estate notes	$ 20,022	$ 20,013
Discount	(10,241)	(10,572)
	9,781	9,441
Charitable lead trusts	3,839	4,402
	$ 13,620	$ 13,843

Donated Property and Equipment

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 regarding how long those long-lived assets must be maintained, the Museum reports expirations of donor restrictions as the donated or acquired long-lived assets are placed in service.

Government Grants

Support funded by grants is recognized as the Museum performs the contracted services under grant agreements. Grant revenue is recognized as earned as the eligible expenses are incurred. Grant expenditures are subject to audit and acceptance by the granting agency and, as a result of such audit, adjustments could be required.

(Table Dollar Amounts in Thousands)

Functional Expenses

In 2014 and 2013, expenses have been classified as program services, management and general, fund raising and membership development based on the actual direct expenditures and cost allocations based upon estimates of salaries incurred by Museum personnel.

Transfers Between Fair Value Hierarchy Levels

Transfers in and out of Level 1 (quoted market prices), Level 2 (other significant observable inputs) and Level 3 (significant unobservable inputs) are recognized on the actual date of transfer.

Reclassifications

Certain reclassifications have been made to the 2013 consolidated financial statements to conform to the 2014 consolidated financial statement presentation. These reclassifications had no effect on the change in net assets.

Subsequent Events

Subsequent events have been evaluated through the date of the Independent Auditor's Report, which is the date the consolidated financial statements were available to be issued.

Note 2: Contributions Receivable

	2014		
	Temporarily Restricted	Permanently Restricted	Total
Due within one year	$ 751	$ 620	$ 1,371
Due in one to five years	1,065	1,000	2,065
	1,816	1,620	3,436
Discount	(47)	(131)	(178)
Allowance	(175)	-	(175)
	$ 1,594	$ 1,489	$ 3,083

(Table Dollar Amounts in Thousands)

	2013 Temporarily Restricted	2013 Permanently Restricted	2013 Total
Due within one year	$ 527	$ 620	$ 1,147
Due in one to five years	1,649	1,500	3,149
	2,176	2,120	4,296
Discount	(81)	(215)	(296)
Allowance	(175)	-	(175)
	$ 1,920	$ 1,905	$ 3,825

Discount rates ranged from 0.18 to 4.9 percent in 2014 and 2013.

Note 3: Investments

The fair value of the Museum's investments is as follows:

	2014	2013
Savings accounts	$ -	$ 230
Certificates of deposit	195	248
Short-term investments	7,486	3,791
Corporate bonds	-	501
Corporate stocks		
Domestic	24,686	22,015
International	4,477	3,848
Mutual funds		
Equity - international	39,534	31,089
Fixed income	15,169	17,904
Alternative investments		
Equity - international	54,073	46,159
Fixed income	10,238	10,053
Absolute return marketable alternatives	52,619	51,573
Equity-oriented marketable alternatives	50,074	47,834
Inflation hedging	55,986	55,204
Private equity/venture capital	62,442	51,427
Real estate held for investment	4,768	2,899
Total	$ 381,747	$ 344,775

(Table Dollar Amounts in Thousands)

The following schedules summarize the investment return and its classification in the consolidated statements of activities for the years ended June 30, 2014 and 2013:

	2014		
	Unrestricted	**Temporarily Restricted**	**Total**
Dividends and interest (net of expenses of $4,077)	$ (502)	$ (889)	$ (1,391)
Net realized gains on investments	5,328	9,410	14,738
Net unrealized gains on investments	14,963	26,595	41,558
Total return on investments	19,789	35,116	54,905
Investment return designated for			
Current operations	(6,959)	(13,566)	(20,525)
Art acquisitions	(28)	(869)	(897)
Investment return greater than amounts designated for current operations and art acquisitions	$ 12,802	$ 20,681	$ 33,483

	2013		
	Unrestricted	**Temporarily Restricted**	**Total**
Dividends and interest (net of expenses of $3,432)	$ 58	$ 78	$ 136
Net realized gains on investments	2,924	5,550	8,474
Net unrealized gains on investments	9,139	13,992	23,131
Total return on investments	12,121	19,620	31,741
Investment return designated for			
Current operations	(5,603)	(14,593)	(20,196)
Art acquisitions	(27)	(793)	(820)
Investment return less than amounts designated for current operations and art acquisitions	$ 6,491	$ 4,234	$ 10,725

