

**MUSEUM OF LATIN AMERICAN ART**  
**FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED**  
**DECEMBER 31, 2016**  
**AND 2015 (SUMMARIZED)**



MUSEUM OF LATIN AMERICAN ART

TABLE OF CONTENTS

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|  |      |
|--|------|
| <i>Independent Auditors' Report</i> .....      | 1-2  |
| <i>Financial Statements</i>                    |      |
| <i>Statement of Financial Position</i> .....   | 3    |
| <i>Statement of Activities</i> .....           | 4    |
| <i>Statement of Functional Expenses</i> .....  | 5    |
| <i>Statement of Cash Flows</i> .....           | 6    |
| <i>Notes to the Financial Statements</i> ..... | 7-21 |



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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors of  
Museum of Latin American Art:

We have audited the accompanying financial statements of the Museum of Latin American Art (a nonprofit organization), which comprise the statement of financial position as of December 31, 2016, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

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

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

### **Auditors' Responsibility**

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

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

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

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Museum of Latin American Art as of December 31, 2016, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Report on Summarized Comparative Information**

Other auditors have previously audited the Museum of Latin American Art's financial statements for the year ended December 31, 2015, and they expressed an unmodified audit opinion in their report dated November 22, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2015, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Quist & Schelsky, LLP*

Long Beach, California  
January 23, 2018

**MUSEUM OF LATIN AMERICAN ART  
STATEMENT OF FINANCIAL POSITION  
DECEMBER 31, 2016  
(WITH COMPARATIVE AMOUNTS FOR DECEMBER 31, 2015)**

|  | <u>2016</u>                 | <u>2015</u>                 |
|--|-----------------------------|-----------------------------|
| <b>ASSETS</b>                            |                             |                             |
| Cash and cash equivalents                | \$ 6,636,183                | \$ 2,799,358                |
| Investments in marketable securities     | 10,217,444                  | 13,367,556                  |
| Investments in private equity            | -                           | 112,500                     |
| Investments in rental real estate        | 6,440,890                   | 4,078,098                   |
| Investments in mortgage notes receivable | 1,699,250                   | 2,411,250                   |
| Inventory                                | 125,989                     | 138,451                     |
| Accounts receivable                      | 28,469                      | 61,860                      |
| Contributions receivable                 | 60,300                      | 74,087                      |
| Prepaid expenses                         | 71,718                      | 35,437                      |
| Property and equipment, net              | 15,150,300                  | 15,517,452                  |
| Deposits                                 | 42,291                      | 6,634                       |
| <b>TOTAL ASSETS</b>                      | <u><u>\$ 40,472,834</u></u> | <u><u>\$ 38,602,683</u></u> |
| <b>LIABILITIES AND NET ASSETS</b>        |                             |                             |
| Accounts payable                         | \$ 188,724                  | \$ 216,156                  |
| Accrued liabilities                      | 91,409                      | 137,267                     |
| Unearned revenue                         | 13,470                      | 9,600                       |
| Loans payable                            | 519,871                     | 545,393                     |
| Security deposits and gift certificates  | 18,315                      | 21,364                      |
| <b>Total Liabilities</b>                 | <u>831,789</u>              | <u>929,780</u>              |
| Unrestricted                             | 14,465,761                  | 14,729,348                  |
| Temporarily restricted                   | 2,336,724                   | 260,948                     |
| Permanently restricted                   | 22,838,560                  | 22,682,607                  |
| <b>Total Net Assets</b>                  | <u>39,641,045</u>           | <u>37,672,903</u>           |
| <b>TOTAL LIABILITIES AND NET ASSETS</b>  | <u><u>\$ 40,472,834</u></u> | <u><u>\$ 38,602,683</u></u> |

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

**MUSEUM OF LATIN AMERICAN ART  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2016  
(WITH SUMMARIZED COMPARATIVE TOTALS  
FOR THE YEAR ENDED DECEMBER 31, 2015)**

|                                      | Unrestricted         | Temporarily<br>Restricted | Permanently<br>Restricted | 2016<br>Total        | 2015<br>Total        |
|--------------------------------------|----------------------|---------------------------|---------------------------|----------------------|----------------------|
| <b>SUPPORT</b>                       |                      |                           |                           |                      |                      |
| Contributions and grants             | \$ 1,052,315         | \$ 459,777                | \$ -                      | \$ 1,512,092         | \$ 1,071,953         |
| Donated facilities                   | 434,628              | -                         | -                         | 434,628              | 322,548              |
| Total Support                        | <u>1,486,943</u>     | <u>459,777</u>            | <u>-</u>                  | <u>1,946,720</u>     | <u>1,394,501</u>     |
| <b>REVENUE</b>                       |                      |                           |                           |                      |                      |
| Memberships                          | 124,124              | -                         | -                         | 124,124              | 158,844              |
| Admissions                           | 110,354              | -                         | -                         | 110,354              | 98,304               |
| Programs                             | 33,500               | -                         | -                         | 33,500               | 247,825              |
| Net support from banquet operations  | 2,152                | -                         | -                         | 2,152                | 2,087                |
| Net support from special events      | 68,870               | -                         | -                         | 68,870               | 150,362              |
| Net support from museum store        | 30,663               | -                         | -                         | 30,663               | 57,734               |
| Investment income, net               | -                    | 3,106,978                 | 155,953                   | 3,262,931            | 463,882              |
| Other Income                         | 15,086               | -                         | -                         | 15,086               | 11,046               |
| Total Revenue                        | <u>384,749</u>       | <u>3,106,978</u>          | <u>155,953</u>            | <u>3,647,680</u>     | <u>1,190,084</u>     |
| Net assets released from restriction | 1,490,979            | (1,490,979)               | -                         | -                    | -                    |
| <b>TOTAL SUPPORT AND REVENUE</b>     | <u>3,362,671</u>     | <u>2,075,776</u>          | <u>155,953</u>            | <u>5,594,400</u>     | <u>2,584,585</u>     |
| <b>EXPENSES</b>                      |                      |                           |                           |                      |                      |
| Program services                     | 2,680,481            | -                         | -                         | 2,680,481            | 2,969,602            |
| Management and general               | 753,405              | -                         | -                         | 753,405              | 860,355              |
| Fundraising                          | 192,372              | -                         | -                         | 192,372              | 200,456              |
| <b>TOTAL EXPENSES</b>                | <u>3,626,258</u>     | <u>-</u>                  | <u>-</u>                  | <u>3,626,258</u>     | <u>4,030,413</u>     |
| <b>CHANGE IN NET ASSETS</b>          | (263,587)            | 2,075,776                 | 155,953                   | 1,968,142            | (1,445,828)          |
| <b>NET ASSETS, BEGINNING OF YEAR</b> | <u>14,729,348</u>    | <u>260,948</u>            | <u>22,682,607</u>         | <u>37,672,903</u>    | <u>39,118,731</u>    |
| <b>NET ASSETS, END OF YEAR</b>       | <u>\$ 14,465,761</u> | <u>\$ 2,336,724</u>       | <u>\$ 22,838,560</u>      | <u>\$ 39,641,045</u> | <u>\$ 37,672,903</u> |

