



OKLAHOMA CITY MUSEUM OF ART, INC.
CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2021 and 2020
WITH
INDEPENDENT AUDITOR'S REPORT

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Oklahoma City Museum of Art, Inc.

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Oklahoma City Museum of Art, Inc. and its subsidiaries (collectively, the Museum) which comprise the consolidated statement of financial position as of June 30, 2021, and the related consolidated statements of activities and cash flows for the year then ended, and the related notes to the consolidated financial statements (collectively, the financial statements).

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Oklahoma City Museum of Art, Inc. and its subsidiaries as of June 30, 2021, and the results of their activities and their cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the 2020 financial statements of the Museum, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 18, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Hogan Taylor LLP

Oklahoma City, Oklahoma
February 11, 2022

OKLAHOMA CITY MUSEUM OF ART, INC.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

June 30, 2021 and 2020

	2021	2020
Assets		
Cash and cash equivalents	\$ 3,245,920	\$ 2,073,873
Grants and accounts receivable, net	2,333,945	891,599
Inventory, net	472,710	498,688
Prepaid expenses	526,259	255,463
Investments	21,008,028	18,105,108
Beneficial interest in assets held by others	5,708,253	4,844,392
Property and equipment, net	14,061,438	12,939,944
	\$ 47,356,553	\$ 39,609,067
Liabilities and Net Assets		
Liabilities:		
Accounts payable	\$ 128,332	\$ 245,199
Accrued liabilities	464,941	455,303
Notes payable	870,426	575,000
	1,463,699	1,275,502
Net assets:		
Without donor restrictions:		
Undesignated	3,879,449	689,013
Board designated	7,327,539	5,231,868
Invested in property and equipment, net	14,061,438	12,939,944
	25,268,426	18,860,825
With donor restrictions	20,624,428	19,472,740
	45,892,854	38,333,565
	\$ 47,356,553	\$ 39,609,067

OKLAHOMA CITY MUSEUM OF ART, INC.

CONSOLIDATED STATEMENTS OF ACTIVITIES

Year ended June 30, 2021

(with summarized totals for year ended June 30, 2020)

	2021			2020 Totals
	Without Donor Restrictions	With Donor Restrictions	Total	
Revenues, Gains and Other Support				
Contributions	\$ 2,215,756	\$ 572,200	\$ 2,787,956	\$ 2,538,165
Disaster relief funds	3,226,945	-	3,226,945	-
Fundraising events	245,527	289,550	535,077	318,690
Memberships	544,949	-	544,949	254,313
Admissions	256,611	-	256,611	673,677
Museum store sales	279,301	-	279,301	315,220
Museum of Art Cafe, Inc. sales	3,569	-	3,569	845,466
Museum Parking, LLC fees	122,249	-	122,249	157,645
In-kind donations	58,584	-	58,584	176,393
Miscellaneous	573	-	573	16,471
Net investment return	2,673,547	3,026,571	5,700,118	753,284
Net assets released from restrictions	2,736,633	(2,736,633)	-	-
Total revenues, gains and other support	12,364,244	1,151,688	13,515,932	6,049,324
Expenses				
Program services	4,235,338	-	4,235,338	4,408,220
Fundraising	437,533	-	437,533	530,792
Management and general	1,008,183	-	1,008,183	1,054,462
Other	275,589	-	275,589	1,236,133
Total expenses	5,956,643	-	5,956,643	7,229,607
Changes in net assets	6,407,601	1,151,688	7,559,289	(1,180,283)
Net assets, beginning of year	18,860,825	19,472,740	38,333,565	39,513,848
Net assets, end of year	\$ 25,268,426	\$ 20,624,428	\$ 45,892,854	\$ 38,333,565

OKLAHOMA CITY MUSEUM OF ART, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended June 30, 2021 and 2020