(Table Dollar Amounts in Thousands)

Note 4: Property and Equipment

The Museum's property and equipment are as follows:

	2014	2013
Buildings and grounds	$ 166,992	$ 167,122
Furnishings and equipment	22,399	21,516
Land improvements	12,388	12,375
	201,779	201,013
Accumulated depreciation	(89,620)	(83,277)
	112,159	117,736
Land	922	922
	$ 113,081	$ 118,658

Note 5: Tax-Exempt Bonds Payable

	2014	2013
Facility Revenue Bonds, Series 2001 (A)	$ -	$ 4,000
Facility Revenue Bonds, Series 2004 (B)	-	51,000
Facility Revenue Refunding Bonds, Series 2013A (C)	26,105	26,105
Facility Revenue Refunding Bonds, Series 2013B (D)	38,920	39,950
Facility Revenue Refunding Bonds, Series 2014 (E)	55,140	-
Unamortized premium on Series 2013B Bonds	1,939	2,024
	$ 122,104	$ 123,079

(A) During 2001, the Indiana Finance Authority (the Authority) issued Variable Rate Demand Educational Facilities Revenue Bonds amounting to $30,000,000, the proceeds of which were loaned to the Museum in order to finance and reimburse all or a portion of the costs of the acquisition, construction, installation, rehabilitation, renovation or enlargement of land, site improvements, infrastructure improvements, buildings, structures, machinery, equipment, furnishings or facilities comprising or being functionally related to the operation of the Museum. In 2014, the Museum refunded all of the outstanding 2001 bonds with the proceeds of the 2014 issuance described below.

(B) During 2004, the Authority issued an additional $51,000,000 of Variable Rate Demand Educational Facilities Revenue Bonds, the proceeds of which were loaned to the Museum to continue the construction projects noted above. In 2014, the Museum refunded all of the outstanding 2004 bonds with the proceeds of the 2014 issuance described below.

(Table Dollar Amounts in Thousands)

(C) During 2013, the Authority issued $26,105,000 of Educational Facilities Revenue Refunding Bonds, Series 2013A, the proceeds of which were loaned to the Museum to refund a portion of the 2001 bonds and cover bond issuance costs. These bonds were issued at an initial fixed interest rate of 1.27% through January 31, 2018. After this date, the bonds may be remarketed and bear either a fixed or floating interest rate. The bonds have a final maturity date of February 1, 2036.

(D) During 2013, the Authority issued $39,950,000 of Educational Facilities Revenue Refunding Bonds, Series 2013B, the proceeds of which were loaned to the Museum to refund the 2002 bonds and cover bond issuance costs. The bonds consist of a mix of serial maturities and term bonds with sinking fund installments and bear fixed interest rates that range from 2.00% to 5.00%, depending on the maturity date. Principal payments commence on February 1, 2014 with a final maturity date of February 1, 2037. Bonds maturing on or after February 1, 2024 are subject to optional redemption at the discretion of the Museum at par beginning February 1, 2023. $28,245,000 of the 2013B bonds mature on or after February 1, 2024 and bear interest rates between 4.00% and 5.00%.

(E) During 2014, the Authority issued $55,139,500 of Educational Facilities Revenue Refunding Bonds, Series 2014, the proceeds of which were loaned to the Museum to refund the Series 2001 bonds, Series 2004 bonds and cover certain issuance costs. The bonds were issued at a floating rate equal to 70% of one-month LIBOR plus forty-five basis points (0.45%). The floating rate is effective through August 1, 2017. After this date, the bonds may be remarketed and bear either a fixed or floating interest rate. The bonds have a final maturity date of February 1, 2039.

Aggregate annual maturities of tax-exempt bonds payable at June 30, 2014 are:

2015	$ 1,010
2016	1,460
2017	1,500
2018	1,560
2019	1,170
Thereafter	115,404
	$ 122,104

Costs associated with executing the loan and other agreements with the aforementioned parties have been classified as unamortized bond issue costs in the accompanying consolidated financial statements and are being amortized over the life of the bonds using a method that approximates the level yield method.

The bonds are subject to certain covenants, including a financial coverage ratio. At June 30, 2014, the Museum was in compliance with these financial covenants.