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

**MUSEUM OF LATIN AMERICAN ART  
SCHEDULE OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2016  
(WITH SUMMARIZED COMPARATIVE TOTALS  
FOR THE YEAR ENDED DECEMBER 31, 2015)**

|  | <u>Program<br/>Services</u> | <u>Management<br/>and General</u> | <u>Fundraising</u>       | <u>2016<br/>Total</u>      | <u>2015<br/>Total</u>      |
|--|-----------------------------|-----------------------------------|--------------------------|----------------------------|----------------------------|
| Accounting and audit   | \$ -                        | \$ 24,000                         | \$ -                     | \$ 24,000                  | \$ 25,000                  |
| Advertising and marketing  | -                           | 46,385                            | 4,332                    | 50,717                     | 67,450                     |
| Bad debt   | -                           | 13,874                            | -                        | 13,874                     | -                          |
| Bank fees and miscellaneous  | 16,688                      | 8,012                             | 6,977                    | 31,677                     | 17,062                     |
| Board expenses   | -                           | 6,922                             | -                        | 6,922                      | 3,091                      |
| Contracted services  | 3,010                       | 256                               | 251                      | 3,517                      | 48,453                     |
| Cost of sales  | 73,015                      | -                                 | -                        | 73,015                     | -                          |
| Depreciation   | 381,788                     | 66,737                            | -                        | 448,525                    | 388,938                    |
| Donated Facilities   | 337,864                     | 96,764                            | -                        | 434,628                    | 322,548                    |
| Education  | 119,447                     | -                                 | 78,043                   | 197,490                    | 236,374                    |
| Exhibitions  | 96,307                      | -                                 | -                        | 96,307                     | 199,676                    |
| Facilities and equipment   | 250,907                     | 121,969                           | -                        | 372,876                    | 403,250                    |
| Insurance  | 32,935                      | 18,053                            | -                        | 50,988                     | 42,647                     |
| Memberships  | 26,349                      | 1,387                             | -                        | 27,736                     | 35,083                     |
| Phone and office   | 81,220                      | 40,184                            | 16,102                   | 137,506                    | 115,102                    |
| Property Taxes   | 30,900                      | 16,382                            | -                        | 47,282                     | 21,102                     |
| Salaries, benefits and payroll taxes   | 1,326,914                   | 398,874                           | 170,748                  | 1,896,536                  | 1,971,686                  |
| Travel and conferences   | 25,659                      | 6,405                             | -                        | 32,064                     | 132,951                    |
| <b>Total expenses</b>  | <b>2,803,003</b>            | <b>866,204</b>                    | <b>276,453</b>           | <b>3,945,660</b>           | <b>4,030,413</b>           |
| Less expenses included with<br>revenues in the statement<br>of activities                    | <u>(122,522)</u>            | <u>(112,799)</u>                  | <u>(84,081)</u>          | <u>(319,402)</u>           | <u>-</u>                   |
| <b>Total expenses included in the<br/>expense section of the<br/>statement of activities</b> | <b><u>\$ 2,680,481</u></b>  | <b><u>\$ 753,405</u></b>          | <b><u>\$ 192,372</u></b> | <b><u>\$ 3,626,258</u></b> | <b><u>\$ 4,030,413</u></b> |

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

**MUSEUM OF LATIN AMERICAN ART  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2016  
(WITH SUMMARIZED COMPARATIVE TOTALS  
FOR THE YEAR ENDED DECEMBER 31, 2015)**