	2021	2020
Cash Flows from Operating Activities		
Changes in net assets	\$ 7,559,289	\$ (1,180,283)
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities:		
Depreciation	690,389	601,910
Loss on disposal of property and equipment	19,972	-
Net gains on investments	(5,337,019)	(309,040)
Forgiveness from Paycheck Protection Program note payable	(575,000)	-
Changes in operating assets and liabilities:		
Grants and accounts receivable	(1,442,346)	56,824
Inventory	25,978	(49,876)
Prepaid expenses	(270,796)	300,104
Accounts payable	(116,867)	50,072
Accrued liabilities	9,638	208,437
	563,238	(321,852)
Net cash provided by (used in) operating activities		
Cash Flows from Investing Activities		
Purchases of property and equipment	(1,831,855)	(175,896)
Purchases of investments	(7,358,572)	(6,629,150)
Proceeds from sales of investments	8,928,810	8,086,210
	(261,617)	1,281,164
Net cash provided by (used in) investing activities		
Cash Flows from Financing Activities		
Proceeds from note payable	1,000,000	575,000
Principal payments on note payable	(129,574)	(540,209)
	870,426	34,791
Net cash provided by financing activities		
Net increase in cash and cash equivalents	1,172,047	994,103
Cash and cash equivalents, beginning of year	2,073,873	1,079,770
Cash and cash equivalents, end of year	\$ 3,245,920	\$ 2,073,873
Supplemental Disclosure of Cash Flow Information		
Cash paid for interest	\$ 9,014	\$ 7,233
Noncash Financing Activity		
Forgiveness from Paycheck Protection Program note payable (see Note 8)	\$ 575,000	\$ -

See notes to consolidated financial statements.

OKLAHOMA CITY MUSEUM OF ART, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2021 and 2020

Note 1 – Organization

Oklahoma City Museum of Art, Inc. (the Museum) is located in the Donald W. Reynolds Visual Arts Center which features three floors of galleries showcasing the Museum's permanent collection and temporary exhibitions organized by the Museum, and traveling exhibitions featured from art museums throughout the United States and abroad. The Museum showcases the only comprehensive independent, foreign, and repertory film program in the region. The Museum is accredited by the American Alliance of Museums and is a member of the Association of Art Museum Directors. Its mission is to enrich lives through the visual arts.

The Museum has two subsidiaries. Museum Parking, LLC (Parking), owns a parking lot near the Museum and leases the parking lot to a third-party operator. The Museum of Art Cafe, Inc. (the Cafe) closed on March 15, 2020, as a result of the COVID-19 pandemic, and remaining assets and liabilities were transferred to the Museum. The Café reopened under temporary new management in June 2021.

Note 2 – Summary of Significant Accounting Policies

Basis of accounting

The accompanying consolidated financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Consolidated financial statements

The consolidated financial statements include the accounts of the Museum, Parking, and the Cafe. All material intercompany transactions have been eliminated in the consolidated financial statements.

Summarized comparative financial information

The consolidated statements of activities include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. GAAP. Accordingly, such information should be read in conjunction with the consolidated financial statements for fiscal year 2021 from which the summarized information was derived.

Net assets

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

- *Without donor restrictions* – Net assets without donor restrictions are available for use at the discretion of the Museum's Board of Trustees and/or management for support of operations. From time to time, the Board of Trustees may designate a portion of these net assets for specific purposes, which makes them unavailable for use at management's discretion. At June 30, 2021 and 2020, net assets of \$7,327,539 and \$5,231,868, respectively, were designated to be held in reserve by the Board of Trustees (see Note 4).

- *With donor restrictions* – Net assets with donor restrictions consist of assets whose use is limited by donor-imposed time and/or purpose restrictions. Donor-imposed restrictions can be temporary in nature, such as those that will be met with the passage of time or other events specified by the donor, or perpetual in nature, where the donor stipulates that the resources be maintained in perpetuity.

Cash and cash equivalents

The Museum considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Investments

Investments are stated at fair value, which is based on quoted market prices, if available, or by a reasonable estimate of fair value for fixed income securities. Net investment return is reported in the statements of activities and consists of interest and dividend income, realized and unrealized gains and losses, less external investment expenses. Donated investments are initially recorded at fair value at the date of donation.

Property and equipment

Purchased assets are recorded at cost and donated assets are recorded at fair value at the date of donation. Property and equipment, with an initial value of \$5,000 or more, is capitalized and depreciated on a straight-line basis over the estimated useful lives of the respective assets, which range from two to 40 years.

Permanent art collection

The Museum's permanent art collection is made up of historically significant art, photography, works on paper, contemporary art and other art objects that are held for educational, research, and curatorial purposes. Each item is cataloged, preserved, and cared for, and activities verifying their existence and assessing their condition are performed continuously. The permanent collection forms the basis for special exhibitions on art historical topics and is used to conduct research and disseminate new scholarships to the general public. The Museum hosts special exhibitions organized by other institutions permitting a range of subject matter and works of art outside the scope of the Museum's own collection. A diversity of educational programs, ranging from tours, classes, in-gallery experiences, and lectures, are geared to visitors of all ages. The Museum is accessible to individuals with physical and sensory disabilities.