(Table Dollar Amounts in Thousands)

Note 6: Derivative Financial Instruments

As a strategy to maintain acceptable levels of exposure to the risk of changes in future cash flows due to interest rate fluctuations, the Museum has entered into interest rate swap agreements for a portion of its floating rate debt. The agreements provide for the Museum to receive interest from the counterparty at LIBOR times 70% and to pay interest to the counterparty at fixed rates ranging between 1.890% and 2.911% on the notional amount of $55,000,000. Under the agreements, the Museum pays or receives the net interest amount monthly, with the monthly settlements included in interest expense. The agreements have expirations ranging from 2016 to 2024.

The table below presents certain information regarding the Museum's interest rate swap agreements:

	2014	2013
Fair value of interest rate swap agreements	$ 3,540	$ 3,845
Statement of financial position location of fair value amount	Liability	Liability
Gain recognized in change in net assets	306	2,131
Location of loss recognized in change in net assets	Nonoperating revenue (expense)	Nonoperating revenue (expense)

Note 7: Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following purposes or periods:

	2014	2013
Program activities		
Curatorial program	$ 230	$ 420
Art purchases	16,595	13,953
Educational program activities	1,422	1,461
Other program activities	5,491	3,676
Facility operations and personnel	7,708	4,355
Unappropriated endowment earnings	98,757	86,648
For periods after June 30	9,249	9,858
	$ 139,452	$ 120,371

(Table Dollar Amounts in Thousands)

Note 8: Permanently Restricted Net Assets

Permanently restricted net assets are restricted to:

	2014	2013
Investment in perpetuity, the income of which is expendable to support		
Art purchases	$ 21,242	$ 19,959
Educational program activities	613	613
Other program activities	3,470	3,470
Facility operations and personnel	46,057	44,840
Any activity of the Museum	63,001	61,247
	$ 134,383	$ 130,129

Note 9: Net Assets Released From Restrictions

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

	2014	2013
Purpose restrictions accomplished		
Curatorial program expenses	$ 372	$ 174
Educational program expenses	313	93
Other program expenses	162	290
Facility operations and personnel	352	949
Appropriation of accumulated endowment earnings	13,364	14,437
Time restrictions expired - passage of time	236	107
	14,799	16,050
Art acquisition	311	591
	$ 15,110	$ 16,641

Note 10: Endowment

The Museum's endowment consists of approximately 130 individual funds established for a variety of purposes. The endowment includes both donor-restricted endowment funds and funds designated by the governing body to function as endowments (board-designated endowment funds). As required by accounting principles generally accepted in the United States of America (GAAP), net assets associated with endowment funds, including board-designated endowment funds, are classified and reported based on the existence or absence of donor-imposed restrictions.

(Table Dollar Amounts in Thousands)

The Museum's governing body has interpreted the State of Indiana Prudent Management of Institutional Funds Act (SPMIFA) as requiring preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Museum classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of donor-restricted endowment funds 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 SPMIFA. In accordance with SPMIFA, the Museum considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. Duration and preservation of the fund
2. Purposes of the Museum and the fund
3. General economic conditions
4. Possible effect of inflation and deflation
5. Expected total return from investment income and appreciation or depreciation of investments
6. Other resources of the Museum
7. Investment policies of the Museum

The composition of net assets by type of endowment fund at June 30, 2014 and 2013, was:

2014	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ (520)	$ 116,236	$ 127,622	$ 243,338
Board-designated endowment funds	133,109	-	-	133,109
Total endowment funds	$ 132,589	$ 116,236	$ 127,622	$ 376,447

2013	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ (1,290)	$ 97,404	$ 123,098	$ 219,212
Board-designated endowment funds	120,465	-	-	120,465
Total endowment funds	$ 119,175	$ 97,404	$ 123,098	$ 339,677

(Table Dollar Amounts in Thousands)

Changes in endowment net assets for the years ended June 30, 2014 and 2013 was:

	2014			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ 119,175	$ 97,404	$ 123,098	$ 339,677
Investment return				
Investment income	(498)	(889)	-	(1,387)
Net appreciation	19,472	34,725	-	54,197
Total investment return	18,974	33,836	-	52,810
Contributions	656	202	2,474	3,332
Appropriation of endowment assets for expenditure	(6,987)	(14,435)	-	(21,422)
Transfers for underwater funds	771	(771)	-	-
Other transfers	-	-	2,050	2,050
Endowment net assets, end of year	$ 132,589	$ 116,236	$ 127,622	$ 376,447

