

**FY16 Major Facilities Capital
Projects Funding RFP#16 – 045
Museum Park Expansion Project**



North Carolina Museum of Art, Foundation, Inc.

Proposal submitted: June 14, 2016

NORTH CAROLINA MUSEUM OF ART FOUNDATION

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June 14, 2016

Mr. Tom Wester
Wake County Finance – Procurement Services
Wake County Justice Center – 2nd Floor, Suite 2900
301 S. McDowell Street
Raleigh, NC 27601

Dear Mr. Wester,

The North Carolina Museum of Art Foundation, Inc. (NCMA) is pleased to submit a request for proposal for FY16 Major Facilities Capital Projects Funding (RFP#16 – 045) for \$1,500,000 to complete the Museum Park expansion project, including building a new facility named the Garden Pavilion.

The creation of the new Garden Pavilion will provide necessary amenities to visitors including restrooms, concessions, a kiosk with information on the Museum and Museum Park as well as Wake County Parks and the Capital Area Greenway System, a garden observation deck, and educational support areas. The Museum Park expansion project will catalyze economic growth, generate international tourism and garner important acclaim for the state's art, culture, and parks.

Thank you in advance for your consideration of support for this important project at the North Carolina Museum of Art.

Sincerely,

A handwritten signature in black ink, reading "Lawrence J. Wheeler".

Lawrence J. Wheeler
Director and CEO
North Carolina Museum of Art

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EXECUTIVE SUMMARY

The North Carolina Museum of Art Foundation, Inc. (NCMA) seeks a \$1,500,000 grant from Wake County to complete the Museum Park expansion project, including the building of a new facility named the Garden Pavilion. Integral to the completion of the project is the creation of the new Garden Pavilion which will provide necessary amenities to visitors including restrooms, concessions, a kiosk with information on the Museum and Museum Park as well as Wake County Parks and the Capital Area Greenway System, a garden observation deck, and educational support areas. The Museum Park expansion project will catalyze economic growth, generate international tourism and garner important acclaim for the state's art and culture institutions and parks. Currently, the Museum Park attracts approximately one third of the Museum's 450,000 annual visitors. By 2024, Museum Park attendance is expected to grow to more than 267,349 annual visitors, representing a 78% increase in attendance.

The project team includes Lawrence Wheeler, Director and CEO; Caterri Woodrum, Chief Deputy Director and Chief Financial Officer; Linda Dougherty, Chief Curator and Curator of Contemporary Art; Dan Gottlieb, Director of Planning, Design and Museum Park; Sam Adams, Capital Project Coordinator NCMA; Rachel Woods, Curator of Horticulture and Sustainability; Marjorie Hodges, Director of External Relations and Special Projects; Ellen Stone, Director of Development; and Jessica Robinson, Senior Grants Officer. The project team will manage the day to day operations of the project including project management, financial management, fundraising, and selection of works of art and park programming to complete the Park Expansion project.

Project Budget:

Museum Park Expansion	\$13,110,000
Garden Pavilion	\$ 1,500,000
<hr/>	
TOTAL:	\$ 14,610,000

Primary Contact Information:

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SCOPE OF PROJECT



Featuring 24 site-specific temporary and permanent works of art within 164 acres, NCMA's Museum Park showcases the connection between people, art, and nature. The Museum Park, which connects with the Capital Area Greenway System, is one of the largest of its kind in the world and serves as a dynamic resource for North Carolinians of all ages. Visitors, community members, and school groups are able to explore recreational trails throughout the Park; participate in the installations and artwork scattered throughout the park; enjoy concerts, films, and performances; and conduct academic research in environmental science, conservation, and design. The Museum Park attracts approximately one third of the Museum's 450,000 annual visitors. Located on the site of the former Polk prison, the NCMA has continued to transition the campus into a cultural and educational destination unique in America. Its multi-faceted campus attracts a broader, more diverse audience to the Museum.

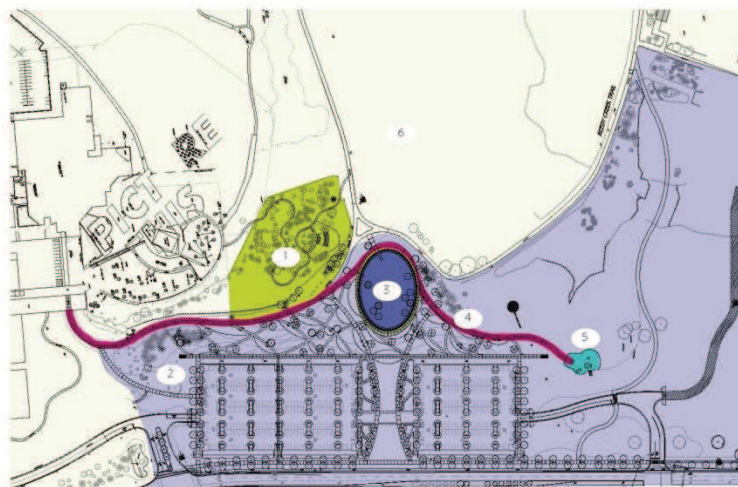
In 2015, the Museum broke ground on an ambitious Park expansion project. It enlisted landscape architecture and urban design firm Civitas, Inc., of Denver, Colorado to help develop a plan to enhance physical and programmatic connections between galleries and the Park to encourage active engagement for a more diverse audience. The completion of the project sets the stage for additional outdoor works of art and community participation that is inclusive, unique, and sensory rich. With innovative and unique projects, it will become a destination park similar to Millennium Park in Chicago, IL and the Nasher Sculpture Center in Dallas, TX and will serve as a gateway to Wake County for visitors arriving from RDU.

The Park expansion is a 20-acre project designed to unite the Museum's gallery buildings and landscape with the Museum Park with gardens, paths, and parking. It will also create a new physical appearance of the Museum campus from Blue Ridge Road, with pedestrian and bicycle paths, a community lawn and tree-scape. It consists of five major elements: Discovery Garden and Garden Pavilion; Greenway, parking and Blue Ridge Road Improvements; the Ellipse; Wave and Parterre Gardens; and the Promenade.



Wrapped with seating that affords a spectacular view of the Park, the Ellipse is the centerpiece of the new landscape. Mounded Wave Gardens, located to the north and south of the Ellipse, are intersected by paths that move visitors through dramatic landforms to observe nature and artwork. Finally, the new Promenade is a generous path that sweeps through the Park Expansion, beginning at District Drive, and delivers visitors to the doorstep of the Museum.

In addition, thousands of feet of new trail have been added to the Capital Area Greenway through the Museum Park expansion project.



NORTH CAROLINA MUSEUM OF ART PARK EXPANSION

- KEY:
1. DISCOVERY GARDEN
2. PARK EXPANSION AND BLUE RIDGE ROAD IMPROVEMENT SCORE
3. THE ELLIPSE
4. PROMENADE
5. SMOKESTACK
6. EXISTING MUSEUM CAMPUS

Discovery Garden

Created on two acres of restored forest, the Discovery Garden will feature layers of tactile plants scattered throughout the woodland landscape to emphasize texture and form found in the natural environment. Visitors will experience the Garden with all their senses: sight, scent, taste, sound, and touch. Low-tech play will be emphasized, with natural stone and wooden structures nestled within the garden areas. It will incorporate universal design principles and sensory garden concepts to engage all audiences, including those with all manner of abilities and mobility constraints, to explore the intersection of art and nature with tactile engagement. This space will be used by underserved populations, families with young and school-age children, as well as formal and non-formal educational programs.

A Sensory Path guiding visitors through the Garden will encourage children and adults to freely interact with the gardens and creative play elements. The sensory gardens will be designed to engage touch, smell, hearing, vision, and taste with horticultural and natural sensations, including herbs (for smell and taste), lambs ear (for touch), and reedy plants (for sound when the wind blows). A variety of trees will be planted to provide year round color interest (for sight).



NORTH CAROLINA MUSEUM OF ART DISCOVERY GARDEN - MASTER PLAN

- KEY:
1. GARDEN PAVILION
2. THE BRIDGE
3. PATIO
4. STREAM
5. SENSORY PATH
6. NATURE + PLAY ZONE

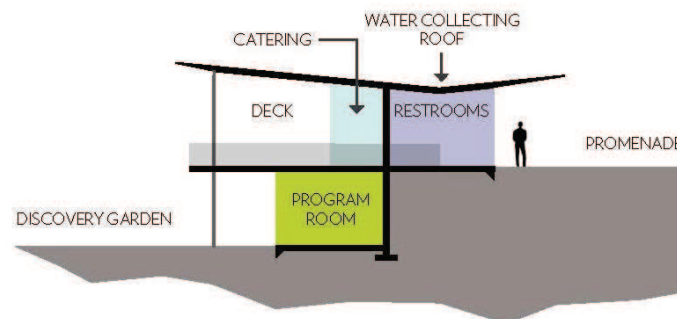
Garden Pavilion

Located just above the Discovery Garden, the new Garden Pavilion will serve as a gateway to the Discovery Garden from the Promenade as well as a new visitor service and amenities center for the Museum Park. It will provide much needed amenities to the newly expanded Museum Park including a garden observation deck, educational support areas with storage, event space, concessions, and restrooms.

The Garden Pavilion will include:

- Indoor multipurpose room
- Coffee Bar/ Prepared Food café with Indoor/Outdoor Seating
- Interior vestibule
- 5 single use restrooms (adjacent to vestibule)
- Kiosk with information on the Museum and Museum Park as well as Wake County Parks and the Capital Area Greenway System
- Storage

Designed to blend into nature and constructed of wood and glass, the Garden Pavilion will be perched in the trees, directly off the Promenade and will overlook the active play areas and gardens below. A large deck will overlook the Discovery Garden, serving as a gathering space for families or space for outdoor events. The deck will connect to the Bridge and serve as an ADA accessible entrance into to the Discovery Garden. Beneath the deck and accessed from the Sensory Path will be a covered porch and program room to support various programs and educational activities and allow the Museum to serve the visitors of the Park and host large scale events.



NORTH CAROLINA MUSEUM OF ART GARDEN PAVILION
CROSS SECTION PROGRAM DIAGRAM

The Museum has a history of creating durable, practical facilities that incorporate sustainability and technology to reduce energy consumption and life cycle building costs wherever possible; the Museum's West Building, completed in 2010, is registered LEED Silver. During the design phase of the Garden Pavilion, the NCMA Design Team will evaluate the use of daylighting, minimized use of HVAC equipment, and other sustainable features. Water collection for irrigating the Discovery Garden will be incorporated into the new project.

The total area under roof on both levels including the interior space is approximately 4,900 square feet (2,900 square feet enclosed/ heated and cooled).

The Bridge

The Discovery Garden will be accessed from the Promenade through a 150' long ADA accessible ramp called the Bridge. Visitors will descend the serpentine ramp which enters into the Patio, a 20' diameter paved gathering place located at the base of the Bridge. Seating benches will be placed to allow the opportunity for educational programming including story telling or an impromptu performance. The Sensory Path will be a continuous accessible walking loop that surrounds the Discovery Garden. Gardens will be planted throughout the path to engage visitors with natural and horticultural sensations for all five senses. The Bridge + Sensory Path will become a signature element of the Discovery Garden and will afford visitors the ability to discover the woodland gardens.



Bridge Precedent: Suspended Ramp by Architect Tetsuo Kondo located in Tallinn, Estonia.

Nature + Play Zone

The Nature + Play Zone will expand on the NCMA's mission to explore the intersection of art and nature with tactile engagement with families with young and school-age children through formal, and non-formal educational programs. Creative play will be emphasized, with natural stone and wooden structures nestled within the garden areas. Primary elements in this space will include: *Fort Building* (materials available for children to engage in fort-play), *Boulders* (both natural and fabricated rocks will be incorporated for climbing), as well as a built *Stream* (naturally planted space for children to interact with a small aquatic ecosystem).