The Museum Film Program collects historic and contemporary arts of moving images. Additionally, it is one of the only cinemas in the region showing independent, foreign, and repertory programming. The Samuel Noble Theatre screens films Thursday through Sunday.

Works of art, which were acquired through purchases and contributions since the Museum's inception, are insured under the Museum's fine art insurance policy and are not capitalized and recognized as assets in the financial statements. Purchases of collection items are recorded as decreases in net assets without donor restrictions in the year in which the items are acquired or as net assets with donor restrictions if the assets used to purchase the items are restricted by donors. Contributions of collection items are not recognized in the financial statements. Proceeds from deaccessions or insurance recoveries are reflected as increases in the appropriate net assets classification. The Museum's policy provides for deaccessioning works that do not fit into the collections plan or that are of poor quality or condition. Any funds made available by the sale of deaccessioned works without donor restrictions are used for acquisitions to strengthen the collection and direct care of existing collection items. The Museum defines direct care as those actions that make a physical impact upon an object that increases or restores its cultural value, thus prolonging its life and usefulness. These actions involve the conservation and preservation of all collection items held by the Museum.

Revenue recognition for contributions

Contributions, including unconditional promises to give, are recognized as revenue when the donor's unconditional commitment is received. Conditional promises to give, which contain donor-imposed conditions that represent a barrier that must be overcome as well as a right of release from obligation, are recognized when the conditions on which they depend are substantially met.

The Museum reports contributions of cash and other assets as increases in net assets with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires (a stipulated time restriction ends, or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and are reported in the statements of activities as net assets released from restrictions. Contributions with donor restrictions that are fulfilled in the same reporting period as their receipts are recorded as increases in net assets without donor restrictions in the statements of activities.

The Museum records contributions made by donors on its behalf to other not-for-profit organizations or charitable trusts as an asset unless the donor has explicitly granted the recipient organization variance power. However, the Museum records contributions made to other not-for-profit organizations or charitable trusts as an asset regardless if variance power exists, if the Museum has designated itself as beneficiary. Variance power is defined as the unilateral power to redirect the use of the assets to another beneficiary.

Revenue recognition from exchange transactions

The Museum recognizes revenue from exchange transactions in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 606, *Revenue from Contracts with Customers*. ASC 606 applies to exchange transactions with customers that are bound by contracts or similar arrangements and establishes a performance obligation approach to revenue recognition, whereby revenue is recognized when each performance obligation is satisfied.

The Museum reports the following revenue from exchange transactions in its statements of activities:

Fundraising events – The Museum conducts special events in which a portion of the gross proceeds paid by the participant represents payment for the direct cost of the benefits received by the participant at the event, "the exchange component," and the excess of the gross proceeds over the fair value of the direct donor benefit represents a contribution to the Museum. The contribution is the most significant component. The exchange component is typically recorded as revenue when received. However, any significant amounts received in advance of an event occurring are recorded as a liability and recognized in the period in which the event occurs.

Memberships – The Museum offers individual and corporate memberships to the Museum at various levels. These are for a single-year period and are incorporated as part of operating support. Each membership has both a contribution and exchange component, the levels of which are determined by the level and nature of membership based on established rates. Payments for memberships are due at the point of sale. The revenue associated with the exchange component is recognized ratably throughout the year as the performance obligation is satisfied.

Admissions – Admissions is revenue associated with tickets sold for entry to the Museum. Admissions revenue ticket prices are based upon established levels for individuals and groups. The Museum recognizes revenue for admissions at the point of sale.

Museum store sales – The Museum operates a museum store onsite, which sells mission-related items on a retail basis to customers. The performance obligation is the delivery of the items to the customer. The transaction price is established by the Museum based on retail prices suggested by suppliers. As

each item is individually priced, no allocation of the transaction price is necessary. The Museum recognizes revenue as the customer pays and takes possession of the merchandise. Some merchandise is sold with the right of return. Returns are not significant and are therefore recognized in the period they occur.

Museum of Art Cafe, Inc. sales – The Museum operates a cafe onsite, for the purpose of having a dining venue available to patrons of the Museum and community members. The performance obligation is the delivery of the meal to the customer. The transaction price is established by the Museum and as each item is individually priced, no allocation of the transaction price is necessary. The Museum recognizes revenue as the meals are provided.