|   | <u>2016</u>         | <u>2015</u>         |
|---|---------------------|---------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>   |                     |                     |
| Change in net assets  | \$ 1,968,142        | \$ (1,445,828)      |
| Adjustments to reconcile changes in net assets<br>to net cash used by operating activities: |                     |                     |
| Depreciation  | 448,525             | 453,480             |
| Net realized and unrealized gains on investments<br>in marketable securities                | (394,745)           | (377,656)           |
| Net unrealized loss on investments in private equity  | 112,500             | -                   |
| Net realized and unrealized gains on investments<br>in real estate                          | (2,379,839)         | (254,242)           |
| Net realized gain on investments in mortgage<br>notes receivable                            | (2,687)             | -                   |
| Changes in operating assets and liabilities   |                     |                     |
| (Increase) decrease in:   |                     |                     |
| Accounts receivable   | 33,391              | -                   |
| Contributions receivable  | 13,787              | (29,060)            |
| Inventory   | 12,462              | 6,610               |
| Prepaid expenses  | (36,281)            | (6,726)             |
| Deposits  | (35,657)            | -                   |
| Increase (decrease) in:   |                     |                     |
| Accounts payable  | (27,432)            | 114,065             |
| Accrued liabilities   | (45,858)            | 57                  |
| Unearned revenue  | 3,870               | (68,802)            |
| Security deposits   | (3,049)             | -                   |
| <b>NET CASH USED BY OPERATING ACTIVITIES</b>  | <u>(332,871)</u>    | <u>(1,608,102)</u>  |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>   |                     |                     |
| Purchases of property and equipment   | (81,373)            | (8,109)             |
| Proceeds from sale of investments   | 4,119,862           | 2,894,719           |
| Purchases of investments  | (575,005)           | (1,067,537)         |
| Proceeds from sale of real estate investments   | 17,047              | 269,652             |
| Capital improvements of investments in real estate  | -                   | (14,500)            |
| Proceeds from sale of mortgage notes receivable   | 714,687             | -                   |
| <b>NET CASH PROVIDED BY INVESTING ACTIVITIES</b>  | <u>4,195,218</u>    | <u>2,074,225</u>    |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>   |                     |                     |
| Proceeds from related party loan payable  | 170,000             | 150,000             |
| Payments of related party loan payable  | (190,625)           | (45,521)            |
| Payments of A/C unit loan payable   | (4,897)             | -                   |
| <b>NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES</b>                                     | <u>(25,522)</u>     | <u>104,479</u>      |
| <b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>  | 3,836,825           | 570,602             |
| <b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>   | <u>2,799,358</u>    | <u>2,228,756</u>    |
| <b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>   | <u>\$ 6,636,183</u> | <u>\$ 2,799,358</u> |

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



**MUSEUM OF LATIN AMERICAN ART  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2016 and 2015 (SUMMARIZED)**

**NOTE 1 – ORGANIZATION**

The Museum of Latin American Art (the "Museum") is a California nonprofit corporation that was incorporated on December 15, 1997. The Museum was founded by Dr. Robert Gumbiner with the purpose to operate a museum, to collect and display Latin American art, and to provide education and research services regarding Latin American art. The Museum receives most of its support and revenue from the Endowment Fund created by the estate of Dr. Robert Gumbiner and his private foundation, Robert Gumbiner Foundation (Note 10). The Museum also receives support and revenues from private grants, contributions, membership dues and program revenue.

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Basis of Accounting**

The financial statements of the Museum have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America (GAAP) and follow the recommendations of the Accounting Standards Codification (ASC) 958-205, Financial Statements of Not for Profit Organizations.

**Financial Statement Presentation**

Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

**Unrestricted** – Net assets represent the portion of expendable funds available for support of the general operations of the Museum.

**Temporarily Restricted** – Net assets consist of contributions and related investment income restricted by donors for a particular purpose or time period are reported as temporarily restricted revenue when received (contributions) or earned (investment income). When a donor restriction expires, that is, when a stipulated time restriction ends, or a purpose restriction is satisfied, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities. Additionally, net investment gains on permanently restricted endowments that have not been appropriated for expenditure or for additional endowment funds are presented in temporarily restricted net assets.

**Permanently Restricted** – Net assets subject to donor-restricted funds for which the corpus is to be held in perpetuity and invested for purposes of producing income to be expended for the general operations of the Museum.

**Support and Revenue Recognition**

*Contributions* - Contributions are recognized when the donor makes a promise to give to the Museum that is unconditional. Contributions received are recorded as increases in unrestricted, temporarily restricted, or permanently restricted net assets, depending on the existence or nature of any donor restriction. The gifts of cash and other assets are reported 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 statements of activities as net assets released from restrictions. Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized.

**MUSEUM OF LATIN AMERICAN ART  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2016 and 2015 (SUMMARIZED)**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

*Membership dues* - Annual membership and admission to the Museum. Revenue from the membership dues are recorded when the member joins.

*Special events* - Revenues and expenses from art auctions and other special events held for the benefit of the Museum. Revenue from the art auctions are recorded when the buyer takes ownership and assumes risk of loss, collection of the relevant receivable is probable, persuasive evidence of an arrangement exists, and the sales price is fixed or determinable. Shipping and other transportation costs charged to buyers are recorded in both revenue and expenses. For the years ended December 31, 2016 and 2015, gross support of \$152,951 and \$247,906, respectively, from special events is presented on the accompanying statement of activities net of expenses of \$84,081 and \$97,544, respectively.

*Merchandise sales* - Sales at the museum store are recorded at the time of sale. For the years ended December 31, 2016 and 2015, gross support of \$153,185 and \$200,585, respectively, is presented on the accompanying statement of activities, net of expenses of \$122,522 and \$142,851, respectively.

*Banquet revenue* - Banquet revenue is recorded when persuasive evidence of an arrangement exists, sales price is fixed or determinable, and the event has occurred at the Museum's facilities. Banquet activity is considered unrelated business income under the US income tax code section 512. For the years ended December 31, 2016 and 2015, gross support of \$114,951 and \$179,074, respectively, is presented on the accompanying statement of activities, net of expenses of \$112,799 and \$176,987, respectively.

**Cash and Cash Equivalents**

For purposes of reporting cash flows, cash and cash equivalents include cash held in checking and savings accounts, cash on hand, and other highly liquid resources, such as investments in certificates of deposit and money market funds, with an original maturity of three months or less when purchased.

The Museum maintains cash balances at several financial institutions. Cash and cash equivalent accounts are insured by the FDIC for up to \$250,000 in the aggregate. From time to time, the cash balances on hand at the Museum may exceed the insured amounts by the FDIC. Management believes the cash balances are not exposed to any significant credit risk based on the high credit quality of the financial institutions.