Analysis of Community Needs:

Since opening to the public in 2001, the Museum Park has increased attendance to the Museum campus with non-traditional demographic sectors including nature and fitness enthusiasts. With more than 150,000 annual visits in 2015, a broader and more diverse population enjoys the NCMA Park. The Museum and Museum Park are free and open to the public. With the opening of the Museum Park Expansion in November 2016, the NCMA anticipates a 33% increase in year one, and subsequent 5% annual increases in attendance. In 2024, we forecast Museum Park attendance will exceed 267,349.

In conjunction to the Museum Park Expansion project, the NCMA launched the Art in the Environment Fund, a program focused on temporary and permanent site-specific artworks that encourage visitors of all ages and abilities to actively explore the Museum Park. The program facilitates cross-disciplinary collaborations between artists, and a wide variety of professionals from other disciplines, including designers, environmental scientists, landscape architects, engineers, and others, to create both temporary and permanent artworks. The Art in the Environment Fund strives to reach a broader, non-traditional museum audience by bringing art outdoors and making the aesthetic experience a part of everyday life by connecting art, people and nature. Current, upcoming, and potential future internationally recognized art projects include *Open Mind* by Yoan Capote, *21 Balançoires (21 Swings)* by Daily Tous Les Jours, *Intrude* by Amanda Parer, and *Ernest and Ruth* by Hank Willis Thomas.



***Open Mind* by Yoan Capote**



***21 Balançoires (21 Swings)* by Daily Tous Les Jours**



***Intrude* by Amanda Parer**



***Ernest and Ruth* by Hank Willis Thomas**

The anonymous \$13,110,000 private investment in the NCMA Park has made a complete renovation and upgrade to the Museum Park possible. With increased programming and events, the NCMA Park currently does not have the facilities to accommodate visitors or groups in the Park, causing them to make shorter visits and spend less money within the County and Museum. The addition of the Garden Pavilion will not only provide much needed restroom facilities, but guests will be able to participate in programming, purchase food and beverages, and obtain information from partner organizations such as the Greenway System and other parks within the County.

Raleigh has been continually ranked as one the nation's fastest growing cities and best places to live. Located off the I-40 and I-440 corridor, the NCMA and its campus serve as a cultural gem to Wake County. In addition to exhibitions and programming, the Museum Park is one of the largest of its kind in the nation.

In March 2016, the NCMA Park Expansion project was featured in the New York Times with an article titled "A Park as an Extension of the Museum Itself" (Appendix 1). In the article Arthur Cohen, chief executive of LaPlaca Cohen, said that their recent cultural survey "underscores a growing sense that meaningful cultural encounters have less to do with engaging in a specific activity, like seeing a great painting or hearing a symphony, than in stoking transcendent ideas and emotions. "What's important is the feeling that they are encountering things they haven't seen before, that they are experiencing something that opens their minds and expands their sense of themselves and the world," Mr. Cohen said." The Museum is recognized as a leader in the changing role of museums in regards to the visitor experience and sustainability.

The renovation and expansion of the Museum Park will enhance the economic benefit to the citizens of Wake County and the state of North Carolina by continuing to serve as a cultural landmark and attraction. Additionally, it will act as a catalyst to leverage private funds to fulfill the Museum Park's mission and strengthen community partnerships by utilizing connections

between art and the environment. When the new Park is completed, we expect data will show usage to surge, especially among new communities and demographics.

COMMUNITY NEED:

During the planning phase of the Park Expansion, the Museum Park team conducted numerous intercept surveys and focus groups. In addition to the lack of concessions, the results indicated that more visitors would use the Park if there were restroom facilities. With the construction of the Garden Pavilion, we will not only address two of the top identified needs of Museum Park visitors, but will also create a gathering space to host outdoor events, provide educational programming, and information regarding the Greenway System and other parks within the County.

COLLABORATIONS:

With the expansion of the Museum Park, the NCMA is actively working to partner with other organizations to host events and run/walks on the Museum Campus. This winter, *Girls On The Run* will host their annual event, which welcomes approximately 3,000 participants including families and spectators. In addition, the Museum has agreed to be the new venue for NCSU's popular semi-annual plant sale in the Museum Park.

Potential partnerships that are in the planning stages include REI, Arts Access, Wake County Parks, and Evolve Yoga.

MEASUREMENT:

The Museum and Museum Park volunteers will conduct regular intercept studies to evaluate satisfaction visitation and programming. In addition, Museum Park staff will continue to analyze the number of visitors to the Park with cameras strategically located throughout the Park.

WAKE COUNTY BOARD OF COMMISSIONERS GOALS:

The North Carolina Museum of Art and Museum Park's mission is to enrich lives through the power and wonder of art and to serve the people of North Carolina and all visitors as a premier destination for compelling encounters with art. The NCMA is committed to exemplary scholarship and innovative educational enrichment. We invite interactions among diverse communities, foster collaborative partnerships, and seek to activate the creative potential in everyone.

Directly aligned with the Wake County Board of Commissioner Goals for People, Arts and Culture, the Museum integrates art into the Park's natural areas and provide connections between people, art, and nature. The Park features more than 24 commissioned projects and permanent works of art that expand perceptions of both art and nature from regional, national, and international artists. The NCMA is committed to continually fostering collaborations between artists, designers, and environmental experts.

In addition, the NCMA helped establish the Art to Heart trail on the Greenway System which connects the Museum to Downtown Raleigh.

PROJECT BUDGET AND FUNDING SOURCES

NORTH CAROLINA MUSEUM OF ART PARK EXPANSION BUDGET 2015 – 2016	
OVERALL EXPANSION	AMOUNT
Construction	\$10,576,785
Design Fees & expenses	\$1,365,433
Post-construction maintenance	\$400,000
Deposits, Admin, Documentation	\$317,161
Surveys, Fees, Permits	\$139,322
Contingencies, allowances, testing	\$311,299
TOTAL OVERALL EXPANSION BUDGET	\$13,110,000

GARDEN PAVILION BUDGET*		
CONSTRUCTION COSTS**		AMOUNT
GARDEN PAVILION BUILDING	Construction of structure which will serve as a visitor service center and provide amenities for the Museum Park users.	\$800,000
THE BRIDGE	Provides ADA accessible ramp from Garden Pavilion to the Sensory Garden and Nature + Play Zone.	\$125,000
NATURE + PLAY ZONE	Will provide tactile engagement for all ages with art, nature + play, patio, stream, boulders, and other creative play elements.	\$175,000
UTILITIES	Provides sanitary and potable water and electrical services for Garden Pavilion. The creation of stream in Nature + Play zone.	\$50,000
TOTAL CONSTRUCTION EXPENSES		\$1,150,000
FEES & EQUIPMENT		
DESIGN FEES	Architecture, Civil Engineering, Play Element Design	\$144,000
FF&E	Furniture, fixtures, and equipment	\$95,000
Construction contingency		\$111,000
TOTAL FEES & EQUIPMENT		\$350,000
TOTAL GARDEN PAVILION BUDGET		\$ 1,500,000

**Estimates prepared in house by the NCMA Office of Planning and Design*

***Includes a thirteenth month projected escalation*

FUNDING SOURCES:

89.7% Private Funding Confirmed; 10.3% Public Funding Requested

NAME	STATUS	YEAR OF COMMITMENT	AMOUNT
Anonymous donor	Confirmed	2014	\$13,110,000
Wake County	Applied		\$1,500,000
		TOTAL:	\$14,610,000

CONFIRMED FUNDING BACKUP:

Gift	2/3/2014	\$110,000.00	Cash	Museum Park Planning	R-Museum Park Fund-Plan	501709	Wire transfer
Gift	4/8/2014	\$3,000,000.00	Cash	Museum Park Planning	R-Museum Park Fund-Park	503201	Wire transfer
Gift	12/22/2014	\$10,000,000.00	Cash	Museum Park Planning	R-Museum Park Fund-Plan	515782	Wire transfer

IMPACT ON INFRASTRUCTURE:

The construction of the Garden Pavilion will have no negative impacts of the NCMA or neighboring properties. All storm water will be comprehensively managed on-site with bio-retention devices. Visitors arriving by car will have ample parking on-site thanks to two new parking areas, planted with hundreds of trees, serviced by a new campus entry. Utilities are completely managed within the NCMA campus.

All lighting will be low-energy consumption LED. The Garden Pavilion will overlook new gardens designed to showcase sustainable horticulture and community participation. A public education component will extend the museum's educational program into the landscape.

PROJECT TIMELINE

PROJECT ACTION	START DATE	FINISH DATE
PARK EXPANSION		
Park Expansion	October 2015	August 2016
Discovery Garden	November 2015	June 2016
Blue Ridge Road Improvements	October 2015	September 2016
Ellipse	April 2016	June 2016
Wave Gardens and Promenade	April 2016	July 2016

PROJECT ACTION	START DATE	FINISH DATE
GARDEN PAVILION		
Designer Selection	August 2016	October 2016
Schematic Design	October 2016	December 2016
Design Development	December 2016	February 2017
Construction Documents	February 2017	April 2017
Bid Negotiation	April 2017	May 2017
Contract	May 2017	June 2017
Construction	July 2016	January 2018
Inspections and Occupancy	January 2018	February 2018

PROJECT OPERATING PLAN

The North Carolina Museum of Art (NCMA) is a state art museum established in 1947. In the six decades since its founding, the NCMA has gained an international reputation, respected for the quality and ambition of its acquisitions, exhibitions, and educational programming. The NCMA has two governing boards (as well as the NC Dept. of Natural and Cultural Resources, a state agency with oversight responsibility for the Museum). One of the governing boards is the North Carolina Museum of Art Foundation, Inc. (Foundation), a 501(c)(3) organization, which is the fundraising arm of the NCMA.

The Foundation provides approximately two-thirds of the overall funding required to operate the Museum. All private fundraising for the Museum is overseen by the Foundation as well as earned income through the Foundation's food service, retail, special exhibition and performing arts programming. Many of the key senior staff of the Museum are employed by the Foundation as well as entire functions such as marketing, communications, IT, development, membership and planning. The Foundation oversees the endowment funding of the Museum which supports the majority of programming done at the Museum. As a consequence, the Foundation board takes a particularly active role not only in fundraising initiatives for the Museum, but in oversight of these significant aspects of the Museum's operations.

The NCMA's latest three year strategic plan, which began in 2016, outlines five key priorities:

1. Collaborate across the organization to become audience-focused.
2. Develop new programs to increase the audience of adults in their 20s, 30s, and 40s, while maintaining successful offerings for existing audiences.
3. Develop a comprehensive campus plan to rehabilitate the East Building and integrate the Park as a welcoming place for the public.
4. Better understand our audience through data collection and social media.
5. Reevaluate the existing financial model in order to make recommendations for sustaining the Museum and fueling innovation.

NCMA's financial priority is to stabilize general operating funds while realigning resources to pursue new strategic priorities. The NCMA's ambitions are dependent on available revenue on an annual and long-term basis. The State's investment in annual operations has remained flat and in real dollars has diminished significantly over the past two decades. Private dollars managed by the Foundation barely keep up with the growth of program and related institutional needs. NCMA is now in the process of reevaluating the existing financial model to recommend change that will not only sustain the Museum but will fuel innovation and opportunities for new relevance. Steps we are undertaking to achieve our goals include the following:

- **Energize annual fund-raising, both unrestricted and project restricted.**
 - Reorganize staff and staff portfolios with accountabilities.
 - Evaluate membership program with an emphasis on millennial and Gen X populations. Create appropriate incentives for participation and giving.
 - Continue to enlarge pool of annual donors of \$5,000 and more with a goal of increasing 25% each year.
 - Expand corporate participation in sponsorships, unrestricted giving, and in-kind support. Reevaluate business membership and related benefits.
 - Implement a travel program for donor cultivation and collection expansion.
- **Expand endowments.**
 - Solicit support for key professional positions.
 - Identify and cultivate new donors in support of existing programming areas to include education, performing arts, and art collections.
 - Expand upon planned giving efforts initiated during the prior fundraising campaign.
- **Expand earned-income opportunities and net yield.**
 - Maximize space rental based on new spaces in East building following renovation.
 - Analyze retail and potential for growth based on new opportunities presented by expanded programming and new audience engagement.
 - Evaluate pricing for catering and special events programming based on competitive market environment. Develop special pricing models to attract new audiences.
 - Evaluate the potential for fees for parking and educational services.
- **Evaluate current resources with an eye to potential cost savings from synergies gained in cross functional programming and staff organization.**
 - Eliminate programs that no longer meet our key objectives based on current strategic plan.
 - Realign staff resources to focus on audience development and engagement.
 - Analyze staff compensation on a Museum-wide basis with progress toward fair market compensation. Seek corrections from the State as needed.
- **Engage governmental partners in opportunities to enhance museum campus.**
 - Expand the conversation with the State to help it understand and commit to ongoing investments in the extraordinary assets cared for by the Museum.
 - Work with city and county governments in developing funding and in-kind options in support of the Museum.