Other revenue – Other revenue consists primarily of revenue from private events and is recognized ratably on a monthly basis as performance obligations are satisfied.

Income tax status

The Museum is a nonprofit organization and is exempt from income taxes. However, the Museum is subject to federal income tax on any unrelated business taxable income.

Functional expense allocations

The costs of providing the Museum's various programs and supporting services have been summarized on a functional basis in the statements of activities. Most expenses can be directly attributed to specific programs or supporting functions. Certain categories of expenses are attributed to more than one functional category. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The Museum allocates salaries and wages based on actual staff positions. Administrative expenses are allocated to each area based on an estimate of usage. All remaining expenses are allocated based on actual expenses for the function.

Use of estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Concentration of credit risk

Financial instruments, which potentially subject the Museum to credit risk, consist of grants and accounts receivable and investments. Investments are exposed to various risks, such as interest rate, market, and credit risk. Due to the level of risk associated with certain investments, it is at least reasonably possible that changes in the values of investments will occur in the near term and that such change could materially affect the investment balances and the amounts reported in the consolidated financial statements.

Adoption of accounting pronouncements

In March 2019, FASB issued Accounting Standards Update (ASU) 2019-03, *Not-for-Profit Entities (Topic 958): Updating the Definition of Collections*. ASU 2019-03 modifies the definition of the term collections and requires that a collection-holding entity disclose its policy for the use of proceeds from when collection items are deaccessioned (i.e., removed from a collection), including whether those proceeds could be used for acquisitions of new collection items, the direct care of existing collections, or both. If a collection-holding entity has a policy that allows proceeds from deaccessioned collection items to be used for direct care, it should disclose its definition of direct care. The Museum adopted this new standard on July 1, 2020, including the required information in the Permanent art collection note above.

In August 2018, the FASB issued ASU 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework – Changes to the Disclosure Requirements for Fair Value Measurement*, which modifies the disclosure requirements for fair value measurements by removing, modifying, or adding certain disclosures. The Museum adopted this new standard on July 1, 2020, with no significant impact on its financial statement disclosures.

Accounting pronouncement yet to be adopted

In September 2020, the FASB issued ASU 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The update increases the transparency of contributed nonfinancial assets for not-for-profit entities through enhancements to presentation and disclosure regarding the measurement of contributed nonfinancial assets, as well as the amount of those contributions used in the entity's programs and other activities. The ASU should be applied on a retrospective basis and is effective for the Museum in fiscal year 2022. Early adoption is permitted. The Museum is evaluating the impact the standard will have on its financial statements and related disclosures.

Subsequent events

Management has evaluated subsequent events through February 11, 2022, the date the financial statements were available to be issued. See Note 8.

Note 3 – Liquidity and Availability of Financial Assets

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following as of June 30:

	2021	2020
Cash and cash equivalents	\$ 3,245,920	\$ 2,073,873
Grants and accounts receivable	2,333,945	891,599
Investments	21,008,028	18,105,108
Beneficial interest in assets held by others	5,708,253	4,844,392
Total financial assets as of year-end	32,296,146	25,914,972
Less amounts unavailable for general expenditures within one year due to:		
Board designations	(7,327,539)	(5,231,868)
Restricted by donors with purpose/time restrictions or in perpetuity	(20,624,428)	(19,472,740)
Total amounts unavailable for general expenditures	(27,951,967)	(24,704,608)
Add:		
Amounts released from restrictions subsequent to year-end and available for general expenditures in the following fiscal year	912,388	1,069,754
Appropriations from endowment funds for general expenditures in the following fiscal year	1,022,708	1,025,603
Total financial assets available to management for general expenditures within one year	<u>\$ 6,279,275</u>	<u>\$ 3,305,721</u>

As part of its liquidity management, the Museum has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. The Museum considers general expenditures to include expenditures for operations, programming, and exhibitions. Endowment funds consist of donor-restricted endowments and board-designated endowments. Income from donor-restricted endowments that is restricted for specific purposes is not available for general expenditure. The amount

appropriated for general expenditures is \$469,717 and \$514,840 as of June 30, 2021 and 2020, respectively. As described in Note 4, the Museum's board-designated endowments are subject to an annual spending rate. For the years ended June 30, 2021 and 2020, this rate is 5% and \$209,390 and \$170,763, respectively, of appropriation from the board-designated endowments will be available within the next 12 months. Distributions from beneficial assets held by others for 2021 and 2020 are budgeted at \$343,601 and \$340,000, respectively. Although the Museum does not intend to spend from the board-designated endowment (other than amounts appropriated per the Board of Trustees' annual spending rate approval), these amounts could be made available if necessary.