	2013			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ 112,277	$ 92,090	$ 121,959	$ 326,326
Investment return				
Investment income	42	78	-	120
Net appreciation	11,516	20,422	-	31,938
Total investment return	11,558	20,500	-	32,058
Contributions	655	723	931	2,309
Appropriation of endowment assets for expenditure	(5,630)	(15,386)	-	(21,016)
Transfers for underwater funds	880	(880)	-	-
Transfers out of endowment	(565)	357	208	-
Endowment net assets, end of year	$ 119,175	$ 97,404	$ 123,098	$ 339,677

(Table Dollar Amounts in Thousands)

Amounts of donor-restricted endowment funds classified as permanently and temporarily restricted net assets at June 30, 2014 and 2013 consisted of:

	2014	2013
Permanently restricted net assets - portion of perpetual endowment funds required to be retained permanently by explicit donor stipulation or SPMIFA	$ 127,622	$ 123,098
Temporarily restricted net assets - portion of perpetual endowment funds subject to a time restriction under SPMIFA		
With purpose restrictions	$ 17,479	$ 10,756
Without purpose restrictions	98,757	86,648
	$ 116,236	$ 97,404

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level the Museum is required to retain as a fund of perpetual duration pursuant to donor stipulation or SPMIFA. In accordance with GAAP, deficiencies of this nature are reported in unrestricted net assets and aggregated $520,000 and $1,290,000 at June 30, 2014 and 2013, respectively. These deficiencies resulted from unfavorable market fluctuations that occurred shortly after investment of new permanently restricted contributions and continued appropriation for certain purposes that was deemed prudent by the governing body.

The Museum has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding for current operations, capital additions and artifact acquisitions supported by its endowment while seeking to maintain the purchasing power of the endowment. Endowment assets include those assets of donor-restricted endowment funds the Museum must hold in perpetuity or for donor-specified periods, as well as those of board-designated endowment funds. Under the Museum’s policies, endowment assets are invested in a manner that is intended to produce results that exceed the spending rate plus inflation. The Museum expects its endowment funds to provide an annual average rate of return of approximately 5.5% above the rate of inflation. Actual returns in any given year may vary from this amount.

To satisfy its long-term rate of return objectives, the Museum relies on a total return strategy in which investment returns are achieved through both current yield (investment income such as dividends and interest) and capital appreciation (both realized and unrealized). The Museum targets a diversified asset allocation to assure no single security, class of securities or individual investment will have a disproportionate negative impact on the endowment’s overall return.

(Table Dollar Amounts in Thousands)

The Museum has a policy (the spending policy) of appropriating for current operations each year 5.5% of its endowment fund's average fair value for the 12 quarters ended December 31 of the previous year. For the years ended June 30, 2014 and 2013, the Board of Governors approved a temporary increase in the spending rate to support current operations. Based on the 12-quarter average market value of $219,687,000 and $214,041,000 for June 30, 2014 and 2013, respectively, the approved spending rates for operations were 6.84% and 7.84% for the years ended June 30, 2014 and 2013. All other restricted funds currently spend at or below 7.4%. 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 the rate of inflation. This is consistent with the Museum's objective to maintain the purchasing power of endowment assets held in perpetuity or for a specified term, as well as to provide additional real growth through new gifts and investment return.

For the separate funds in the donor-restricted art endowment, 5 percent of the average market value of such funds for the 12 quarters ending December 31 of the previous year is appropriated to support art acquisitions.

Note 11: Functional Expenses

Expenses by functional classification are as follows:

	2014	2013
Program services	$ 25,167	$ 26,247
Management and general	3,080	3,014
Fundraising	2,455	2,378
	$ 30,702	$ 31,639

Note 12: Employee Benefits

The Museum has a defined-contribution employee's retirement savings plan covering all full-time employees meeting certain eligibility requirements. The Museum makes contributions to the plan to match employee contributions and pays the cost of administering the plan. Employee benefit expense under this plan was approximately $250,000 and $500,000 for 2014 and 2013, respectively.