As stated previously, the Foundation currently provides the majority of the required funding to operate the Museum. Today's challenging economy hinders the institution's ability to garner support for increased state appropriations. In fact, the current state of the economy will likely necessitate the Foundation assuming an even greater role in the financial obligations of the NCMA. Therefore, NCMA's future financial security necessitates a multifaceted approach to funding. With significant attention drawn to the institution with the opening of the revitalized Museum Park comes the opportunity to utilize the Museum's high profile for effective fundraising and for building sustainable revenue-generating potential through public programming, retail, food service and special events throughout its campus. The Museum's current endowment of approximately \$32MM produces, on average, \$1,200,000 of annual income for programs, exhibitions, art acquisition and operations. The Foundation's current endowment level is well below what is needed to adequately maintain and grow an institution of its current expanded size. As a consequence, NCMA has a strong reliance on annual earned income and fundraising as reflected in its prior, current and forecasted operating budgets.

- **TEN YEAR OPERATING BUDGET (APPENDIX 2)**
- **NCMA 990 (APPENDIX 3)**
- **AUDITED FINANCIAL STATEMENT 2015 (APPENDIX 4)**

ESTIMATES ON VISITORS AND RETURN ON INVESTMENT

As identified by the Research Department of the US Travel Association for the N.C. Department of Commerce, the North Carolina Museum of Art is one of Raleigh's three major museums most visited by tourists. The Museum maintains a program of scholarly research and publication, and presents lively, year-round entertainment and educational public programming for adults, children and families. Innovative outreach programs keep art and the museum experience relevant to an expanding and diverse audience. In recent years, the Museum's exhibitions have contributed well over \$100 million to the local economy: Monet in Normandy (2006) \$24.3 million; Landscapes in the Age of Impressionism (2007) \$10 million; The Art of Norman Rockwell (2010) \$12 million; and Rembrandt in America (2011) \$13 million. Porsche by Design (2013) attracted 89,500 visitors from all 50 states and 95 NC counties and M.C. Escher (2016) generated 116,785 visitors over the 13 week exhibition. NCMA exhibitions and programs have welcomed visitors from all 100 counties in North Carolina, all 50 states, and numerous foreign countries.

Each year, more than 450,000 visitors attend exhibitions, programs, concerts, lectures, and events at the North Carolina Museum of Art and Museum Park. Approximately 17% of NCMA members live outside 50 mile radius of the Museum. However, special exhibitions such as the recent *The Worlds of M. C. Escher: Nature, Science, and Imagination* drew approximately 30% visitors from outside 50 mile radius. In addition to attendance at exhibitions, programs, concerts, and lectures, each year the NCMA hosts approximately 130 events including external meetings, meetups, weddings (15-20 per year), and corporate events.

In the fall of 2015 and spring of 2016, the Museum worked with consulting firm Alexander Babbage to conduct a series of visitor surveys of Museum and Museum Park visitors. Results showed that the Museum Park visitor was more diverse than the general Museum visitor, less than one half of visitors had children in the household under 18 years of age, and the majority of respondents visited the Museum Park for exercise and enjoying the Park and nature.

While the Museum Park is already a successful cultural attraction in Wake County, with plans for increased programming, more interactive experiences, and publicity surrounding the opening of the Museum Park in November 2016, we assume a 33% increase in Park attendance in year one. In subsequent years, we assume a 5% increase. Therefore, by 2024 we assume Museum Park attendance will exceed 267,349 visitors annually.

SPECIAL EXHIBITION VISITORS, MUSEUM MEMBERS, AND MUSEUM TICKET BUYERS			
1. Estimated Wake County residential visitors (annual) = 102,160			
2. Estimated Food and Beverage Spending and Taxes Collected			
Estimated Day Visitors (annual)	<u>23,212</u>	X \$50 (meal rate)	<u>\$1,160,600</u>
Estimated Overnight Visitors (annual)	<u>28,740</u>	X \$50 (meal rate)	<u>\$1,437,000</u>
Total Meal Spending	<u>\$2,597,600</u>	X 1% Food & Bev Tax	<u>\$2,623,576</u>
3. Estimated Food and Beverage Spending and Taxes Collected			
Estimated Overnight Rooms (annual)	<u>28,740</u>	X \$95 (room rate)	<u>\$2,730,300</u>
Total Room Spending	<u>\$2,730,300</u>	X 6% Occupancy tax	<u>\$2,894,118</u>
4. Return on Investment based on taxes collected (County funding/total taxes collected) = <u>\$5,517,694 annually</u>			

Annual return on investment based on taxes collected with increased attendance projections:

2017	2018	2019	2020	2021	2022	2023	2024
\$5,517,694	\$7,338,533	\$7,705,460	\$8,090,733	\$8,495,269	\$8,920,033	\$9,366,034	\$9,834,336
<i>current</i>	<i>(33% increase)</i>	<i>(5% increase)</i>	<i>(5% increase)</i>	<i>(5% increase)</i>	<i>(5% increase)</i>	<i>(5% increase)</i>	<i>(5% increase)</i>

TOTAL ROI from 2017 - 2024 (7 years): \$65,268,092

ORGANIZATIONAL INFORMATION

In 1947 the North Carolina state legislature made a bold move and appropriated \$1 million for the development of an art collection – creating the first publicly funded art museum in the country. This visionary investment was soon matched by the Samuel H. Kress Foundation’s generous commitment of 75 works of art, the largest and most significant Kress gift except that given to the National Gallery of Art in Washington, D.C. Today the North Carolina Museum of Art collection contains more than 4,000 works of art. As one of the leading art museums in the American South, more than 450,000 annual visitors enjoy the collection which includes European and American art, Egyptian funerary art, sculpture and vase painting from ancient Greece and Rome, American art of the 18th through 20th centuries, and international contemporary art. In addition, visitors enjoy galleries devoted to African, ancient American, pre-Columbian, and Oceanic art, and Jewish ceremonial objects – one of only two permanent displays of Jewish ceremonial art in an American art museum. The Museum has close to 20,000 members located in almost every county in North Carolina.

The NCMA provides dynamic educational outreach programs for pre-kindergarten to college students as well as a robust educator professional development program, serving over 55,000 teachers onsite, online, and across the state. Each year, more than 29,000 visitors learn about cultures spanning 5,000 years through self-guided and docent-led tours. In 2015 the NCMA served more than 33,000 students.

Operating support is provided through state appropriations (one-third of the operating budget) and generous contributions from the private sector administered by the NCMA Foundation. General admission to the NCMA and Museum Park is and will always be free to the public.

ORGANIZATIONAL STRUCTURE:

The North Carolina Museum of Art (Museum) and North Carolina Museum of Art Foundation, Inc. (Foundation) employ 164 full time employees and 56 part time employees.

The Museum is a state entity organized within the Department of Cultural Resources under the general statutes of North Carolina. The State owns the Museum’s facilities, collection and 130 acres of the 164 acre park surrounding the Museum. The Board of Trustees is established under statute as the state’s governing body of the Museum and works in consultation with or advisement to the Secretary of the Department of Natural and Cultural Resources to adopt policies, rules and regulations for the conduct of the Museum of Art; to oversee the State’s art collection including acquisition, accession, deaccession, preservation, exhibition, conservation and storage; to oversee the grounds and facilities including the 130 acre park surrounding the Museum; in concert with the Secretary of the Department of Cultural Resources and joint board

director's committee, to appoint or dismiss the Director of the Museum; and to adopt rules and regulations governing the employment of associate directors and curators to include promotion, demotion and dismissal. The Chairman of the Board of Trustees is appointed by the Governor of North Carolina and many of its members are political appointees.

The Director and CEO of the Museum of Art has a primary reporting relationship to the Secretary of the Department of Natural and Cultural Resources. Under the supervision of the Director's Committee, the Director administers the Museum of Art in accordance with the policies, rules and regulations adopted by the Board of Trustees. The Director has authority to employ, demote, or dismiss the Museum's staff in accordance with State personnel policies, rules and regulations. The Director also serves as Secretary to the Board of Trustees.

The Foundation is a separate 501(c)3 non-profit corporation that serves as the primary fundraising and earned income arm of the North Carolina Museum of Art. The Foundation is governed by a separate Board of Directors under separate bylaws, and its leadership is separate and distinct from the Museum, the Board of Trustees, and the Department of Natural and Cultural Resources. The Foundation conducts all fundraising activities on behalf of the Museum of Art and it oversees the membership function of the Museum. The Foundation manages the endowment funding that supports the Museum. It also operates the retail, food service, and other earned income operations for the benefit of the North Carolina Museum of Art.

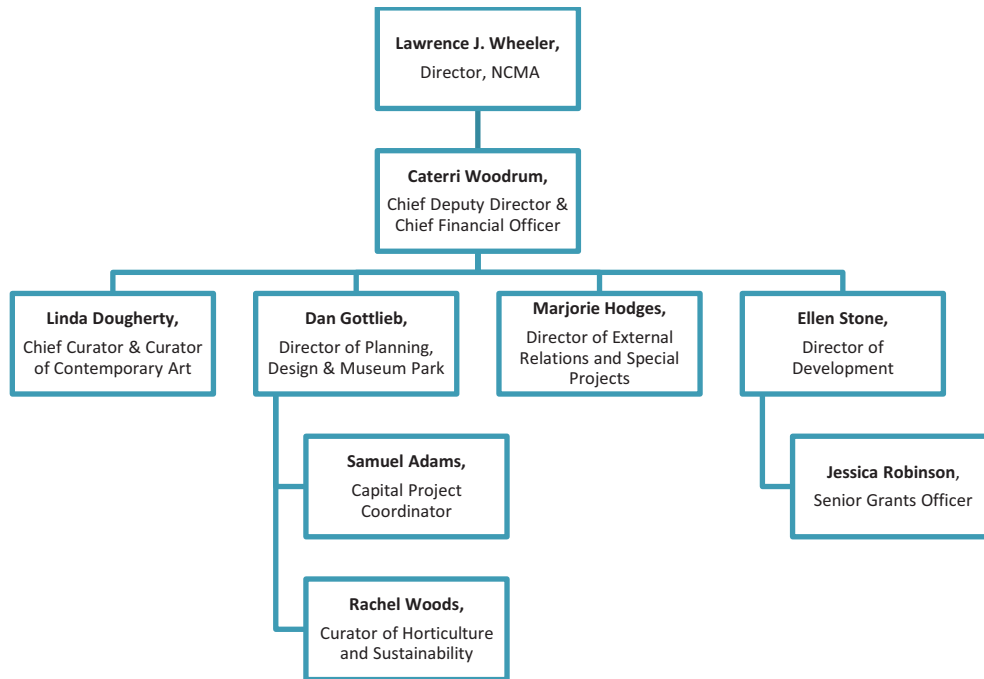
Each board has a unique but complementary role in the governance and support of the North Carolina Museum of Art. While the supervisory and employment relationship of the Director is with the North Carolina State Department of Natural and Cultural Resources and a five person Director's Committee comprised of members of both boards, the Director plays a key role in providing leadership to fundraising efforts on behalf of the Museum. The Foundation, through its fundraising support, programs and earned income operations, currently provides over 70% of the combined funds necessary to operate the museum and its public programming.

The two boards meet together annually to review the work of the year and to outline primary goals/objectives of the upcoming year. This joint board meeting occurs each December. In addition, the board presidents and members of each board meet each September at the new board member orientation session. Committee chairs for both board Finance Committees share information on the combined financial performance of the institution, and the Foundation's Development Committee includes members from each board to ensure a holistic view to the Museum's goals and objectives and its fundraising initiatives. Other ad-hoc joint board committees operate as need arises.