Note 4 – Endowment Funds

Board of Trustees' interpretation

The Board of Trustees has interpreted state law as requiring the preservation of the fair value of the gifts of the donor-restricted endowment funds unless explicit donor stipulations specify otherwise. To meet that objective, the Museum's endowment investment, management, and distribution policies require that the corpus, meaning the fair value of the original and subsequent gifts as of the gift date, be maintained in perpetuity, with the earnings available to support the Museum's ongoing operations and programs.

State law allows the Board of Trustees to appropriate or accumulate so much of an endowment fund as the Museum determines is prudent for the uses, benefits, purposes, and duration for which the endowment is established. The law requires the Board of Trustees to prudently consider, if relevant, the general economic conditions, possible effect of inflation or deflation, expected total return, other resources of the institution, and the institution's Investment Policy.

Return objectives, risk parameters, strategies and spending policy

The principal goal of the Museum's investment program is to administer and invest funds received from donors in a prudent manner. The financial objective for the Museum's endowment funds is governed by guidelines specific to each separate investment portfolio. The overall financial objective is to maximize the risk-adjusted investment return while maintaining adequate levels of liquidity. The Museum relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). Risk of large losses is minimized by a diversified asset allocation. The investment allocation goal of 55% equities and 45% fixed income, with quarterly performance reviews, is expected to achieve the long-term return objectives within prudent risk constraints. Under the Investment Policy, the total return on investments is expected to exceed a benchmark consisting of the appropriate percent of the Standard & Poor's 500 Index and the Barclays Capital U.S. Government Bond Index that matches the equity and fixed income diversification of the portfolio over an average period of five consecutive years. The total return, after fees, from all unrestricted equity securities should equal or exceed the total return on the Standard & Poor's 500 Index over a period of five consecutive fiscal years.

Under the Museum's Endowment Distribution Policy, the amount available for appropriation each year is 5% of the average market value of the endowment at the end of each of the last 12 calendar quarters, provided that the appropriation would not cause the remaining market value of the endowment fund to be less than the corpus. This policy is expected to allow for real growth in addition to building the endowments through new gifts and return on investment.

Endowment net asset composition by type of fund at June 30:

Endowment Fund Type	2021			2020		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Board designated:						
Raymond A. and Verna N. Young	\$ 2,636,815	\$ -	\$ 2,636,815	\$ 2,196,325	\$ -	\$ 2,196,325
Westheimer Family	1,570,363	-	1,570,363	1,308,983	-	1,308,983
Museum Legacy	3,120,361	-	3,120,361	1,726,560	-	1,726,560
Total board designated	7,327,539	-	7,327,539	5,231,868	-	5,231,868
Donor restricted:						
Thatcher Hoffman Smith Film	-	1,104,104	1,104,104	-	921,026	921,026
Sarkeys Foundation Arts Education	-	787,951	787,951	-	656,141	656,141
Sonic America's Drive-In Arts Education	-	398,851	398,851	-	332,800	332,800
James Meade Collections Legacy	-	68,052	68,052	-	-	-
Museum Legacy	-	5,871,264	5,871,264	-	5,796,264	5,796,264
Donald W. Reynolds Visual Arts Center Building Maintenance	-	5,227,030	5,227,030	-	4,836,966	4,836,966
Records Family	-	483,449	483,449	-	402,850	402,850
Total donor restricted	-	13,940,701	13,940,701	-	12,946,047	12,946,047
Total funds	\$ 7,327,539	\$ 13,940,701	\$ 21,268,240	\$ 5,231,868	\$ 12,946,047	\$ 18,177,915

Changes in endowment fund net assets consists of the following for the year ended June 30:

	2021			2020		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Endowment fund net assets, beginning of year	\$ 5,231,868	\$ 12,946,047	\$ 18,177,915	\$ 5,409,684	\$ 13,284,418	\$ 18,694,102
Investment return:						
Net investment income	178,328	121,602	299,930	196,021	139,435	335,456
Contributions	-	140,330	140,330	-	-	-
Net appreciation	2,431,248	1,658,049	4,089,297	131,208	60,915	192,123
	2,609,576	1,919,981	4,529,557	327,229	200,350	527,579
Appropriation for expenditure	(513,905)	(925,327)	(1,439,232)	(505,045)	(538,721)	(1,043,766)
Endowment fund net assets, end of year	\$ 7,327,539	\$ 13,940,701	\$ 21,268,240	\$ 5,231,868	\$ 12,946,047	\$ 18,177,915

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or state law requires the Museum to retain as a fund of perpetual duration. There were no such deficiencies at June 30, 2021 or 2020.