The Museum also has a noncontributory defined-benefit pension plan covering substantially all of its employees. Effective December 31, 2007, the Museum froze the defined-benefit plan and discontinued accrual of future benefits. The Museum's funding policy is to make the minimum annual contribution that is required by applicable regulations, plus such amounts as the Museum may determine to be appropriate from time to time. The amount the Museum expects to contribute to the plan in 2015 is $403,000.

(Table Dollar Amounts in Thousands)

Information about the plan's funded status follows:

	2014	2013
Projected benefit obligation	$ 10,503	$ 9,862
Fair value of plan assets	7,851	6,887
Funded status	$ (2,652)	$ (2,975)

Liabilities recognized in the consolidated statements of financial position:

	2014	2013
Accrued pension expense	$ 2,652	$ 2,975

The amount recognized in unrestricted net assets not yet recognized as components of net periodic benefit cost is a net loss of $3,012,000 and $3,131,000 as of June 30, 2014 and 2013, respectively. The accumulated benefit obligation was approximately $10,503,000 as of June 30, 2014 and $9,862,000 as of June 30, 2013.

Other significant balances and costs are:

	2014	2013
Benefit cost	$ 125	$ 180
Employer contribution	329	560
Benefits paid	413	412

The following amounts have been recognized in the consolidated statements of activities for the years ended June 30, 2014 and 2013:

	2014	2013
Amounts arising during the year:		
Net gain (loss)	$ (54)	$ 898
Amounts reclassified as components of net periodic benefit cost of the year:		
Net gain	173	229
	$ 119	$ 1,127

The estimated net loss for the defined-benefit pension plan that will be amortized from unrestricted net assets into net periodic benefit cost over the next fiscal year is $171,000.

(Table Dollar Amounts in Thousands)

Significant assumptions include:

	2014	2013
Weighted-average assumptions used to determine benefit obligations:		
Discount rate	3.95%	4.48%
Weighted-average assumptions used to determine benefit costs:		
Discount rate	4.48%	5.67%
Expected return on plan assets	7.00%	7.50%
Rate of compensation increase	0.00%	0.00%

The Museum has estimated the long-term rate of return on plan assets based primarily on historical returns on plan assets, adjusted for changes in target portfolio allocations and recent changes in long-term interest rates based on publicly available information.

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid as of June 30, 2014:

2015	$	502
2016		513
2017		573
2018		571
2019		566
2020 - 2024		3,104

Plan assets are held by a bank-administered trust fund, which invests the plan assets in accordance with the provisions of the plan agreement. The plan agreement permits investment in common and preferred stocks, bonds, debentures, mortgages, certain notes of indebtedness or ownership, U.S. Government, State, and certain municipal securities, share or savings accounts in any bank, savings and loan or building and loan, any common trust fund, any group trust, any pooled fund, certain insurance contracts, and real, personal and mixed properties of all kinds.

Asset allocation is primarily based on a strategy to provide stable earnings while still permitting the plans to recognize potentially higher returns through a limited investment in equity securities. The target asset allocation percentages for 2014 are as follows:

	Range
Equity securities	60 - 70%
Debt securities	25 - 35%
Other	0 - 10%

(Table Dollar Amounts in Thousands)

At June 30, 2014 and 2013, plan assets by category were as follows:

	2014	2013
Equity securities	65%	62%
Debt securities	28%	31%
Other	7%	7%
	100%	100%

Pension Plan Assets

Following is a description of the valuation methodologies used for pension plan assets measured at fair value on a recurring basis and recognized in the accompanying consolidated statements of financial position, as well as the general classification of pension plan assets pursuant to the valuation hierarchy.

Where quoted market prices are available in an active market, plan assets are classified within Level 1 of the valuation hierarchy. Level 1 plan assets include cash equivalents (which consist of money market mutual funds), equity mutual funds and fixed income mutual funds.