EXECUTIVE OFFICERS:

- Lawrence Wheeler, Director and CEO
- Caterri Woodrum, Chief Deputy Director and Chief Financial Officer

TEAM EXPERIENCE



1. Lawrence Wheeler, Director and CEO

- Lawrence Wheeler was named director of the NCMA in October 1994. Since then, the Museum has become one of the leading art museums in the American South. Its program of major exhibitions—including *Rembrandt in America* and *Monet in Normandy*—have attracted hundreds of thousands of visitors to the Museum from across the nation and around the world. Dr. Wheeler has worked to develop the Museum’s collection; including securing a gift of 29 Rodin sculptures from the Cantor Foundation, making the NCMA the largest repository of Rodin’s work in the American South. He has also helped build the modern and contemporary collections, including gifts of works of art including — Milton Avery, Richard Diebenkorn, Helen Frankenthaler, Ellsworth Kelly, Robert Motherwell, Frank Stella, and many others. In addition to the collections, he oversaw the completion of the NCMA's award winning 127,000 square foot West Building in 2010.
- Dr. Wheeler’s awards include the Chevalier of the Order of Arts and Letters from the Republic of France, the Medal of Arts from the city of Raleigh, the Leadership Award from the Triangle Business Journal, the Design Guild Award from the North Carolina State University College of Design, and the Thad Eure Memorial Award from the Greater Raleigh Convention and Visitors Bureau. In December

2000 he was named Tar Heel of the Year by the Raleigh News and Observer, which called him “the godfather of the Triangle’s cultural boom” and cited his skill at melding “arts, politics, and commerce into a powerful new cultural force.” In November 2010 Wheeler received the inaugural Mary D. B. T. Semans Award for Distinguished Service to the Arts from Duke University’s Nasher Museum of Art.

- Dr. Wheeler holds BA degrees in history and French from Pfeiffer College and a MA and Ph.D. in European history from the University of Georgia.

2. Caterri Woodrum, Chief Deputy Director and Chief Financial Officer

- Caterri Woodrum is the Chief Deputy Director and Chief Financial Officer for the North Carolina Museum of Art in Raleigh, NC. In her role, she is responsible for all aspects of business operations and financial performance for the Museum and its earned income business units (Iris Restaurant, the Museum retail operations, and the NCMA Performing Arts program). Caterri also oversees the operations of the North Carolina Museum of Art Foundation which provides the majority of funding for the Museum.
- Caterri is an accomplished CPA with over twenty-five years of senior financial and managerial experience in long-range planning, budgeting, financial reporting, business operations, public accounting, auditing, recruiting, consulting and process enhancement. She has been with the Museum for 11 years.
- Caterri’s expertise stems from a strong background in financial and operational management within the pharmaceutical industry in addition to a foundation in public accounting and consulting. She held several positions of increasing responsibility during her tenure at GlaxoSmithKline, including North American Director of Audit & Consulting Services, North American Director of Consolidated Budgeting, Financial Reporting, and Accounting Services, and Controller of Commercial Operations and Administration. Caterri was recruited into the pharmaceutical industry from her auditing career with Price Waterhouse.

3. Linda Dougherty, Chief Curator and Curator of Contemporary Art

- Linda Johnson Dougherty is the Chief Curator & Curator of Contemporary Art at the North Carolina Museum of Art, where she oversees the contemporary art collection, organizes exhibitions, and develops artists’ projects for the Museum Park. She co-directed the public art program for the state of North Carolina for several years and prior to that she was a curator at The Phillips Collection, a research associate at the National Gallery of Art, and a research assistant at the National Museum of American Art in Washington, DC.
- As an independent curator and critic based in Chapel Hill, she contributed reviews and articles on contemporary art to numerous national art publications, and has

also written exhibition catalogues and guest curated exhibitions for museums and contemporary art centers in North Carolina and throughout the United States. She has a BA in Art History from Wesleyan University and an MA in Art History from Williams College.

4. Dan Gottlieb, Director of Planning, Design and Museum Park

- Dan Gottlieb oversees museum planning and design of NCMA's 164-acre campus - its buildings and Museum Park. He holds degrees in studio art, environmental design, and art administration and has led planning and design departments for three museums, since 1984. In 25 years with the North Carolina Museum of Art Dan has focused museum planning on integrating formal and informal experiences with art, utilizing sustainable practices. He oversees the ongoing transformation of the museum's former prison site into cultural and recreational destination. Completed NCMA projects include an award-winning day-lit 127,000 square foot gallery building (Thomas Phifer, architect); myriad artist commissions for the Museum Park; an innovative storm water demonstration pond and environmental restorations; a 3-mile recreational trail system; and PICTURE THIS – a collaboration with artist Barbara Kruger and architects Smith-Miller + Hawkinson. A large-scale project is now underway to complete Museum Park with new urban and gallery-park connections. Dan currently serves as Vice President of the Blue Ridge Corridor Alliance, advocating for improvements to the museum's urban fabric.
- Dan has lectured extensively on museum practice, design and architecture, is a frequent visiting studio critic, and is an exhibiting artist. Publications include *Landscapes for Art, Redrawing the Boundaries: Toward a New Museum Campus*, and *Sustainable Museums: Strategies for the 21st Century*.

5. Sam Adams, Capital Project Coordinator NCMA

- Sam Adams is a designer that oversees architectural projects and improvements to museum facilities. His recent projects include the SECU Distance Learning Education Center; a renovation to the auditorium, classrooms, galleries, and meeting spaces allowing the museum to connect digitally to classrooms across the state, and a 10,000 SF Art Storage renovation, expansion, and roof replacement that doubles the capacity for the museums growing collection.
- He received a Bachelor of Architecture from The University of North Carolina at Charlotte. He has over 10 years of experience in architecture and construction having worked as a designer at Cherry Huffman Architects, Dan Huffman Architecture, and Ratio Architects before joining the museum staff in 2014. He has currently been accepted to the 2016 American Institute of Architects Leadership Forum training program.

6. Rachel Woods, Curator of Horticulture and Sustainability

- Rachel Woods manages the horticulture and sustainability programs for NCMA's park, including grounds planning, developing responsible land management guidelines, and project management. Her work focuses on providing NCMA visitors with engaging and educational experiences that combine art, nature, and recreational programming.
- Rachel's has more than 10 years of experience in the private and public sectors. Prior to joining NCMA, she worked at the NC Zoo as Curator of Exterior Horticulture, overseeing project management, developing educational tours, directing environmental policy, and curating the plant collection for the 500-acre park. Rachel was a Restoration Ecologist for Eco Logic, LLC, where she designed and implemented ecological restorations for clients. After graduating from college, Rachel served as a Peace Corps volunteer in Panama working to implement sustainable farming and fishing practices with local residents.
- Rachel holds a BS in Biology and Environmental Science from Ohio Northern University, and an MS in Environmental Science and an MPA in Environmental Policy from Indiana University Bloomington.

7. Marjorie Hodges, Director of External Relations and Special Projects

- Marjorie Hodges has served as Director of External Relations and Special Projects for the North Carolina Museum of Art since July 2015. Her role focuses on community outreach, audience development, the Museum's travel program, and the *Art in the Environment Initiative* for the Museum's 164-acre park. Prior to joining the NCMA, she held positions at institutions and corporations including Walt Disney World, Pfizer, and the Contemporary Art Museum Raleigh.
- She currently serves on the Boards of Global North Carolina – coalition for global competitiveness, UNC Chapel Hill and the Dix Park Conservancy Board of Directors. Marjorie is a graduate of the University of Georgia's Terry College of Business.

8. Ellen Stone, Director of Development

- Ellen Stone has served as Director of Development for the North Carolina Museum of Art since March 2004. Ellen oversees a Development staff of eight and is responsible for raising individual and corporate memberships, individual and corporate donations, grants, planned gifts and in-kind goods and services. In response to the publicly funded expansion of the Museum's new West Building in 2010, Ellen oversaw a seven year campaign, *Our Transformation*, which concluded successfully in April 2014. The \$50M goal represented the largest campaign in the Museum's history and raised private funds for programs, endowments, site enhancements and general operating support.
- Prior to joining the NCMA, collegiate tennis propelled Ellen into a twenty five year career in senior management positions for national and international sports events and organizations while based in Washington, DC and Atlanta, GA: Men's and women's professional tennis tournaments, Ted Turner's 1990 Goodwill Games and the 1996 Paralympics to name a few.

9. Jessica Robinson, Senior Grants Officer

- Jessica Robinson is the Senior Grants Officer at the North Carolina Museum of Art, where she manages all foundation and government grants for Museum exhibitions, programs, special projects, and general operating support. In addition, she oversees all functions of the grant program including prospecting, stewardship, and reporting.
- Jessica has more than 10 years of experience in all areas of fundraising including grant writing, campaigns, annual giving, major gifts, stewardship, corporate sponsorship, and event planning.

SIMILAR PROJECTS:

Demonstration Stormwater Pond:

\$1,500,000, funded by the Clean Water Trust Fund, completed 2010.

The three-acre stormwater pond is an innovative design that captures and cleans runoff from the northern 50 acres of the Museum's campus. The pond is connected to the West Building (see below), its landscape, roads and parking. Through a series of swales and planted terraces, runoff from storms is slowed and filtered to remove sediments and point-source pollutants before controlled release to into the Neuse River system.

The Pond was completed within budget and has become a major attraction for its beauty and educational value.

West Building:

\$72.3 million from the N.C. General Assembly, City of Raleigh, and Wake County, and \$4.5 million in private gifts for courtyards and gardens, completed in 2010.

The Director of Planning and Design oversaw the planning, design and completion of the NCMA's new West Building. Designed for the State's collection of art, it opened to national critical acclaim.

The West Building is an innovative design, allowing natural light in every area of the collection. It integrates gardens and art, as part of the campus-wide strategy of connecting people, art and nature. As simple as the building appears, it was an unusually complex undertaking: integrating environmental controlled galleries with sustainable features (including daylight and a 100,000 gallon cistern to maintain the landscape) to present elegant spaces for art.

The West Building was completed within budget and continues to attract visitors from all over North Carolina, as well as tourists from all 50 states, and numerous foreign countries.

- **BOARD OF DIRECTORS (APPENDIX 5)**
- **LETTER OF SUPPORT (APPENDIX 6)**

ART & DESIGN

A Park as an Extension of the Museum Itself

By J. PEDER ZANE MARCH 15, 2016

RALEIGH, N.C. — The highest point in this city is looking a little steeper this winter, thanks to the mounds of red earth exhumed by roaring excavators.

Crews are reconfiguring the land to create a new gathering space here. Come summer, this 17-acre site should be covered by 400 trees and more than 20 mounded gardens filled with native plants and walkways as well as bike paths connected to more than 100 miles of greenway stretching across Raleigh. In the center will be a manicured meadow welcoming aimless wanderers, sun worshipers and cultural events.

Many municipalities are developing ambitious new parks. But this \$13 million project is not the brainchild of a mayor's office or recreation advocates but the North Carolina Museum of Art, which owns the property.

Rather than a green apron for its two buildings, which are adjacent to the site, officials see this outdoor space as an extension of the museum — with a key difference. “We are dead set against overpopulating this area with works of art,” said Lawrence J. Wheeler, the museum's director. “We are not trying to create a sculpture garden but a unifying idea of what people perceive as a museum and what they perceive as a park.”

If the plan succeeds, Mr. Wheeler said, visitors will have a meaningful cultural experience whether they step inside the buildings to study paintings by Titian or

watch their dogs frolic in the artfully designed grounds. Officials hope to expand the idea and purpose of their museum at a time when cultural institutions around the world are foraging for ways to connect not just with a core audience but the general public.

Dan Gottlieb, the North Carolina museum's director of planning and design, argues that a museum is more than "just a place where buildings are contained."