Note 5 – Contributions to Oklahoma City Community Foundation, Inc.

A separate fund, Oklahoma City Museum of Art Affiliated Fund of The Oklahoma City Community Foundation, Inc. (the Affiliated Fund), is established at the Oklahoma City Community Foundation (OCCF). Contributions received after July 1, 1991, by OCCF, which are designated to be invested to benefit the Museum, are placed in the Affiliated Fund. Investment decisions for the Affiliated Fund are made by a five-member panel that includes three representatives appointed by OCCF and two representatives appointed by the Museum's Board of Trustees. Income earned on the donated funds is paid to the Museum on a basis determined by the five-member panel. The principal amount of the Affiliated Fund cannot be distributed without the unanimous approval of OCCF's Board of Directors. As a result, OCCF has variance power and the Museum has not recorded these funds in the financial statements, except as detailed below.

Funds held by OCCF, at fair value, on behalf of the Museum and recognized in the accompanying financial statements as beneficial interest in assets held by others are as follows at June 30:

	2021	2020
Fee-Milligan Operating Endowment	\$ 2,552,921	\$ 2,096,486
Oklahoma City Museum Art Funds	242,122	198,833
The James C. and Virginia W. Meade Acquisitions Fund for 18th and 19th Century American Art	1,501,715	1,283,039
Carolyn A. Hill Collections Endowment	1,188,129	1,090,578
James C. Meade Friends Lecture Series Endowment Fund	223,366	175,456
	<u>5,708,253</u>	<u>4,844,392</u>

Funds contributed by third parties and held by OCCF, with variance power retained by OCCF, and not recognized in the accompanying financial statements as beneficial interests in assets held by others are as follows at June 30:

Oklahoma City Museum of Art Affiliated Fund	6,186,487	5,111,091
Pauline Morrison Ledbetter Fund	411,132	345,908
	<u>6,597,619</u>	<u>5,456,999</u>
Total funds	<u>6,597,619</u>	<u>5,456,999</u>
Total funds held by OCCF	<u>\$ 12,305,872</u>	<u>\$ 10,301,391</u>

Note 6 – Investments and Fair Value Measurements

The Museum of Art has adopted the framework for measuring fair value in accordance with accounting standards that establishes a fair value hierarchy based on the observability of inputs used to measure fair value. These inputs are summarized in the three broad levels listed below:

These inputs are summarized in the three broad levels listed below:

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

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

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

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

There have been no changes in the methodologies used at June 30, 2021 and 2020.

Following is a description of the valuation methodologies used for assets measured at fair value:

Where quoted market prices are available in an active market, investments are classified within Level 1. Level 1 investments primarily include mutual funds and exchange traded funds.

Where quoted market prices are not available, fair values are estimated by using pricing models, quoted prices of investments with similar characteristics, or discounted cash flows. Inputs used include broker/dealer quotes and other data which are obtained from independent pricing services. These investments are classified within Level 2 and primarily include certificates of deposit and fixed income securities.

In certain cases where Level 1 or Level 2 inputs are not available, investments are classified within Level 3 of the hierarchy. Beneficial interest in assets held by others (Beneficial Interest) is measured at fair value using Level 3 inputs. Since OCCF maintains variance power for the Beneficial Interests it holds, there is no potential market for the Beneficial Interest or similar assets. Consequently, the valuation is determined by aggregating the valuation of the underlying investments of the Beneficial Interest as reported by OCCF. These are considered to be Level 3 measurements.