The fair values of the Museum's pension plan assets at June 30, 2014 and 2013, by asset class are as follows:

		2014 Fair Value Measurements Using		
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Cash equivalents	$ 575	$ 575	$ -	$ -
Mutual funds				
Equity	5,099	5,099	-	-
Fixed income	2,177	2,177	-	-
Total	$ 7,851	$ 7,851	$ -	$ -

(Table Dollar Amounts in Thousands)

		2013 Fair Value Measurements Using		
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Cash equivalents	$ 485	$ 485	$ -	$ -
Mutual funds				
Equity	4,257	4,257	-	-
Fixed income	2,145	2,145	-	-
Total	$ 6,887	$ 6,887	$ -	$ -

Note 13: Disclosures About Fair Value of Assets and Liabilities

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. There is a hierarchy of three levels of inputs that may be used to measure fair value:

Level 1 Quoted prices in active markets for identical assets or liabilities

Level 2 Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities

Level 3 Unobservable inputs supported by little or no market activity and are significant to the fair value of the assets or liabilities

(Table Dollar Amounts in Thousands)

Recurring Measurements

The following tables present the fair value measurements of assets and liabilities recognized in the accompanying consolidated statements of financial position measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at June 30, 2014 and 2013:

		2014 Fair Value Measurements Using		
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets				
Investments				
Certificates of deposit	$ 195	$ 195	$ -	$ -
Short-term investments	7,486	7,486	-	-
Corporate stocks				
Domestic	24,686	24,686	-	-
International	4,477	4,477	-	-
Mutual funds				
Equity - international	39,534	39,534	-	-
Fixed income	15,169	15,169	-	-
Alternative investments				
Equity - international comingled funds	54,073	-	54,073	-
Fixed income comingled funds	10,238	-	10,238	-
Absolute return marketable alternatives	52,619	-	52,619	-
Equity-oriented marketable alternatives	50,074	-	50,074	-
Inflation hedging	55,986	-	29,034	26,952
Private equity/venture capital	62,442	-	5,887	56,555
Real estate held for investment	4,768	-	4,768	-
Total investments	381,747	91,547	206,693	83,507
Interest in charitable lead trust	3,369	-	-	3,369
	$ 385,116	$ 91,547	$ 206,693	$ 86,876
Liabilities				
Interest rate swap	$ (3,540)	$ -	$ -	$ (3,540)

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		2013 Fair Value Measurements Using		
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets				
Investments				
Savings accounts	$ 230	$ 230	$ -	$ -
Certificates of deposit	248	248	-	-
Short-term investments	3,791	3,791	-	-
Corporate bonds	501	-	501	-
Corporate stocks				
Domestic	22,015	22,015	-	-
International	3,848	3,848	-	-
Mutual funds				
Equity - international	31,089	31,089	-	-
Fixed income	17,904	17,904	-	-
Alternative investments				
Equity - international comingled funds	46,159	-	46,159	-
Fixed income comingled funds	10,053	-	10,053	-
Absolute return marketable alternatives	51,573	-	51,573	-
Equity-oriented marketable alternatives	47,834	-	47,141	693
Inflation hedging	55,204	-	25,891	29,313
Private equity/venture capital	51,427	-	-	51,427
Real estate held for investment	2,899	-	2,899	-
Total investments	344,775	79,125	184,217	81,433
Interest in charitable lead trust	3,970	-	-	3,970
	$ 348,745	$ 79,125	$ 184,217	$ 85,403
Liabilities				
Interest rate swap	$ (3,845)	$ -	$ -	$ (3,845)

Following is a description of the inputs and valuation methodologies used for assets measured at fair value on a recurring basis and recognized in the accompanying consolidated statements of financial position, as well as the general classification of such assets pursuant to the valuation hierarchy. There have been no significant changes in the valuation techniques during the year ended June 30, 2014. For assets classified within Level 3 of the fair value hierarchy, the process used to develop the reported fair value is described below.

Fair value determinations for Level 3 measurements are the responsibility of the Controller's office. For investments, the Controller's office contracts with a pricing specialist to generate fair value estimates on a monthly or quarterly basis. For charitable lead trust held by a third party, the Controller calculates the estimated fair value utilizing a discounted cash flow model. For interest rate swap agreements, the Controller utilizes a pricing specialist to generate fair value measurements on an annual basis. The Controller's office challenges the reasonableness of the assumptions used and reviews the methodology to ensure the estimated fair value complies with accounting standards generally accepted in the United States.

Investments

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. If quoted market prices are not available, then fair values are estimated by a third-party pricing service using quoted market prices of securities with similar characteristics or independent asset pricing services and pricing models, the inputs of which are market-based or independently sourced market parameters, including, but not limited to, yield curves, interest rates, volatilities, prepayments, defaults, cumulative loss projections and cash flows. Such securities are classified in Level 2.