"It is a social experience that creates a framework for social engagements," he said. "We are trying to get rid of the 'no' in the museum experience by offering a variety of experiences, so people can come here to see a film, ride a bike, come to a party, a wine tasting and, of course, enjoy our collection and exhibition."

The museum is far richer in land than most: Its park project involves just a small part of its 164-acre campus, which already includes trails, woodlands and 20 outdoor works of art. But the project's impetus also springs from a growing recognition among cultural groups that they must adapt to broad economic, political and social changes to survive.

"As their traditional means of support — their philanthropic donations, earned income, government support and their endowments — have come under attack during the last decade, nonprofits are under increasing pressure to demonstrate their public benefit," said Elizabeth Merritt, director of the Center for the Future of Museums in Washington. "They have to prove their worth to more than just select groups."

This is daunting, she said, because "maybe 5 percent of the public are real fans of museums."

The challenge, then, is determining how to reach out to more people and enlist their support without compromising an institution's purpose.

For many museums, this means viewing everything they do — the buildings they commission, the meals they serve, the gifts they sell — as integral to their mission. Instead of treating amenities as necessary evils, the institutions see them as opportunities to develop a museum brand. Ms. Merritt noted that the National

Museum of the American Indian in Washington uses its cafe “to allow people to experience Native American culture through food.”

With more young Americans viewing what they buy and how they spend their time as a reflection of their values, many institutions are extending the idea of stewardship beyond art collections to the well-being of local communities. “Museums need to be seen as good social citizens to earn support,” Ms. Merritt said. “If you want to help people through art, it is not much of a leap to ask how you can help in other ways.”

This partly explains why concerns like health and environmental sustainability have become issues for cultural organizations. Ms. Merritt cited the Phipps Conservatory and Botanical Gardens in Pittsburgh, which has “created their own line of waters as an alternative to unhealthy soft drinks,” and the Project Row Houses, a community-based cultural organization in one of Houston’s oldest African-American neighborhoods that offers day care and a laundromat.

This mind-set also informs the park expansion, which it expects to complete this summer. Mr. Gottlieb extolled the potential social and health benefits of the project, and a commitment to sustainability that inspired the museum to invest \$1.5 million in creating a pond to handle storm-water runoff. He said that the initiative showed “how doing good in the world can be achieved through good design.”

Mark Johnson, president of Civitas, the Denver-based firm that is designing the park, sees the museum campus as a rich canvas for experimentation. “We are purposefully putting design interventions into a space — high-quality, beautifully proportioned gardens and promenades designed with a level of care to stimulate the thoughts and feelings, the sense of connection and wonder that people experience in the galleries,” he said.

Today’s cultural consumers are less content to be routed through rigidly defined spaces that provide ready-made experiences. Increasingly, they are drawn to places that offer a rich menu of interactive activities that allow them to control what they see and do.

The hope is that people, including those who feel intimidated by or excluded

from traditional museums, will come to consider the institution a welcoming place where they can define their own experience.

Arthur Cohen, chief executive of LaPlaca Cohen, a cultural marketing and strategy firm in New York, said that his company's annual Culture Track survey found that about 80 percent of respondents consider visiting a national or municipal park to be an authentic cultural experience on par with visiting a museum or attending a theater.

The finding underscores a growing sense that meaningful cultural encounters have less to do with engaging in a specific activity, like seeing a great painting or hearing a symphony, than in stoking transcendent ideas and emotions. "What's important is the feeling that they are encountering things they haven't seen before, that they are experiencing something that opens their minds and expands their sense of themselves and the world," Mr. Cohen said.

Mr. Gottlieb said that the Museum Park project reflected "memory mapping" research indicating that "if you ask people to remember an experience, they filter ideas that are more abstract."

"Generally, they tend to remember more social experiences, connected to participation and, if there is an option, more connected with nature," he said.

Yet Mr. Gottlieb emphasized that the museum's vision of its future should be tempered by a healthy dose of humility and uncertainty.

"It's important not to overbuild for function," he said. "Times change, people change. We are hoping to build a robust, beautiful framework that will leave enough room for people in the years ahead to decide what they need, what they want."

A version of this article appears in print on March 17, 2016, on page F12 of the New York edition with the headline: The Outdoors as Gallery .

North Carolina Museum of Art
 Combined State and Foundation Support - Cash Basis
Fiscal Year Ended June 30

APPENDIX 2

	2005	2006	2007	2008	2009	2010
Income						
State Appropriations (Net of Receipts)	4,394,995	4,310,966	4,621,862	4,744,375	4,668,346	5,828,881
Gifts, Grants & Memberships	4,172,582	4,734,917	4,620,425	3,561,611	3,153,934	8,103,575
Earned Income	4,323,322	2,565,402	8,850,205	3,045,200	2,441,804	1,823,397
Other Income	439,142	796,609	1,615,268	1,386,214	655,616	1,546,249
Total	13,330,041	12,407,894	19,707,760	12,737,400	10,919,700	17,302,102
Operating Expenses						
Personnel Costs	7,072,705	7,156,194	8,389,861	8,165,669	8,205,856	8,757,476
Contract Services	1,715,016	1,178,431	1,153,092	1,101,317	1,140,447	1,084,130
Earned Income Expense	587,067	557,655	1,828,183	906,753	606,833	713,354
Printing & Advertising	440,988	610,752	901,492	540,472	877,571	733,699
Programming Expense	648,564	757,755	1,372,534	406,772	203,600	895,011
Equipment Purchases/Rental/Maint	95,014	176,656	128,622	191,495	202,503	310,869
All Other	907,019	1,361,391	2,031,797	1,601,833	1,498,007	1,593,641
Total	11,971,213	11,798,834	15,805,581	12,914,311	12,734,817	14,448,345
Change in Net Assets	1,358,828	609,060	3,902,179	(176,911)	(1,815,117)	2,853,757
	-					
State Contribution	33.0%	34.7%	23.5%	37.2%	42.8%	33.7%
Foundation Contribution	67.0%	65.3%	76.5%	62.8%	57.2%	66.3%
Total Operating Revenue	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

North Carolina Museum of Art
 Combined State and Foundation Support - Cash Basis
Fiscal Year Ended June 30

APPENDIX 2

	2011	2012	2013	2014	2015	Budget 2016	%
Income							
State Appropriations (Net of Receipts)	6,158,382	5,652,457	5,551,843	5,535,920	5,768,633	5,931,138	31%
Gifts, Grants & Memberships	7,466,670	8,419,147	5,497,942	10,798,464	17,304,740	5,544,751	29%
Earned Income	4,639,565	6,032,031	3,436,427	5,021,538	4,351,940	5,110,905	27%
Other Income	1,484,119	1,504,627	2,487,346	1,917,958	3,806,474	2,477,994	13%
Total	19,748,736	21,608,262	16,973,558	23,273,880	31,231,787	19,064,787	100%
Operating Expenses							
Personnel Costs	10,658,890	10,341,513	9,389,943	10,162,024	10,347,959	10,668,116	61%
Contract Services	749,211	1,089,850	2,086,086	1,323,813	1,975,353	983,075	6%
Earned Income Expense	1,288,455	1,470,259	1,024,252	1,273,604	1,127,472	1,127,819	6%
Printing & Advertising	829,077	1,069,537	710,704	593,775	447,175	755,877	4%
Programming Expense	1,331,827	1,616,393	1,139,642	1,124,754	1,721,008	1,386,897	8%
Equipment Purchases/Rental/Maint	266,379	212,657	304,216	393,228	276,533	503,090	3%
All Other	1,112,829	1,515,534	1,482,883	3,087,735	2,471,612	2,164,998	12%
Total	16,236,668	17,315,744	16,137,726	17,958,933	18,367,112	17,589,871	100%
Change in Net Assets	3,512,068	4,292,518	835,832	5,314,947	12,864,675	1,474,916	
State Contribution	31.2%	26.2%	32.7%	23.8%	18.5%	31.1%	
Foundation Contribution	68.8%	73.8%	67.3%	76.2%	81.5%	68.9%	
Total Operating Revenue	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	

NORTH CAROLINA MUSEUM OF
ART FOUNDATION, INC.

Financial Statements

June 30, 2015 and 2014

(With Independent Auditors' Report Thereon)

BATCHELOR, TILLERY & ROBERTS, LLP

CERTIFIED PUBLIC ACCOUNTANTS

POST OFFICE BOX 18068

RALEIGH, NORTH CAROLINA 27619

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Independent Auditors' Report

The Board of Directors
North Carolina Museum of Art Foundation, Inc.:

Report on the Financial Statements

We have audited the accompanying financial statements of the North Carolina Museum of Art Foundation, Inc. (the "Foundation") (a nonprofit organization), which comprise the statements of financial position as of June 30, 2015 and 2014, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 auditors consider 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 North Carolina Museum of Art Foundation, Inc. as of June 30, 2015 and 2014, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Batchelor, Tillery & Roberts, LLP

January 21, 2016

NORTH CAROLINA MUSEUM OF
ART FOUNDATION, INC.

Statements of Financial Position

June 30, 2015, with comparative totals for 2014

		2015				
		<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>	2014
<u>Assets</u>						
Cash and cash equivalents	\$	4,640,168	12,461,907	101,155	17,203,230	7,122,454
Accounts receivable		54,098	999,995	-	1,054,093	1,052,522
Inventories, net		123,642	-	-	123,642	248,798
Contributions receivable (net of allowance of \$195,000 in 2015 and \$350,000 in 2014)		5,000	1,544,807	2,096,476	3,646,283	4,343,477
Investments, at fair value		1,650,000	7,766,993	25,485,006	34,901,999	34,896,674
Other assets		41,717	1,113,043	-	1,154,760	2,072,975
Property and equipment, net		5,504,473	-	-	5,504,473	4,784,421
Due (to) from other funds		<u>(3,696,717)</u>	<u>3,695,049</u>	<u>1,668</u>	<u>-</u>	<u>-</u>
	\$	<u>8,322,381</u>	<u>27,581,794</u>	<u>27,684,305</u>	<u>63,588,480</u>	<u>54,521,321</u>
<u>Liabilities and Net Assets</u>						
Liabilities:						
Accounts payable		156,501	-	-	156,501	138,634
Accrued expenses		604,005	2,477,682	-	3,081,687	4,089,855
Bond payable		<u>-</u>	<u>2,135,746</u>	<u>-</u>	<u>2,135,746</u>	<u>3,017,528</u>
Total liabilities		760,506	4,613,428	-	5,373,934	7,246,017
Commitments						
Net assets		<u>7,561,875</u>	<u>22,968,366</u>	<u>27,684,305</u>	<u>58,214,546</u>	<u>47,275,304</u>
	\$	<u>8,322,381</u>	<u>27,581,794</u>	<u>27,684,305</u>	<u>63,588,480</u>	<u>54,521,321</u>

(Continued)

NORTH CAROLINA MUSEUM OF
ART FOUNDATION, INC.

Statements of Financial Position, Continued

June 30, 2014

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
<u>Assets</u>				
Cash and cash equivalents	\$ 3,804,411	3,221,858	96,185	7,122,454
Accounts receivable	44,871	1,007,651	-	1,052,522
Inventories, net	248,798	-	-	248,798
Contributions receivable (net of allowance of \$350,000)	-	3,102,125	1,241,352	4,343,477
Investments, at fair value	829,996	9,707,743	24,358,935	34,896,674
Other assets	30,517	2,042,458	-	2,072,975
Property and equipment, net	4,784,421	-	-	4,784,421
Due (to) from other funds	<u>(3,132,447)</u>	<u>3,031,629</u>	<u>100,818</u>	<u>-</u>
	\$ <u>6,610,567</u>	<u>22,113,464</u>	<u>25,797,290</u>	<u>54,521,321</u>
<u>Liabilities and Net Assets</u>				
Liabilities:				
Accounts payable	138,634	-	-	138,634
Accrued expenses	553,820	3,536,035	-	4,089,855
Bond payable	<u>-</u>	<u>3,017,528</u>	<u>-</u>	<u>3,017,528</u>
Total liabilities	692,454	6,553,563	-	7,246,017
Commitments				
Net assets	<u>5,918,113</u>	<u>15,559,901</u>	<u>25,797,290</u>	<u>47,275,304</u>
	\$ <u>6,610,567</u>	<u>22,113,464</u>	<u>25,797,290</u>	<u>54,521,321</u>

See accompanying notes to financial statements.