This table sets forth by level, within the fair value hierarchy, assets at fair value at June 30, 2021:

	Level 1	Level 2	Level 3	Total
2021				
Certificates of deposit	\$ -	\$ 604,139	\$ -	\$ 604,139
Mutual funds	3,187,355	-	-	3,187,355
Exchange traded funds	11,086,460	-	-	11,086,460
Fixed income securities	-	6,130,074	-	6,130,074
Beneficial interest in assets held by others	-	-	5,708,253	5,708,253
Total assets at fair value	<u>\$ 14,273,815</u>	<u>\$ 6,734,213</u>	<u>\$ 5,708,253</u>	<u>\$ 26,716,281</u>

This table sets forth by level, within the fair value hierarchy, assets at fair value at June 30, 2020:

	Level 1	Level 2	Level 3	Total
2020				
Certificates of deposit	\$ -	\$ 965,514	\$ -	\$ 965,514
Mutual funds	1,049,744	-	-	1,049,744
Exchange traded funds	9,760,195	-	-	9,760,195
Fixed income securities	-	6,329,655	-	6,329,655
Beneficial interest in assets held by others	-	-	4,844,392	4,844,392
Total assets at fair value	<u>\$ 10,809,939</u>	<u>\$ 7,295,169</u>	<u>\$ 4,844,392</u>	<u>\$ 22,949,500</u>

There were no purchases of investments included in level 3 during the years ended June 30, 2021 or 2020. During the years ended June 30, 2021 and 2020, there were no transfers of financial instruments into or out of Level 3 of the fair value hierarchy.

Note 7 – Property and Equipment

Property and equipment consist of the following at June 30:

	2021	2020
Land and improvements	\$ 901,909	\$ 901,909
Buildings and improvements	22,651,374	20,873,492
Furniture and fixtures	1,917,218	2,330,354
Equipment	1,410,639	1,427,011
	<u>26,881,140</u>	<u>25,532,766</u>
Accumulated depreciation	(12,819,702)	(12,592,822)
Total	<u>\$ 14,061,438</u>	<u>\$ 12,939,944</u>

Note 8 – Notes Payable

On March 27, 2020, in response to COVID-19, the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) was enacted in response to the pandemic. On April 9, 2020, the Museum received loan proceeds in the amount of \$575,000 under the Paycheck Protection Program (PPP), which was established as part of the CARES Act (first PPP loan). PPP loans and accrued interest are forgivable as long as the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its payroll levels during the covered period. As the first PPP loan had yet to be forgiven at June 30, 2020, the Museum elected to consider the first PPP loan a financial liability under ASC 470, *Debt*, and ASC 405, *Liabilities*. Subsequent to June 30, 2020, the bank that provided the first PPP loan and the Small Business Administration approved forgiveness of the total loan. The Museum reduced the liability and recorded a gain on extinguishment of debt on November 4, 2020, when the Museum was legally released from the liability. This gain on extinguishment of debt is included in disaster relief funds in the accompanying statements of activities for the year ended June 30, 2021.

On January 29, 2021, the Museum received loan proceeds in the amount of \$575,437 under the second round of PPP funding (second PPP loan). As the PPP loan was expected to be forgiven, the Museum elected to account for the PPP loan as a conditional contribution under ASC 958-605, *Not for Profit Entities, Revenue Recognition*. Management believed that all conditions were substantially met as of June 30, 2021, for the second PPP loan. Therefore, the proceeds of the second loan are reflected within disaster relief funds in the accompanying statements of activities for the year ended June 30, 2021. The Museum applied for and was granted forgiveness from the bank that provided the second PPP loan on August 27, 2021.

Notes payable consist of the following at June 30:

	2021	2020
\$1,000,000 loan payable issued on October 8, 2020, for roof repair, due in monthly installments of \$17,324, including interest at 1.51%, until October 8, 2025; secured by the Museum's real and personal property	\$ 870,426	\$ -
First PPP loan	-	575,000
	<u>\$ 870,426</u>	<u>\$ 575,000</u>

Future maturities are as follows at June 30:

<u>Fiscal Year</u>	<u>Amount</u>
2022	\$ 195,916
2023	198,936
2024	201,989
2025	205,117
2026	68,468
	<u>\$ 870,426</u>

Note 9 – Net Assets with Donor Restrictions

Net assets with donor restrictions are available for the following purposes at June 30, 2021:

<u>Purpose</u>	<u>For a Specific Purpose/Time</u>	<u>Held in Perpetuity</u>	<u>Total</u>
Art acquisition	\$ 1,067,971	\$ 1,629,373	\$ 2,697,344
Art education	436,452	750,350	1,186,802
Building maintenance	5,227,030	-	5,227,030
Film	363,718	740,386	1,104,104
Operations	175,609	6,179,104	6,354,713
Programming	967,974	-	967,974
Meade Legacy - exhibition, conservation, and scholarship	2,722	65,330	68,052
Meade Lecture Series (OCCF)	78,741	144,625	223,366
Operations (OCCF)	2,795,043	-	2,795,043
	<u>\$ 11,115,260</u>	<u>\$ 9,509,168</u>	<u>\$ 20,624,428</u>