The value of certain investments, classified as alternative investments, is determined using the net asset value (or its equivalent) as a practical expedient. Investments for which the Museum expects to have the ability to redeem its investment with the investee within 12 months after the reporting date are categorized as Level 2. Investments for which the Museum does not expect to be able to redeem its investments with the investee within 12 months after the reporting date are categorized as Level 3.

Charitable Lead Trust Held by a Third Party

The fair value is estimated using a discounted cash flow model. Due to the nature of the valuation inputs, the interest is classified within Level 3 of the hierarchy.

Interest Rate Swap Agreements

Fair value is estimated by the counterparty using a proprietary model. The interest rate swaps are classified within Level 3 of the valuation hierarchy.

(Table Dollar Amounts in Thousands)

The following is a reconciliation of the beginning and ending balances of recurring fair value measurements recognized in the accompanying consolidated statements of financial position using significant unobservable (Level 3) inputs:

	Equity-Oriented Marketable Alternatives	Inflation Hedging	Private Equity/ Venture Capital	Interest in Charitable Lead Trusts	Fair Value of Interest Rate Swap
Balance, July 1, 2012	$ 1,005	$ 28,741	$ 43,010	$ 4,402	$ (5,976)
Total unrealized gains (losses)	142	1,417	4,280	(432)	-
Purchases	-	4,268	12,446	-	-
Settlements	-	(3,375)	(8,309)	-	-
Gain on interest rate swap	-	-	-	-	2,131
Transfers out of Level 3	(454)	(1,738)	-	-	-
Balance, June 30, 2013	693	29,313	51,427	3,970	(3,845)
Total unrealized gains (losses)	-	1,177	8,475	(601)	-
Purchases	-	3,276	14,448	-	-
Settlements	(693)	(6,814)	(11,918)	-	-
Gain on interest rate swap	-	-	-	-	305
Transfers out of Level 3	-	-	(5,877)	-	-
Balance, June 30, 2014	$ -	$ 26,952	$ 56,555	$ 3,369	$ (3,540)
Total gains (losses) for the period included in change in net assets attributable to the change in unrealized gains (losses) related to assets and liabilities still held at June 30, 2013	$ 142	$ 1,417	$ 4,280	$ (432)	$ -
Total gains (losses) for the period included in change in net assets attributable to the change in unrealized gains (losses) related to assets and liabilities still held at June 30, 2014	$ -	$ 1,177	$ 8,475	$ (601)	$ -

Unobservable (Level 3) Inputs

The following tables present quantitative information about unobservable inputs used in recurring Level 3 fair value measurements:

	Fair Value at June 30, 2014	Valuation Technique	Unobservable Inputs	Range (Weighted-Average)
Inflation hedging	$ 26,952	Net asset value or its equivalent	Lack of redeemability/liquidity in the following 12 months	0%
Private equity/venture capital	56,555	Net asset value or its equivalent	Lack of redeemability/liquidity in the following 12 months	0%
Interest in charitable lead trust	3,369	Discounted cash flow model	Discount rates utilized	1.91%
Interest rate swap	(3,540)	Proprietary model	Forward looking interest rate curves and discount rates utilized	Not available

(Table Dollar Amounts in Thousands)

	Fair Value at June 30, 2013	Valuation Technique	Unobservable Inputs	Range (Weighted-Average)
Inflation hedging	$ 29,313	Net asset value or its equivalent	Lack of redeemability/liquidity in the following 12 months	0%
Equity-oriented marketable alternatives	693	Net asset value or its equivalent	Lack of redeemability/liquidity in the following 12 months	0%
Private equity/venture capital	51,427	Net asset value or its equivalent	Lack of redeemability/liquidity in the following 12 months	0%
Interest in charitable lead trust	3,970	Discounted cash flow model	Discount rates utilized	0.95%
Interest rate swap	(3,845)	Proprietary model	Forward looking interest rate curves and discount rates utilized	Not available

The following tables present information regarding funds with fair value that is determined using the net asset value (or its equivalent) provided by the fund.