NORTH CAROLINA MUSEUM OF
ART FOUNDATION, INC.

Statements of Activities

Year ended June 30, 2015, with comparative totals for 2014

		2015				
		Unrestricted	Temporarily restricted	Permanently restricted	Total	2014
Support and revenue:						
Contributions and transfers	\$	305,873	12,127,291	1,802,816	14,235,980	10,676,410
In-kind contributions		1,708,065	-	-	1,708,065	1,329,973
Investment return		(110,749)	(456,496)	-	(567,245)	4,808,448
Memberships		2,009,232	-	-	2,009,232	1,752,875
Program fees		1,703,874	-	-	1,703,874	1,842,038
Museum shop sales		522,976	-	-	522,976	767,070
Café sales		1,923,146	-	-	1,923,146	1,953,746
Other revenue		337,781	1,013,497	-	1,351,278	1,486,966
		<u>8,400,198</u>	<u>12,684,292</u>	<u>1,802,816</u>	<u>22,887,306</u>	<u>24,617,526</u>
Net assets released from restrictions						
		<u>5,191,628</u>	<u>(5,275,827)</u>	<u>84,199</u>	<u>-</u>	<u>-</u>
Total support and revenue		<u>13,591,826</u>	<u>7,408,465</u>	<u>1,887,015</u>	<u>22,887,306</u>	<u>24,617,526</u>
Expenses:						
Capital improvements		953,912	-	-	953,912	220,273
Programming		2,993,218	-	-	2,993,218	2,683,332
Museum operations		2,074,621	-	-	2,074,621	2,583,864
Museum shop operations		531,150	-	-	531,150	612,414
Café operations		1,791,631	-	-	1,791,631	1,745,815
Art purchases		423,859	-	-	423,859	1,553,045
Management and general		1,912,079	-	-	1,912,079	1,818,973
Membership development		537,922	-	-	537,922	490,553
Fundraising		729,672	-	-	729,672	806,589
Total expenses		<u>11,948,064</u>	<u>-</u>	<u>-</u>	<u>11,948,064</u>	<u>12,514,858</u>
Change in net assets		1,643,762	7,408,465	1,887,015	10,939,242	12,102,668
Net assets:						
Beginning of year		<u>5,918,113</u>	<u>15,559,901</u>	<u>25,797,290</u>	<u>47,275,304</u>	<u>35,172,636</u>
End of year	\$	<u>7,561,875</u>	<u>22,968,366</u>	<u>27,684,305</u>	<u>58,214,546</u>	<u>47,275,304</u>

(Continued)

NORTH CAROLINA MUSEUM OF
ART FOUNDATION, INC.

Statements of Activities, Continued

Year ended June 30, 2014

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
Support and revenue:				
Contributions and transfers	\$ 238,807	9,025,660	1,411,943	10,676,410
In-kind contributions	1,179,973	150,000	-	1,329,973
Investment return	18,482	4,789,966	-	4,808,448
Memberships	1,752,875	-	-	1,752,875
Program fees	1,842,038	-	-	1,842,038
Museum shop sales	767,070	-	-	767,070
Café sales	1,953,746	-	-	1,953,746
Other revenue	484,470	1,002,496	-	1,486,966
	<u>8,237,461</u>	<u>14,968,122</u>	<u>1,411,943</u>	<u>24,617,526</u>
Net assets released from restrictions	<u>5,342,652</u>	<u>(5,347,477)</u>	<u>4,825</u>	<u>-</u>
Total support and revenue	<u>13,580,113</u>	<u>9,620,645</u>	<u>1,416,768</u>	<u>24,617,526</u>
Expenses:				
Capital improvements	220,273	-	-	220,273
Programming	2,683,332	-	-	2,683,332
Museum operations	2,583,864	-	-	2,583,864
Museum shop operations	612,414	-	-	612,414
Café operations	1,745,815	-	-	1,745,815
Art purchases	1,553,045	-	-	1,553,045
Management and general	1,818,973	-	-	1,818,973
Membership development	490,553	-	-	490,553
Fundraising	806,589	-	-	806,589
Total expenses	<u>12,514,858</u>	<u>-</u>	<u>-</u>	<u>12,514,858</u>
Change in net assets	1,065,255	9,620,645	1,416,768	12,102,668
Net assets:				
Beginning of year	<u>4,852,858</u>	<u>5,939,256</u>	<u>24,380,522</u>	<u>35,172,636</u>
End of year	\$ <u>5,918,113</u>	<u>15,559,901</u>	<u>25,797,290</u>	<u>47,275,304</u>

See accompanying notes to financial statements.

NORTH CAROLINA MUSEUM OF
ART FOUNDATION, INC.

Statements of Cash Flows

Years ended June 30, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Cash flows from operating activities:		
Change in net assets	\$ 10,939,242	12,102,668
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Donated property and equipment	(1,550,000)	(1,024,000)
Realized and unrealized losses (gains) on investments	1,285,259	(3,949,062)
Depreciation	150,657	108,725
Permanently restricted contributions	(1,802,816)	(1,411,943)
Changes in operating assets and liabilities:		
Accounts receivable	(7,928)	1,338
Inventories	125,156	(3,284)
Contributions receivable, net	2,300,926	(1,329,362)
Other assets	(146,006)	(178,524)
Accounts payable	17,867	(49,879)
Accrued expenses	62,410	510,082
Net cash provided by operating activities	<u>11,374,767</u>	<u>4,776,759</u>
Cash flows from investing activities:		
Proceeds from disposals of investments and property	36,199,903	5,036,070
Purchases of investments	(35,940,487)	(5,500,748)
Purchases of property and equipment	(870,709)	(167,856)
Net cash used in investing activities	<u>(611,293)</u>	<u>(632,534)</u>
Cash flows from financing activities:		
Bond payable repayments	(881,782)	(842,900)
Permanently restricted contributions	199,084	815,140
Net cash used in financing activities	<u>(682,698)</u>	<u>(27,760)</u>
Net increase in cash and cash equivalents	10,080,776	4,116,465
Cash and cash equivalents, beginning of year	<u>7,122,454</u>	<u>3,005,989</u>
Cash and cash equivalents, end of year	\$ <u>17,203,230</u>	<u>7,122,454</u>
Supplemental disclosure of cash flow information:		
Cash paid for interest	\$ <u>151,989</u>	<u>192,512</u>
Noncash operating activities:		
Funding from Wake County, North Carolina included in other assets and accrued expenses	\$ <u>1,070,578</u>	<u>1,111,562</u>

See accompanying notes to financial statements.

NORTH CAROLINA MUSEUM OF
ART FOUNDATION, INC.

Notes to Financial Statements

June 30, 2015 and 2014

(1) Organization and Summary of Significant Accounting Policies

Organization

North Carolina Museum of Art Foundation, Inc. (the "Foundation") was incorporated by the General Assembly of the State of North Carolina on December 4, 1969. The purpose of the Foundation is to foster and promote the growth, progress, and general welfare of the North Carolina Museum of Art (the "Museum"). As a result, any expenditure for capital items, such as capital improvements or art purchases are reported as expenses of the Foundation because the resulting assets become property of the Museum.

The accompanying financial statements of the Foundation have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

The significant accounting policies of the Foundation are summarized below:

Net Assets

(a) Unrestricted Net Assets

Net assets that are not subject to donor-imposed stipulations.

(b) Temporarily Restricted Net Assets

Net assets subject to donor-imposed stipulations that may, or will, be met either by action of the Foundation and/or the passage of time.

(c) Permanently Restricted Net Assets

Net assets subject to donor-imposed stipulations that they be maintained permanently by the Foundation. Generally, the donors of these assets permit the Foundation to use all or part of the income earned on related investments for general or specific purposes. When the donor-imposed stipulations are not communicated at the time of the gift, the Foundation classifies these contributions as permanently restricted. When donor-imposed stipulations are finalized, these gifts are reclassified appropriately.

Cash and Cash Equivalents

The Foundation considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents except for certain money market funds which are a component of long-term investment portfolios (see note 2). Cash and cash equivalents include amounts held by the State of North Carolina Department of Treasury and a commercial bank.

NORTH CAROLINA MUSEUM OF
ART FOUNDATION, INC.

Notes to Financial Statements, Continued

June 30, 2015 and 2014

(1) Organization and Summary of Significant Accounting Policies, Continued

Investments

Investments in marketable securities are carried at fair value. Fair value is based on readily available market quotes.

Fair Value Measurements

FASB Accounting Standards Codification (ASC) 820-10 provides a single definition of fair value, together with a framework for measuring it, and requires additional disclosures about the use of fair value to measure assets and liabilities. The Foundation's adoption of FASB ASC 820-10 is currently limited to financial assets and liabilities measured at fair value and other nonfinancial assets and liabilities measured at fair value on a recurring basis.

FASB ASC 820-10 defines 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. This accounting standard establishes a fair value hierarchy which encourages an entity to maximize the use of observable inputs when measuring fair value. This hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority, Level 2 inputs consist of observable inputs other than quoted prices for identical assets, and Level 3 inputs are unobservable and have the lowest priority.

Financial Instruments

Various methods and assumptions were used to estimate the fair value of each class of financial instruments. Cash and cash equivalents, accounts and grants receivable, accounts payable and bond payable are valued at their carrying amount, which approximates fair value, due to their short maturities. Investments are reported at fair value as described above.

Contributions Receivable

Unconditional promises to give, supported by written documentation and considered collectible by management, are recorded as receivables and revenue in the year the promise is made. Pledges are recorded in the appropriate net asset category after discounting to the present value of future cash flows. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional. The Foundation uses the allowance method to determine uncollectible promises to give. The allowance is based on prior years' experience and management's analysis of specific pledges outstanding.

Property and Equipment

Purchased property and equipment is recorded at cost. Donated property and equipment is recorded at its fair value at the date of the donation. Depreciation is provided using the straight-line method over the estimated useful lives of the assets, which range from 3 to 10 years.

NORTH CAROLINA MUSEUM OF
ART FOUNDATION, INC.

Notes to Financial Statements, Continued

June 30, 2015 and 2014

(1) Organization and Summary of Significant Accounting Policies, Continued

Inventories

Inventories are valued at the lower of cost or market value using the first-in, first-out method. Inventories consist of books, publications and other items sold in the Museum shop and food items sold in the restaurant.

Investment Income

All investment income, gains and losses are recorded as changes in unrestricted net assets unless such income has been specifically restricted by donors of the related principal.

Income Taxes

The Foundation is recognized by the Internal Revenue Service as a not-for-profit organization under Section 501(c)(3) of the Internal Revenue Code. As a result, it has been determined to be exempt from federal and state income taxes.

Debt Issuance Costs

Expenses related to the registration and issuance of bonds and notes are carried at cost (\$51,500) and are being amortized over the life of the bonds and notes. Accumulated amortization totaled \$39,424 and \$34,120 as of June 30, 2015 and 2014, respectively.

Awards

Revenue and receivables for federal and state reimbursement awards are recognized as the related expenses are incurred. Other awards are recognized as receivables and revenue in the appropriate net asset category when any applicable conditions have been met.

In-Kind Contributions

The Foundation receives in-kind contributions, primarily in the form of advertising, contract services and donated property and equipment, which are recorded as expense or an asset and contribution revenue at the estimated fair value.

Volunteers have made contributions of their time to the Foundation. The value of this contributed time is not reflected in these financial statements since the services received do not create or enhance nonfinancial assets nor require specialized skills, and cannot reasonably be valued.

Advertising

Advertising costs are expensed as incurred.

NORTH CAROLINA MUSEUM OF
ART FOUNDATION, INC.

Notes to Financial Statements, Continued

June 30, 2015 and 2014

(1) Organization and Summary of Significant Accounting Policies, Continued

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 revenue and expenses during the reporting period. Significant estimates include allowances for uncollectible pledges and discounts on pledges and other receivables. Actual results could differ from those estimates.