Net assets with donor restrictions are available for the following purposes at June 30, 2020:

<u>Purpose</u>	<u>For a Specific Purpose/Time</u>	<u>Held in Perpetuity</u>	<u>Total</u>
Art acquisition	\$ 802,130	\$ 1,629,373	\$ 2,431,503
Art education	238,591	750,350	988,941
Building maintenance	4,836,966	-	4,836,966
Film	180,640	740,386	921,026
Operations	95,010	6,104,104	6,199,114
Programming	1,323,808	-	1,323,808
Meade Lecture Series (OCCF)	30,831	144,625	175,456
Operations (OCCF)	2,295,319	-	2,295,319
Other	300,607	-	300,607
	<u>\$ 10,103,902</u>	<u>\$ 9,368,838</u>	<u>\$ 19,472,740</u>

Note 10 – Analysis of Expenses by Function and Nature

The tables below present expenses by both their nature and their function for the years ended June 30:

2021	Program Services	Fundraising	Management and General	Other	Total
Personnel	\$ 1,698,347	\$ 325,070	\$ 690,070	\$ -	\$ 2,713,487
Marketing	298,123	13,160	2,065	-	313,348
Utilities	280,291	13,980	27,164	-	321,435
Shipping/postage	58,163	458	606	-	59,227
Rentals	106,371	-	-	-	106,371
In-kind (advertising and other)	58,584	-	-	-	58,584
Equipment and maintenance	117,663	15,688	23,533	-	156,884
Professional services	8,258	-	91,266	-	99,524
Supplies and materials	115,287	2,218	4,344	-	121,849
Contract labor	34,752	6,885	19,157	-	60,794
Travel	12,658	1,286	187	-	14,131
Dues and subscriptions	17,218	3,554	75,771	-	96,543
Receptions and events	20,157	12,924	875	-	33,956
Insurance	78,943	3,509	5,263	-	87,715
Museum of Art Cafe, Inc.	-	-	-	79,403	79,403
Museum Parking, LLC	-	-	-	12,078	12,078
Museum Store	202,683	-	-	91,060	293,743
Art Accessioned	500,000	-	-	-	500,000
Other	90,233	14,907	32,042	-	137,182
Depreciation and amortization	537,607	23,894	35,840	93,048	690,389
Total expenses	<u>\$ 4,235,338</u>	<u>\$ 437,533</u>	<u>\$ 1,008,183</u>	<u>\$ 275,589</u>	<u>\$ 5,956,643</u>

2020	Program Services	Fundraising	Management and General	Other	Total
Personnel	\$ 1,715,230	\$ 312,947	\$ 717,883	\$ -	\$ 2,746,060
Marketing	290,962	21,120	1,336	-	313,418
Utilities	284,727	13,758	25,904	-	324,389
Shipping/postage	82,623	566	1,208	-	84,397
Rentals	459,142	-	-	-	459,142
In-kind (advertising and other)	176,393	-	-	-	176,393
Equipment and maintenance	127,795	16,975	25,462	-	170,232
Professional services	18,455	-	59,520	-	77,975
Supplies and materials	127,136	2,794	9,022	-	138,952
Contract labor	31,756	5,444	38,380	-	75,580
Travel	15,535	1,334	200	-	17,069
Dues and subscriptions	24,614	4,748	80,774	-	110,136
Receptions and events	33,977	159,782	4,093	-	197,852
Insurance	76,451	3,398	5,097	-	84,946
Museum of Art Cafe, Inc.	-	-	-	1,114,146	1,114,146
Museum Parking, LLC	-	-	-	342	342
Museum Store	268,651	4,902	7,352	121,330	402,235
Other	137,388	20,262	42,405	-	200,055
Depreciation and amortization	537,385	23,884	35,826	4,815	601,910
	<u>4,408,220</u>	<u>591,914</u>	<u>1,054,462</u>	<u>1,240,633</u>	<u>7,295,229</u>
Less eliminating entries	-	(61,122)	-	(4,500)	(65,622)
Total expenses	<u>\$ 4,408,220</u>	<u>\$ 530,792</u>	<u>\$ 1,054,462</u>	<u>\$ 1,236,133</u>	<u>\$ 7,229,607</u>