**Receivables**

Receivables consist of accounts and contributions receivable. Unconditional pledges are recorded at their net realizable value and no discount has been recorded. Conditional promises to give are recognized only when the conditions are substantially met. An allowance for doubtful accounts has been established by the Museum's management based on past collection experience. Management believes the receivables as of December 31, 2016 and 2015 are fully collectible and therefore, the Museum has not recorded an allowance for doubtful accounts.

**Inventory**

Inventory is valued at the lower of cost (determined on a first-in, first-out basis) or market. Inventory consists of books, posters, jewelry, and miscellaneous art objects which are sold in the Museum's gift shop. Donated inventory is recorded at estimated fair value at the date of the donation.

**MUSEUM OF LATIN AMERICAN ART  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2016 and 2015 (SUMMARIZED)**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Property and Equipment**

Property and equipment are capitalized at historical cost or, if donated, at their estimated fair value at the date of donation. Such donations are reported as unrestricted support unless the donor has restricted the donated asset for a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long these donated assets must be maintained, the Museum reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Museum reclassifies temporarily restricted net assets to unrestricted net assets at that time. Property and equipment other than land is depreciated over their estimated useful lives using the straight-line method. Leasehold improvements are amortized using the straight-line method over the shorter of their estimated useful lives or the life of the related lease.

The Museum uses the following for the estimated useful lives of its various classes of assets:

|                        |           |
|------------------------|-----------|
| Leasehold improvements | 39 years  |
| Equipment and vehicles | 5-7 years |
| Furniture and fixtures | 7 years   |
| Liquor license         | 15 years  |

The cost of property and equipment purchased in excess of \$500 is capitalized. Repairs, maintenance and minor acquisitions are expensed as incurred. Gains and losses are recognized in the statements of activities upon disposal of property and equipment.

**Long Lived Assets**

The Museum reviews long lived assets such as property and equipment to determine if there has been an impairment of value whenever events or changes occur that indicate the carrying value of the assets may have declined and not be recoverable. No circumstances have occurred during the years ended December 31, 2016 and 2015 causing the Museum to believe there has been any impairment of the carrying value of its long lived assets. There can be no assurance, however, that market or other conditions will not change in the future resulting in impairment of long lived assets.

**Income Taxes**

The Museum is exempt from income tax under Section 501(c)(3) of the Internal Revenue Code ("IRC") and Section 23701(d) of the California Tax Code. Contributions to the Museum are deductible for tax purposes under Section 170(c)(2) of the IRC. The Museum is not a private foundation.

The Museum evaluates uncertain tax positions whereby the effect of the uncertainty would be recorded if the tax positions will, more likely than not, be sustained upon examination. As of December 31, 2016 management does not believe the Museum has any uncertain tax positions requiring accrual or disclosure. The Museum is subject to potential income tax audits on open tax years by any taxing jurisdiction in which it operates. The statute of limitations for federal and California state purposes is generally three and four years, respectively.

**MUSEUM OF LATIN AMERICAN ART  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2016 and 2015 (SUMMARIZED)**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Net Asset Classifications and Endowment Funds**

The Museum's endowment includes donor-restricted endowment funds. Net assets associated with endowment funds are classified and reported on the existence or absence of donor imposed restrictions (Note 9).

The Financial Accounting Standards Board's Accounting Standard Codification ("ASC") Topic 958-205 requires the net asset classification of unrestricted income earned on donor-restricted endowment funds for a not-for-profit organization that are subject to the Uniform Prudent Management of Institutional Funds Act of 2006 ("UPMIFA") to be classified as temporarily restricted until those amounts are appropriated for expenditure by the organization in a manner consistent with the standard of prudence prescribed by UPMIFA. ASC 958-205 also requires disclosures about an organization's endowment funds (both donor-restricted endowment funds and board-designated endowment funds) whether or not the entity is subject to UPMIFA. All of the Museums' endowment net assets meet the definition of endowment funds under UPMIFA.

The Museum classifies as permanently restricted net assets (a) the original value of initial and subsequent gifts donated to the permanent endowment, and (b) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Museum's board of directors in a manner consistent with the standard of prudence prescribed by UPMIFA, unless the donor gift instrument stipulates specific instructions.

In accordance with UPMIFA, the Museum considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

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

The fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Museum to retain as a fund of perpetual duration.

**Unearned Revenue**

Unearned revenue represents prepayments for banquet events, which have not yet been performed and prepayments on a grant received in which funds were received upfront with services to be provided in the upcoming fiscal year.

**MUSEUM OF LATIN AMERICAN ART  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2016 and 2015 (SUMMARIZED)**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Contributed Materials, Services, and Facilities**

Donated materials and other noncash contributions when received are reflected in the accompanying statements at their estimated fair values at date of receipt. Contributions of services are recognized if the services received create or enhance nonfinancial assets or require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Other volunteer services that do not meet these criteria are not recognized in the financial statements. A number of volunteers donate their time to the Museum. The volunteer services received by the Museum did not meet the above criteria and, therefore, are not reflected in the accompanying financial statements. The Museum received donated facilities from the Robert Gumbiner Foundation with an estimated fair value of \$322,548 during the years ended December 31, 2016 and 2015. The Museum received donated facilities from a member of the Museum's board (Note 10) with an estimated fair value of \$112,080 during the year ended December 31, 2016.

**Art Collection**

Art collections purchased by or donated to the Museum are not capitalized in the statement of financial position. The art collection represents the acquisitions of works of art, whether through gift or by purchase, that is held for exhibition and educational purposes. Each of the items are cataloged, preserved and cared for, and activities verifying their existence and assessing their conditions are performed continuously. Purchased collection items are recorded as decreases in unrestricted net assets in the year in which the items are acquired, or in temporarily or permanently restricted net assets if the net assets used to purchase the items are restricted by donors. Contributed collection items are excluded from the financial statements. Proceeds from deaccessions or insurance recoveries are reflected as increases in the appropriate net asset classes. The Museum received donated art works valued at \$680,531 and \$291,850 during the years ended December 31, 2016 and 2015, respectively.