2014

	Fair Value	Unfunded Commitments	Redemption Frequency (if Currently Eligible)	Redemption Notice Period
Assets				
Investments				
Alternative investments				
Equity - international (a)	$ 54,073	$ -	daily to quarterly	7 - 60 days
Fixed income (b)	10,238	-	daily to monthly	7 - 45 days
Absolute return marketable alternatives (c)	52,619	-	quarterly to 2 years	30 - 180 days
Equity-oriented marketable alternatives (d)	50,074	-	monthly to 3 years	30 - 90 days
Inflation hedging (e)	55,986	4,793	monthly to not available	60 days to not available
Private equity/venture capital (f)	62,442	17,525	daily to not available	2 days to not available
	$ 285,432	$ 22,318		

2013

	Fair Value	Unfunded Commitments	Redemption Frequency (if Currently Eligible)	Redemption Notice Period
Assets				
Investments				
Alternative investments				
Equity - international (a)	$ 46,159	$ -	daily to quarterly	7 - 60 days
Fixed income (b)	10,053	-	daily to monthly	7 - 45 days
Absolute return marketable alternatives (c)	51,573	-	quarterly to 2 years	30 - 180 days
Equity-oriented marketable alternatives (d)	47,834	-	monthly to 3 years	30 - 90 days
Inflation hedging (e)	55,204	8,015	monthly to not available	60 days to not available
Private equity/venture capital (f)	51,427	24,170	not available	n/a
	$ 262,250	$ 32,185		

(a) International equity mutual funds are commingled funds. Their underlying assets are daily priced and traded public equities; however, trades in and out of the investment vehicle are executed at net asset value (NAV).

(b) Fixed income mutual funds are commingled funds. Their underlying assets are daily priced and traded public equities; however, trades in and out of the investment vehicle are executed at NAV.

(c) Absolute return marketable alternative funds consist of funds of funds and limited partnerships that seek to achieve maximum capital appreciation through diversified investments. Many of the funds had lock-up periods, which have expired. Redemptions vary between quarterly, annually and every two years with notice periods between 30 days and 180 days. The fair values of these funds are estimated using NAV.

(d) Equity-oriented marketable alternative funds consist of funds of funds and limited partnerships that seek to achieve capital appreciation primarily through trading, investing in and selling equity securities. Many of the funds had lock-up periods, which have expired. Redemptions vary between quarterly, annually and every three years with notice periods between 30 days and 180 days. The fair values of these funds are estimated using NAV.

(e) Inflation hedging funds consist of real estate funds, natural resources and hedge funds. Real estate funds totaling $20,012,000 at June 30, 2014, invest across the major four categories of commercial real estate: office, industrial, multi-family and retain. These are limited partnerships with 10 to 12 year lives and cannot be sold. The underlying investments in the real estate funds are valued using comparable sales, dividend discount and income approach methods. Distributions are made as underlying investments are sold.

Natural resource funds totaling $8,815,000 at June 30, 2014, primarily invest in mid-stream and down-stream oil and gas opportunities and timber opportunities. Most partnerships have a 10 to 12 year life and valuation techniques include, but are not limited to, the income approach and public market equivalent methods. Funds cannot be sold, but distributions are received as underlying investments are liquidated.

Hedge funds totaling $27,159,000 at June 30, 2014, consist of credit and equity funds. Underlying equity positions are valued using market quotes or dealer pricing. These funds can be redeemed either monthly or annually.

(f) Private equity/venture capital funds consist of venture capital and special situations. The venture capital funds have lives that range from 10 to 12 years and cannot be sold. Distributions are received as individual portfolio holdings are liquidated.

Special situations funds seek to exploit debt opportunities across several sectors and is geographically diversified. These funds have lives that range from 10 to 12 years and the Museum will receive distributions from the underlying funds.

Fair Value of Financial Instruments

The following methods were used to estimate the fair value of all other financial instruments recognized in the accompanying consolidated statements of financial position at amounts other than fair value.

Cash and cash equivalents - the carrying amount approximates fair value because of the short maturities of these instruments.

Contributions receivable - the carrying amount is a reasonable estimate of fair value.

Interest in estate notes - the carrying amount is a reasonable estimate of fair value.

Tax-exempt bonds payable - the carrying amount of tax-exempt bonds payable totaled $122,104,000 at June 30, 2014 and the fair value approximated $124,654,000. At June 30, 2013, the carrying value of tax exempt bonds payable is a reasonable estimate of fair value.

Note 14: Concentrations and Contingencies

Approximately 30% of total contributions were received from three donors in 2013. No individual contributions received in 2014 exceeded 10% of total contributions.