(2) Investments

Investments are presented in the financial statements at fair value and consist of the following:

	<u>2015</u>	<u>2014</u>
Equity securities:		
Domestic mutual funds	\$ 6,935,457	11,191,003
International mutual funds	<u>11,386,055</u>	<u>6,826,776</u>
	<u>18,321,512</u>	<u>18,017,779</u>
Fixed income securities:		
Domestic mutual funds	5,791,136	5,033,927
International mutual funds	<u>10,435</u>	<u>2,508,901</u>
	<u>5,801,571</u>	<u>7,542,828</u>
Real estate asset funds	411,328	2,913,104
Commodity funds	2,746,423	-
Complementary strategies	3,434,230	3,388,791
Gift annuities invested in mutual funds	855,205	911,586
Short term reserves and cash	1,681,730	1,142,586
Real estate	-	830,000
Artwork	<u>1,650,000</u>	<u>150,000</u>
	<u>\$ 34,901,999</u>	<u>34,896,674</u>

The cost of investments as of June 30, 2015 and 2014, respectively, totaled \$37,665,515 and \$28,850,515.

During 2015 and 2014, the Foundation became the beneficiary of residential real estate and artwork having a total appraised value of \$1,650,000 and \$980,000, respectively. These items are recorded as investments on the Foundation's financial statements as unrestricted assets. The residential property, which was valued in March 2014 at \$830,000, based on an independent appraisal, less estimated selling costs, and recorded as such by the Foundation in 2014, was sold for \$729,000 on January 5, 2015 resulting in a loss totaling \$101,000. The artwork, valued at \$1,650,000, is being held as an investment as of June 30, 2015.

NORTH CAROLINA MUSEUM OF
ART FOUNDATION, INC.

Notes to Financial Statements, Continued

June 30, 2015 and 2014

(2) Investments, Continued

The classification of investments by level within the valuation hierarchy is as follows:

	Quoted prices (Level 1)	
	<u>2015</u>	<u>2014</u>
Equity securities	\$ 18,321,512	18,017,779
Fixed income securities	5,801,571	7,542,828
Real estate asset funds	411,328	2,913,104
Commodity funds	2,746,423	-
Complementary strategies	3,434,230	3,388,791
Gift annuities invested in mutual funds	855,205	911,586
Short term reserves and cash	<u>1,681,730</u>	<u>1,142,586</u>
	<u>\$ 33,251,999</u>	<u>33,916,674</u>

Real estate and artwork, totaling \$1,650,000 and \$980,000 as of June 30, 2015 and 2014, respectively, are valued at fair value based on independent appraisals (Level 2 inputs).

The following schedule summarizes investment return and its classification in the statement of activities for 2015:

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Total</u>
Dividends and interest	\$ 33,945	684,069	718,014
Net depreciation	<u>(144,694)</u>	<u>(1,140,565)</u>	<u>(1,285,259)</u>
	<u>\$ (110,749)</u>	<u>(456,496)</u>	<u>(567,245)</u>

The following schedule summarizes investment income and its classification in the statement of activities for 2014:

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Total</u>
Dividends and interest	\$ 18,529	840,857	859,386
Net appreciation (depreciation)	<u>(47)</u>	<u>3,949,109</u>	<u>3,949,062</u>
	<u>\$ 18,482</u>	<u>4,789,966</u>	<u>4,808,448</u>

Investment advisory fees and expenses totaled \$160,059 and \$98,241 in 2015 and 2014, respectively, and are included in functional expenses. Effective July 1, 2015, the board of directors approved an administrative fee of 0.6% per year of the fair market value of each fund as of July 1, to be transferred to general operations to offset expenses related to managing endowments. Administrative fees for 2015 were \$179,936.

NORTH CAROLINA MUSEUM OF
ART FOUNDATION, INC.

Notes to Financial Statements, Continued

June 30, 2015 and 2014

(2) Investments, Continued

The Foundation has received investment contributions from donors in the form of gift annuities. Under the terms of the agreements, the Foundation has agreed to pay each donor a life annuity of a percentage (ranging from 5.5% to 7.2%) of the initial fair market value of the investment. The fair market value of the investments and the related liabilities to the donors are as follows:

	2015		2014	
	<u>Investments</u>	<u>Liability</u>	<u>Investments</u>	<u>Liability</u>
Agreement A	\$ 46,595	-	46,569	-
Agreement B	315,933	190,209	347,562	209,505
Agreement C	14,312	8,414	16,151	9,556
Agreement D	18,960	-	20,078	-
Agreement E	95,741	53,265	101,740	55,923
Agreement F	25,311	10,498	27,092	11,469
Agreement G	103,979	57,141	109,666	59,458
Agreement H	130,144	-	132,811	-
Agreement I	104,230	52,819	109,917	55,372
	<u>\$ 855,205</u>	<u>372,346</u>	<u>911,586</u>	<u>401,283</u>

(3) Property and Equipment

Property and equipment consist of the following:

	<u>2015</u>	<u>2014</u>
Land	\$ 4,530,000	4,530,000
Equipment	1,158,408	938,397
Furniture and fixtures	78,012	61,239
Construction in process	<u>633,925</u>	<u>-</u>
	6,400,345	5,529,636
Less accumulated depreciation	<u>(895,872)</u>	<u>(745,215)</u>
	<u>\$ 5,504,473</u>	<u>4,784,421</u>

On December 4, 2012, the North Carolina Council of State approved the transfer of approximately 34 acres of property located along the easterly side of Blue Ridge Road and part of the Museum Park from the State of North Carolina to the Foundation. The property has an estimated fair value of \$4,530,000, based on an independent appraisal. Contributions from donors are being used to fund the construction of a new campus entrance and streetscape which will increase parking capacity and expand the bicycle and walking paths connecting the Museum's gallery buildings to the Museum Park. Design costs totaling \$633,925 have been incurred and recorded as construction in process as of June 30, 2015. The property has certain reversionary restrictions only if state statutes are violated.

NORTH CAROLINA MUSEUM OF
ART FOUNDATION, INC.

Notes to Financial Statements, Continued

June 30, 2015 and 2014

(4) Contributions Receivable

Contributions receivable as of June 30, 2015 are scheduled to be received as follows:

Within one year	\$ 2,045,236
Within two years	921,725
Within three years	297,675
Within four years	198,682
Within five years	137,050
Beyond five years	<u>300,150</u>
	3,900,518
Less allowances for uncollectible contributions	(195,000)
Less discounts to present value	<u>(59,235)</u>
	<u>\$ 3,646,283</u>

As of June 30, 2015 and 2014, the following pledges to the Foundation were outstanding:

	Unrestricted <u>restricted</u>	Temporarily <u>restricted</u>	Permanently <u>restricted</u>	2015 <u>Total</u>	2014 <u>Total</u>
Zoe Webster Flower Fund	\$ -	-	20,000	20,000	20,000
Art Storage	-	5,000	-	5,000	-
Museum Park - Art	-	-	-	-	35,000
Capital Campaign Greek Endowment	-	-	40,000	40,000	84,000
Capital Campaign General Endowment	-	-	977,382	977,382	1,086,000
Capital Campaign Judaic Endowment	-	-	18,000	18,000	19,000
Capital Campaign Landscaping	-	46,000	-	46,000	75,228
Capital Campaign Judaic Gallery	-	28,252	-	28,252	25,816
Capital Campaign Transition	-	548,262	-	548,262	750,267
Capital Campaign Garden Walk	-	-	-	-	30,000
Capital Campaign Conservation	-	6,000	-	6,000	7,000
Capital Campaign Gift Annuity	-	-	100,000	100,000	100,000
Capital Campaign - Education	-	361,000	-	361,000	721,000
Capital Campaign Park Theater	-	50,000	-	50,000	100,000
SECU Renovation	-	677,172	-	677,172	1,615,000
Capital Campaign - Park Water	-	-	5,000	5,000	7,500
Judaic Endowment	-	-	2,950	2,950	2,600
Sponsorship and dues	5,000	-	-	5,000	56,750
Capital Campaign Kuntskamer Gallery	-	10,500	-	10,500	22,800
Rodin Sculptures	-	-	-	-	10,000
Fitness Guide	-	-	-	-	20,000
Exhibition Endowment	<u>-</u>	<u>-</u>	<u>1,000,000</u>	<u>1,000,000</u>	<u>-</u>
	5,000	1,732,186	2,163,332	3,900,518	4,787,961
Less allowances for uncollectible contributions	-	(175,000)	(20,000)	(195,000)	(350,000)
Less discounts to present value (0.72% - 2.54%)	<u>-</u>	<u>(12,379)</u>	<u>(46,856)</u>	<u>(59,235)</u>	<u>(94,484)</u>
	<u>\$ 5,000</u>	<u>1,544,807</u>	<u>2,096,476</u>	<u>3,646,283</u>	<u>4,343,477</u>

NORTH CAROLINA MUSEUM OF
ART FOUNDATION, INC.

Notes to Financial Statements, Continued

June 30, 2015 and 2014

(4) Contributions Receivable, Continued

As of June 30, 2015, seven pledges represent 82% of gross pledges outstanding. As of June 30, 2014, eight pledges represent 81% of gross pledges outstanding.

In light of uncertainty regarding collectability of pledges, management has maintained an allowance for uncollectible contributions of \$195,000 and \$350,000 as of June 30, 2015 and 2014, respectively.

The Foundation has been named as a beneficiary in various wills, in some of which the value is unknown, and some for which amounts have been designated totaling approximately \$10 million. Because these gifts are conditional, no amounts have been recognized in the accompanying financial statements.

(5) Other Assets and Accrued Liabilities

The Foundation and Wake County executed an agreement dated June 29, 2007, pursuant to which the County has agreed to make payments to the Foundation in a total amount of \$15,000,000 in order to support the construction of an expansion to the North Carolina Museum of Art. These funds are restricted for payment of expansion related construction costs as needed over the estimated three-year construction period that began January 2007. The first \$6,000,000 disbursement under this agreement was due on June 30, 2007, and revenue was recognized in 2007. Payment was received on July 6, 2007. The remaining \$9,000,000 is payable in equal monthly installments of \$83,333 beginning on September 30, 2008 through September 30, 2017. As of June 30, 2015, the long and short-term value of this receivable is \$1,083,365 (less a discount of \$28,023) and \$999,995, respectively. As of June 30, 2014, the long and short-term value of this receivable is \$2,083,361 (less a discount of \$98,605) and \$999,996, respectively. A corresponding amount is included in accrued expenses as of June 30, 2015 and 2014, as revenue recognition is being deferred until future payments are received. Revenue related to this agreement of \$999,996 was recognized in 2015 and 2014, respectively.

(6) Bond Payable

As the construction period for the Museum's expansion occurred over a three-year period during which funds to complete construction were required, the Foundation sought from a local lending institution a tax-exempt non-recourse loan secured solely by the payments under the Wake County Agreement described in note 5. A bond purchase agreement between the lending institution, the Wake County Industrial Facilities and Pollution Control Financing Authority (the "Authority") and the Foundation was executed on January 1, 2008, in the amount of \$7,176,605. The proceeds of the bond (\$7,176,605 less issuance expenses of \$50,000) were loaned to the Foundation which immediately granted them to the State of North Carolina to be invested for the benefit of the expansion project until such funds were required to pay construction costs.

NORTH CAROLINA MUSEUM OF
ART FOUNDATION, INC.

Notes to Financial Statements, Continued

June 30, 2015 and 2014

(6) Bond Payable, Continued

As of June 30, 2015, the outstanding bond payable is \$2,135,746 under the loan agreement with the Authority in connection with the issuance of the Bond. The Authority has pledged and assigned all rights, title and interest in the aforementioned loan agreement, except for certain rights under the loan agreement, to a commercial bank as Bond trustee. The Foundation's obligation to make payments under the loan agreement is limited to payments received by the Foundation under the Agreement with Wake County. Accrued interest payable on the bonds totaled \$4,982 and \$7,212 as of June 30, 2015 and 2014, respectively.