**Fair Value Measurements**

Generally accepted accounting standards related to fair value measurements (a) define fair value as 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, and (b) set out a fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). Inputs are broadly defined as assumptions market participants would use in pricing an asset or liability. The three levels of the fair value hierarchy are described as follows:

Level 1 – Observable inputs such as quoted prices in active markets for identical assets or liabilities.

Level 2 – Directly or indirectly observable input for quoted and other than quoted prices for identical or similar assets and liabilities in active or non-active markets.

Level 3 – Unobservable inputs not corroborated by market data, therefore requiring the entity to use the best information available in the circumstances, including the entity's own data.

*Marketable securities* - Reported at fair value, which is determined by using market quotes for securities with readily determinable values as explained below. Interest and dividend income and gains and losses on investments are reported in the statement of activities and changes in net assets as either increases or decreases in net assets in accordance with the required restrictions.

**MUSEUM OF LATIN AMERICAN ART  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2016 and 2015 (SUMMARIZED)**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

*Investments in rental real estate* - Reported at fair value, which is estimated based primarily on current market prices of comparable properties, less estimated selling costs and management evaluation of the general real estate market conditions. No depreciation is recorded for the real estate assets.

*Investments in mortgage notes receivable* - Reported at fair value, which is estimated based on the inherent interest rate of the notes compared to the discount rate of measuring the future payment stream over the term of the notes. Additionally, any changes to the credit quality of the creditor will be considered in determining the fair value.

Certain financial instruments are carried at cost, which approximates fair value because of the short-term nature of these instruments, and thus are not categorized. These instruments include receivables, accounts payable, and accrued liabilities.

**Advertising Costs**

The Museum uses advertising to promote its programs among the audiences it serves. The costs of advertising are expensed as incurred. Advertising costs for the years ended December 31, 2016 and 2015 were \$50,717 and \$67,450, respectively.

**Fundraising Expenses**

The accompanying statement of activities includes fundraising expenses for the years ended December 31, 2016 and 2015 of \$192,372 and \$200,456, respectively, which does not include annual special event expenses of \$84,081 and \$97,544, respectively, as these event expenses are directly deducted from support from special events and presented on a net basis in the accompanying statement of activities.

**Expense Allocation**

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

**Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles 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. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual events and results could differ from those assumptions and estimates. The significant items in these statements that are affected by management estimates are useful lives of property and equipment and allocations of functional expenses.

**Summarized Comparative Totals**

The financial statements include certain prior year summarized comparative information that 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 December 31, 2015, from which the summarized information was derived.

**MUSEUM OF LATIN AMERICAN ART  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2016 and 2015 (SUMMARIZED)**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Reclassification**

Certain reclassifications have been made to the financial statements for the year ended December 31, 2015 to conform to the current year's presentation. Such reclassifications had no material impact on total assets, liabilities, revenues, expenses or changes in net assets as reflected in the financial statements for the year ended December 31, 2015.

**NOTE 3 – INVESTMENTS**

*Investments in Marketable Securities*

Investments consist of the following at December 31:

|                          | 2016                |                     | 2015                |                     |
|--------------------------|---------------------|---------------------|---------------------|---------------------|
|                          | Fair Value          | Cost                | Fair Value          | Cost                |
| Fixed income instruments | \$ 5,387,945        | \$ 5,542,181        | \$ 8,981,843        | \$ 9,118,365        |
| Exchange traded funds    | 4,829,499           | 3,660,853           | 4,385,713           | 3,660,853           |
|                          | <u>\$10,217,444</u> | <u>\$ 9,203,034</u> | <u>\$13,367,556</u> | <u>\$12,779,218</u> |

Investment returns on marketable securities are included in investment income on the accompanying statement of activities and consists of the following for the years ended December 31:

|  | 2016              | 2015               |
|--|-------------------|--------------------|
| Interest and dividends                                 | \$ 337,366        | \$ 275,643         |
| Net realized and unrealized gain (loss) on investments | 394,745           | (291,682)          |
| Investment fees  | (56,616)          | (57,005)           |
|  | <u>\$ 675,495</u> | <u>\$ (73,044)</u> |

*Investments in Rental Real Estate*

Investments consist of the following at December 31:

|                      | 2016                |                     | 2015                |                     |
|----------------------|---------------------|---------------------|---------------------|---------------------|
|                      | Fair Value          | Cost                | Fair Value          | Cost                |
| Land and building    | \$ 6,391,173        | \$ 2,874,391        | \$ 4,028,381        | \$ 2,883,341        |
| Capital improvements | 49,717              | 49,717              | 49,717              | 49,717              |
|                      | <u>\$ 6,440,890</u> | <u>\$ 2,924,108</u> | <u>\$ 4,078,098</u> | <u>\$ 2,933,058</u> |

**MUSEUM OF LATIN AMERICAN ART  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2016 and 2015 (SUMMARIZED)**

**NOTE 3 – INVESTMENTS (continued)**

Investment returns on rental real estate are included in investment income on the accompanying statement of activities and consists of the following for the years ended December 31:

|  | 2016        | 2015       |
|--|-------------|------------|
| Income from investments in real estate                             | \$ 470,624  | \$ 548,452 |
| Realized gain on sale of investments in real estate                | -           | 254,242    |
| Unrealized gain (loss) on fair value of investments in real estate | 2,379,839   | (70,871)   |
| Expenses and management fees                                       | (239,734)   | (288,573)  |
|  | \$2,610,729 | \$ 443,250 |

*Investments in Mortgage Notes Receivable*

In 2013, the Museum invested in two mortgage notes payable from the sale of previously owned investments in rental real estate. Investments in mortgage notes receivable consist of a note for \$712,000, which earns interest at 4.75% per annum and a note for \$1,086,750, which earns interest at 5.50% per annum. The payment terms on the notes are interest only through 2018, at which time the entire principal balance is due. In 2016, the note for \$712,000 was sold.

On December 28, 2015, the Museum invested in ten mortgage notes payable from the sale of previously owned investments in rental real estate. Investments in mortgage notes receivable consist of ten different notes for \$61,250 totaling \$612,500, which earn interest at 5.00% per annum. The payment terms on the note is interest only through 2026, at which time the entire principal balance is due. There was no interest earned on these notes during the year ended December 31, 2016.

The total interest earned on these notes during the years ended December 31, 2016 and 2015 was \$99,264 and \$93,676, respectively.

*Fair Value Measurements*

As described in Note 2, the Museum's investments are assigned a level based upon the observability of the inputs which are significant to the overall valuation. The following table presents investments that are measured at fair value on a recurring basis in the accompanying statement of financial position at December 31, 2016:



**MUSEUM OF LATIN AMERICAN ART  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2016 and 2015 (SUMMARIZED)**

**NOTE 3 – INVESTMENTS (continued)**

*Fair Value Measurements (continued)*

|                                | <u>Total</u>        | <u>Level 1</u>      | <u>Level 2</u>      | <u>Level 3</u>      |
|--------------------------------|---------------------|---------------------|---------------------|---------------------|
| Investments in securities:     |                     |                     |                     |                     |
| Fixed income funds             |                     |                     |                     |                     |
| U.S. treasuries                | \$ 1,545,619        | \$ 1,545,619        | \$ -                | \$ -                |
| Government obligations         | 329,492             | -                   | 329,492             | -                   |
| Corporate bonds                | 1,986,565           | -                   | 1,986,565           | -                   |
| Municipal bonds                | 571,038             | -                   | 571,038             | -                   |
| Asset backed securities        | 167,393             | -                   | 167,393             | -                   |
| Certificate of deposits        | 787,838             | 787,838             | -                   | -                   |
| Exchange traded funds          | 4,829,499           | 4,829,499           | -                   | -                   |
|                                | <u>10,217,444</u>   | <u>7,162,956</u>    | <u>3,054,488</u>    | <u>-</u>            |
| Mortgage notes receivable      | 1,699,250           | -                   | -                   | 1,699,250           |
| Rental real estate             | 6,440,890           | -                   | -                   | 6,440,890           |
|                                | <u>18,357,584</u>   | <u>7,162,956</u>    | <u>3,054,488</u>    | <u>8,140,140</u>    |
| Total investment at fair value | <u>\$18,357,584</u> | <u>\$ 7,162,956</u> | <u>\$ 3,054,488</u> | <u>\$ 8,140,140</u> |

The following table presents investments that are measured at fair value on a recurring basis in the accompanying statement of financial position at December 31, 2015:

|                                | <u>Total</u>        | <u>Level 1</u>      | <u>Level 2</u>      | <u>Level 3</u>      |
|--------------------------------|---------------------|---------------------|---------------------|---------------------|
| Investments in securities:     |                     |                     |                     |                     |
| Fixed income funds             |                     |                     |                     |                     |
| U.S. treasuries                | \$ 1,542,893        | \$ 1,542,893        | \$ -                | \$ -                |
| Government obligations         | 3,133,344           | -                   | 3,133,344           | -                   |
| Corporate bonds                | 2,492,301           | -                   | 2,492,301           | -                   |
| Municipal bonds                | 792,574             | -                   | 792,574             | -                   |
| Asset backed securities        | 215,956             | -                   | 215,956             | -                   |
| Certificate of deposits        | 804,775             | 804,775             | -                   | -                   |
| Exchange traded funds          | 4,385,713           | 4,385,713           | -                   | -                   |
|                                | <u>13,367,556</u>   | <u>6,733,381</u>    | <u>6,634,175</u>    | <u>-</u>            |
| Investment in private equity   | 112,500             | -                   | -                   | 112,500             |
| Mortgage notes receivable      | 2,411,250           | -                   | -                   | 2,411,250           |
| Rental real estate             | 4,078,098           | -                   | -                   | 4,078,098           |
|                                | <u>19,969,404</u>   | <u>6,733,381</u>    | <u>6,634,175</u>    | <u>6,601,848</u>    |
| Total investment at fair value | <u>\$19,969,404</u> | <u>\$ 6,733,381</u> | <u>\$ 6,634,175</u> | <u>\$ 6,601,848</u> |

**MUSEUM OF LATIN AMERICAN ART  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2016 and 2015 (SUMMARIZED)**

**NOTE 3 – INVESTMENTS (continued)**

*Fair Value Measurements (continued)*

The following is a reconciliation of investments for which significant unobservable inputs (Level 3) were used in determining fair value:

|                                 | <u>Investment<br/>in Private<br/>Equity</u> | <u>Mortgage<br/>Notes</u> | <u>Rental Real<br/>Estate</u> | <u>Total</u>       |
|---------------------------------|---|---------------------------|-------------------------------|--------------------|
| Balance as of December 31, 2014 | \$ 112,500                                  | \$1,798,750               | \$4,691,508                   | \$6,602,758        |
| Capital improvements            | -   | -                         | 14,500                        | 14,500             |
| Purchases                       | -   | 612,500                   | -                             | 612,500            |
| Sales                           | -   | -                         | (627,910)                     | (627,910)          |
| Balance as of December 31, 2015 | <u>112,500</u>                              | <u>2,411,250</u>          | <u>4,078,098</u>              | <u>6,601,848</u>   |
| Sales                           | -   | (712,000)                 | (17,047)                      | (729,047)          |
| Unrealized Gain (Loss)          | (112,500)                                   | -                         | 2,379,839                     | 2,267,339          |
| Balance as of December 31, 2016 | <u>\$ -</u>                                 | <u>\$1,699,250</u>        | <u>\$6,440,890</u>            | <u>\$8,140,140</u> |