The Bond is subject to mandatory sinking fund redemptions on the 10th of each month beginning October 10, 2008. As of June 30, 2015, the following principal amounts plus accrued interest at 4.5% are due:

<u>Year ending June 30,</u>		
2016	\$	922,457
2017		965,010
2018		<u>248,279</u>
	\$	<u><u>2,135,746</u></u>

Interest expense for 2015 and 2014 was \$139,795 and \$175,957, respectively.

(7) Line of Credit

The Foundation has a \$1,500,000 line of credit with interest at the bank's one month LIBOR rate plus 2.50% (2.687% as of June 30, 2015). Subject to priority given under other loan agreements, substantially all of the Foundation's assets are pledged as collateral. As of June 30, 2015 and 2014, there was no balance outstanding on the line of credit. The line of credit is subject to certain covenants with which the Foundation was in compliance as of June 30, 2015 and 2014.

NORTH CAROLINA MUSEUM OF
ART FOUNDATION, INC.

Notes to Financial Statements, Continued

June 30, 2015 and 2014

(8) Net Assets

Temporarily restricted net assets are available for the following purposes:

	<u>2015</u>	<u>2014</u>
Education programs and exhibits	\$ 5,585,292	7,406,676
Museum operations	209,562	523,821
Art purchases	2,586,252	3,268,513
Museum capital improvements and capital campaign	<u>14,587,260</u>	<u>4,360,891</u>
	\$ <u>22,968,366</u>	<u>15,559,901</u>

Permanently restricted net assets are restricted to investment in perpetuity, the income from which is expendable to support:

	<u>2015</u>	<u>2014</u>
Education programs and exhibits	\$ 16,440,156	14,902,737
Museum operations	4,734,940	4,472,223
Art purchases	<u>6,509,209</u>	<u>6,422,330</u>
	\$ <u>27,684,305</u>	<u>25,797,290</u>

Net assets were released from donor restrictions by incurring expenses satisfying the following purpose restrictions specified by donors:

	<u>2015</u>	<u>2014</u>
Education programs and exhibits	\$ 2,325,815	2,373,532
Museum operations	285,499	903,528
Art purchases	680,397	1,517,220
Museum capital improvements and capital campaign	<u>1,899,917</u>	<u>548,372</u>
	\$ <u>5,191,628</u>	<u>5,342,652</u>

NORTH CAROLINA MUSEUM OF
ART FOUNDATION, INC.

Notes to Financial Statements, Continued

June 30, 2015 and 2014

(9) Endowment Net Assets

Interpretation of Relevant Law

The Board of Directors of the Foundation has interpreted relevant state law as requiring the preservation of the 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 Foundation classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, and (b) the original value of subsequent gifts to the permanent endowment. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are expended by the Foundation in a manner consistent with the relevant endowment fund. The Foundation considers the following factors in making a determination to spend or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund
- (2) The purposes of the Foundation 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 Foundation
- (7) The investment policies of the Foundation.

Return Objectives and Risk Parameters

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment. The investment policy was developed with the long-term interests of the endowment in mind and adheres to accepted investment and financial management principles. The investment policy is designed to ensure prudent management of the assets in order to serve the best long-term interests of the Foundation.

Endowment assets include those assets of donor-restricted funds that the Foundation must hold in perpetuity or for a donor-specified period(s), as well as any board-designated endowment funds. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of a benchmark portfolio and its respective market index. In light of the endowment's long-term horizon, the endowment can assume an above-average level of risk.

The Foundation expects its endowment funds, over time, to provide a total real rate of return (return over the rate of inflation) of 5%, net of fees, over a three-year rolling average. Actual returns in any given year may vary from this amount.

NORTH CAROLINA MUSEUM OF
ART FOUNDATION, INC.

Notes to Financial Statements, Continued

June 30, 2015 and 2014

(9) Endowment Net Assets, Continued

Funds with Deficiencies

From time to time, the historic value of assets associated with individual endowment funds may fall below the level of the original gift. For donor-restricted funds, the donor instructions, if any, will be followed with respect to drawdown of funds below original gift value. For those funds that are board-restricted, the board may, if in its judgment and on a case-by-case basis, determines it is prudent and justified, continue to allow the drawdown of assets from that fund. In accordance with generally accepted accounting principles, deficiencies of this nature for both donor- and board-restricted funds will be reported in the Foundation financial statements, and there were none as of June 30, 2015 and 2014.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation targets a diversified asset allocation for its entire investment portfolio that places an emphasis on equity-based and fixed income mutual funds and cash equivalents to achieve its long-term return objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Foundation has a policy of appropriating for distribution each year at least 5% of the endowment funds. In establishing this policy, the Foundation considered the long-term expected return on its endowment. Investment returns in excess of the annual distribution remain invested in the endowment and will earn additional returns until appropriated in future years. This is consistent with the Foundation's objective to maintain the endowment assets in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

NORTH CAROLINA MUSEUM OF
ART FOUNDATION, INC.

Notes to Financial Statements, Continued

June 30, 2015 and 2014

(9) Endowment Net Assets, Continued

The composition of donor-restricted endowment investments, excluding annuities and real estate and artwork donated in 2014 and 2015, by type of fund is as follows:

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
Balance, June 30, 2013	\$ 600	5,307,617	23,427,606	28,735,823
Investment return:				
Dividends and interest	12	813,894	-	813,906
Net appreciation (realized and unrealized)	(47)	3,869,205	-	3,869,158
Investment expenses	(1)	(98,240)	-	(98,241)
Total investment return	<u>(36)</u>	<u>4,584,859</u>	<u>-</u>	<u>4,584,823</u>
Contributions	-	19,666	455,172	474,838
Appropriation of endowment assets for expenditure	<u>(567)</u>	<u>(788,829)</u>	<u>(1,000)</u>	<u>(790,396)</u>
Balance, June 30, 2014	(3)	9,123,313	23,881,778	33,005,088
Investment return:				
Dividends and interest	-	637,106	-	637,106
Net appreciation (realized and unrealized)	-	(1,119,864)	-	(1,119,864)
Investment expenses	-	(160,744)	-	(160,744)
Total investment return	<u>-</u>	<u>(643,502)</u>	<u>-</u>	<u>(643,502)</u>
Contributions	-	19,703	1,042,135	1,061,838
Appropriation of endowment assets for expenditure	<u>-</u>	<u>(1,125,440)</u>	<u>98,810</u>	<u>(1,026,630)</u>
Balance, June 30, 2015	\$ <u>(3)</u>	<u>7,374,074</u>	<u>25,022,723</u>	<u>32,396,794</u>

NORTH CAROLINA MUSEUM OF
ART FOUNDATION, INC.

Notes to Financial Statements, Continued

June 30, 2015 and 2014

(10) Related Party Transactions

The Foundation is related to the Museum since the purpose of the Foundation is to foster and promote the growth, progress, and general welfare of the Museum. Expenditures in support of the Museum for 2015 and 2014, respectively, were \$11,948,064 and \$12,514,858. The Foundation uses office space provided by the Museum at no cost.

On July 1, 2010, the Foundation entered into a five-year consulting agreement with the Director of the Museum, a state employee. Under this agreement the Director would lend his expertise to the Foundation in the cultivation and solicitation of collectors and campaign donors outside of the State of North Carolina and lead the Museum to the highest international standards. This agreement continues through June 30, 2015 with automatic one-year renewal periods thereafter subject to certain termination provisions for death, disability, or termination with cause or by notice.

The agreement provides for an annual fee to be paid in a lump sum on July 1 of each calendar year equal to 4% of the Director's then current annual salary adjusted for any increase in salary the Director receives during the year in his State role. The Director will receive \$100,000 each year as a retention fee payable at the end of each fiscal year beginning June 30, 2011 as well as \$20,000 annually, payable in quarterly installments, in lieu of expense reimbursements for automobile, insurance, and annual physical checkups. The agreement also provides for discretionary bonus payments as approved by the Foundation's board based on the achievement of objectives annually determined by the Board. As of June 30, 2015, and 2014, respectively, no bonus payments were accrued related to the Director's performance under this provision of the agreement. However, during the fiscal years ending June 30, 2015 and 2014, the Foundation awarded interim discretionary bonuses totaling \$100,000 each year to the Director based on achievement of certain interim financial performance objectives related to programming and cultivation of collectors. The total expense for 2015 was \$230,617.

Effective July 1, 2015, the Foundation revised its consulting agreement with the Director of the Museum for a two-year term. Under this revised agreement the Director would continue to lend his expertise to the Foundation in the cultivation and solicitation of collectors and donors primarily outside of the State of North Carolina. This agreement continues through June 30, 2017 subject to certain termination provisions for death, disability, or termination with cause or by notice.

The agreement provides for quarterly consulting fees in the amount of \$33,750 to be paid to the Director each fiscal quarter-end beginning September 30, 2015, and a semi-annual retention fee of \$50,000 payable December 31 and June 30 during the term, as long as the Director is providing services under the agreement at the time such payment is due. These payments are subject to certain termination provisions for death, disability or termination with cause.

(11) Benefit Plans

The Foundation maintains a 401(k) Plan (the "Plan"). Foundation contributions are discretionary with a match of up to 4% of the employee's compensation. Employees are eligible to participate in the Plan upon reaching the age of 21 and completion of one year of service. Employees become fully vested ratably over a four-year period commencing from date of hire. The Foundation contributed \$205,684 to the Plan in 2015 and \$190,619 to the Plan in 2014.

NORTH CAROLINA MUSEUM OF
ART FOUNDATION, INC.

Notes to Financial Statements, Continued

June 30, 2015 and 2014

(12) Advertising

Total advertising costs of the Foundation during 2015 and 2014 totaled \$235,982 and \$476,954, respectively.

(13) Risks and Uncertainties

Financial instruments, which potentially subject the Foundation to concentration of credit risk, consist principally of cash and cash equivalents, investments in marketable securities and contributions and accounts receivable. Cash and cash equivalents are insured by the Federal Deposit Insurance Corporation up to certain limits, and the uninsured balance totaled \$16,953,230 as of June 30, 2015. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities and contributions receivable, it is at least reasonably possible that changes in the values of investment securities and realizable values of contributions receivable will occur in the near term and such changes could materially affect the amounts reported in the statements of financial position and of activities. As discussed in note 1, the Foundation provides an allowance for estimated uncollectable contributions and accounts receivable.

(14) Subsequent Events

On December 30, 2015, the Foundation initiated a sub-line on its existing line of credit (see note 7) in order to provide an irrevocable standby letter of credit in the amount of \$126,000 to the benefit of the City of Raleigh. The letter of credit is in lieu of a cash deposit otherwise required by the City of Raleigh pending the completion of certain construction activities associated with parking and landscape improvements currently being undertaken to the Foundation's property abutting Blue Ridge Road (see note 3). The letter of credit expires on December 30, 2016 or upon completion of the construction activities consistent with the conditions requested by the City of Raleigh, whichever comes first.

Management has evaluated subsequent events through January 21, 2016, the date on which the Foundation's financial statements became available for issuance, and has determined that no additional disclosures or adjustments relating to subsequent events are necessary in the accompanying financial statements.

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2015-2016**

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June 10, 2016

Dr. Lawrence J Wheeler
Director and CEO
North Carolina Museum of Art
4630 Mail Service Center
Raleigh, NC 27699-4630

Dear Dr. Wheeler,

It is my pleasure to support the North Carolina Museum of Art's request for proposal for FY2016 Major Facilities Capital Projects Funding from Wake County to support the completion of the Museum Park Expansion Project.

I have served as a member of the Board of Trustees (NCMA) and NCMA Foundation Board of Directors since 2000. The team's ability to complete complex and multi-million dollar projects has been proven numerous times in the past including the completion of the new West Building in 2010, the renovation and expansion of the Art Storage Facility in 2014, the renovation and upgrade to the SECU Auditorium and education spaces in 2014, as well as the current Museum Park Expansion project (scheduled to be completed in November 2016).

Completion of this project will allow the NCMA to continue its mission to serve the citizens of North Carolina and to enrich lives through the power and wonder of art. It is my hope that the Wake County Board of Commissioners will support this critical project and approve the Museum's application for Major Facilities Capital Projects Funding.

Sincerely,



Ann B. Goodnight