**NOTE 4 – PREPAID EXPENSES**

Prepaid expenses consist of the following at December 31, 2016 and 2015:

|                         | <u>December 31,</u> |                  |
|-------------------------|---------------------|------------------|
|                         | <u>2016</u>         | <u>2015</u>      |
| Prepaid insurance       | \$ 23,508           | \$ 16,843        |
| Prepaid exhibition      | 41,753              | 7,849            |
| Prepaid expenses- other | 6,457               | 10,745           |
|                         | <u>\$ 71,718</u>    | <u>\$ 35,437</u> |

**MUSEUM OF LATIN AMERICAN ART  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2016 and 2015 (SUMMARIZED)**

**NOTE 5 – PROPERTY AND EQUIPMENT**

Property and equipment at December 31, 2016 and 2015, are summarized as follows:

|                                | December 31,        |                     |
|--------------------------------|---------------------|---------------------|
|                                | 2016                | 2015                |
| Land and buildings             | \$ 3,008,196        | \$ 3,008,196        |
| Improvements                   | 16,788,420          | 16,709,920          |
| Furniture and equipment        | 483,713             | 480,841             |
| Vehicles                       | 46,165              | 46,165              |
| Liquor license                 | 18,697              | 18,697              |
|                                | <u>20,345,191</u>   | <u>20,263,819</u>   |
| Less: accumulated depreciation | <u>(5,194,891)</u>  | <u>(4,746,367)</u>  |
| Net property and equipment     | <u>\$15,150,300</u> | <u>\$15,517,452</u> |

Depreciation expense for the years ended December 31, 2016 and 2015 was \$448,525 and \$453,479, respectively.

**NOTE 6 – ACCRUED LIABILITIES**

Accrued liabilities as of December 31, 2016 and 2015 consisted of the following:

|                                    | December 31,     |                   |
|------------------------------------|------------------|-------------------|
|                                    | 2016             | 2015              |
| Accrued salaries and payroll taxes | \$ 91,080        | \$ 123,350        |
| Accrued other expenses             | 329              | 13,917            |
|                                    | <u>\$ 91,409</u> | <u>\$ 137,267</u> |

**NOTE 7 – LOANS PAYABLE**

On December 18, 2007, The Museum received a loan in the amount of \$125,000 from the Redevelopment Agency of the City of Long Beach for the acquisition of property. No payments of principal or interest are due as long as the Museum provides arts programming to the surrounding community, especially youths, for a period of at least ten years after the date of the loan. The principal shall be forgiven on the tenth anniversary date of the loan. The loan is collateralized by a deed of trust of one of the Museum's owned properties. At December 31, 2016 and 2015 the balance outstanding is \$125,000 respectively.

The Museum also has a related party loan outstanding to the Robert Gumbiner Foundation (see Note 10), consisting of three separate notes, all bearing interest at 0%. Monthly installments for the first note for \$300,000 has monthly installments of \$3,385.42, maturing in May, 2022. The second note for \$50,000 has monthly installments of \$8,333.33 and will mature in June, 2017. The third note for \$120,000 has no monthly installments and is to be paid off in full on February 28, 2017.

**MUSEUM OF LATIN AMERICAN ART  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2016 and 2015 (SUMMARIZED)**

**NOTE 7 – LOANS PAYABLE (continued)**

The aggregate maturities of the loans payable are as follows:

| Year Ended<br>December 31, | Amount       |
|----------------------------|--------------|
| 2017                       | \$ 340,522 * |
| 2018                       | 41,849       |
| 2019                       | 40,625       |
| 2020                       | 40,625       |
| 2021                       | 40,625       |
| Thereafter                 | 15,625       |
|                            | \$ 519,871   |

\*- Includes \$125,000 loan payable balance that will be forgiven if contract terms are met.

**NOTE 8 – TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets are available for the following purposes at December 31, 2016 and 2015:

|                                 | December 31, |            |
|---------------------------------|--------------|------------|
|                                 | 2016         | 2015       |
| Time restriction                | \$ -         | \$ 62,500  |
| Designated for specific purpose | 377,288      | 198,448    |
| Endowment funds                 | 1,959,436    | -          |
|                                 | \$ 2,336,724 | \$ 260,948 |

**NOTE 9 – ENDOWMENT**

The Museum's endowment consists of the Robert Gumbiner Operations endowment fund ("Endowment"), which supports the Museum's general operations. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

During 2009, the estate of Robert Gumbiner through the Robert Gumbiner Revocable Trust ("Trust") provided the Museum \$13,666,667 of permanently restricted endowment contributions, and an additional \$3,000,000 contribution restricted to the completion of the construction of the Museum or to retire debt incurred by the Museum for capital construction. During 2010, the estate provided \$4,166,667 of endowment contributions and upon the settlement of the estate in 2012; the Museum received an additional \$4,166,667 endowment contribution.

**MUSEUM OF LATIN AMERICAN ART  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2016 and 2015 (SUMMARIZED)**

**NOTE 9 – ENDOWMENT (continued)**

The Trust endowment contributions are contingent on the Museum remaining a charitable organization, continuing to be a museum exclusively showing Latin American contemporary fine art, and remaining open to the public at least 48 hours per week. The contributions are further contingent upon the name of the museum staying the same and not including any other individual or corporation in the name. Should the Museum fail to comply with these contingencies, all gifts made under the Trust shall go to the Robert Gumbiner Foundation.

The Museum is currently open to the public 34 hours per week and the Robert Gumbiner Foundation's Board of Directors has agreed that the Museum's current hours of operations exhibiting modern and contemporary Latin American art as well as the special events offered satisfies the hours requirement and will not challenge the contributions, provided the Museum does not decrease the hours of operations further without the consent of the Robert Gumbiner Foundation's Board of Directors.

The endowment fund assets consist of the following, as of December 31:

|                           | 2016                | 2015                |
|---------------------------|---------------------|---------------------|
| Cash and cash equivalents | \$ 6,440,412        | \$ 2,713,203        |
| Marketable securities     | 10,217,444          | 13,367,556          |
| Real estate               | 6,440,890           | 4,078,098           |
| Secured notes receivable  | 1,699,250           | 2,411,250           |
| Non-marketable securities | -                   | 112,500             |
|                           | <u>\$24,797,996</u> | <u>\$22,682,607</u> |

Activities related to the endowment net assets for the year ended December 31, 2016 and 2015 are as follows:

|   | Temporarily<br>Restricted | Permanently<br>Restricted | Total               |
|---|---------------------------|---------------------------|---------------------|
| Endowment net assets, December 31, 2014 | \$ 974,315                | \$22,612,927              | \$23,587,242        |
| Investment return                       | 394,202                   | 69,680                    | 463,882             |
| Disbursements                           | (1,368,517)               | -                         | (1,368,517)         |
| Endowment net assets, December 31, 2015 | -                         | 22,682,607                | 22,682,607          |
| Investment return                       | 3,106,978                 | 155,953                   | 3,262,931           |
| Disbursements                           | (1,147,542)               | -                         | (1,147,542)         |
| Endowment net assets, December 31, 2016 | <u>\$ 1,959,436</u>       | <u>\$22,838,560</u>       | <u>\$24,797,996</u> |

*Return Objectives and Risk Parameters*

The Museum's endowment funds are invested and managed according to their investment and spending policies. These policies attempt to provide a consistent return on assets in order to achieve a stable stream of funding for programs supported by the Museum's endowment while seeking to maintain the purchasing power of the endowment assets. As a result, the endowment assets are invested in a manner that is intended to produce results that, over the long-term, meet or exceed the spending policy rate plus the rate of inflation.

**MUSEUM OF LATIN AMERICAN ART  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2016 and 2015 (SUMMARIZED)**

**NOTE 9 – ENDOWMENT (continued)**

*Strategies Employed for Achieving Objectives*

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 capital appreciation (realized and unrealized) and current yield (interest, dividends, and rental income). The Museum targets a diversified asset allocation for its investment portfolio in order to achieve its long-term return objectives within prudent risk constraints.

*Spending Policy and How the Investment Objectives Relate to the Spending Policy*

The objective of the endowment spending policy is to allocate the total endowment earnings between current spending and reinvestment for future earnings and expenditures in order to maintain or enhance the purchasing power of the endowment. The Museum has set procedures specified by the Trust agreement for appropriating expenditures of a maximum of 90% of the three-year average net investment income, to be used for operations, including a minimum of 10% of the three-year net investment income being reinvested into the Endowment. The spending policies are consistent with the Museum's objectives to maintain the purchasing power of the endowment assets held in perpetuity, as well as, to provide additional real growth through new gifts and investment return.

**NOTE 10 – RELATED PARTY TRANSACTIONS**

The Museum was founded by Dr. Robert Gumbiner, who also served on the Board of Directors and played a key role in Museum operations. See Note 7 for related party loan. During the years ended December 31, 2016 and 2015, the Robert Gumbiner Foundation made the following contributions to the Museum:

|                    | 2016       | 2015       |
|--------------------|------------|------------|
| Cash contributions | \$ 475,000 | \$ 475,000 |
| Donated facilities | 322,548    | 322,548    |
|                    | \$ 797,548 | \$ 797,548 |

Two directors of the Museum's Board also serve as members of the Board of Directors of the Robert Gumbiner Foundation.

The Museum paid property management fees of \$25,396 and \$56,613 for the years ended December 31, 2016 and 2015, respectively, to a related company to manage its investments in real estate.

The Museum pays a management fee to a related company to manage its investment portfolio. A member of the Museum's Board is an owner of the investment management company. The management fee is calculated based on an annual rate of 0.35% of the fair value of the asset portfolio being managed. For the years ended December 31, 2016 and 2015, the Museum paid the management company \$56,616 and \$57,005, respectively.

**MUSEUM OF LATIN AMERICAN ART  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2016 and 2015 (SUMMARIZED)**

**NOTE 10 – RELATED PARTY TRANSACTIONS (continued)**

The Museum holds various events in which the Museum's exclusive caterer is owned by a member of the Museum's Board. The amount paid for catering services for the year ended December 31, 2016 was \$102,378.

The Museum receives donated rent from a member of the Museum's Board. The donated rent for the year ended December 31, 2016 was \$112,080.

**NOTE 11 – COMMITMENTS**

The Museum leases equipment under five operating leases that require specified monthly lease payments through September 14, 2019. Future minimum cash payments due under operating lease commitments are as follows:

| <u>Year Ended<br/>December 31,</u> | <u>Amount</u>    |
|------------------------------------|------------------|
| 2017                               | \$ 14,263        |
| 2018                               | 1,647            |
| 2019                               | 1,235            |
|                                    | <u>\$ 17,145</u> |

Rental expenses were \$32,060 and \$40,717 for the years ended December 31, 2016 and 2015, respectively.

**NOTE 12 – CONCENTRATIONS**

**Support**

Approximately 40 percent of the Museum's support for the year ended December 31, 2016 was from one donor, the Robert Gumbiner Foundation. Approximately 57 percent of the Museum's support for the year ended December 31, 2015 was from one donor, the Robert Gumbiner Foundation.

**NOTE 13 – SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION**

During the years ended December 31, 2016 and 2015, the Museum paid no income taxes and no interest.

**NOTE 14 – SUBSEQUENT EVENTS**

Management has evaluated subsequent events through January 23, 2018, the date the financial statements were available to be issued.