



OKLAHOMA CITY MUSEUM OF ART, INC.
CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2022 and 2021
WITH
INDEPENDENT AUDITOR'S REPORT

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INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the 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, 2022 and 2021, the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements (collectively, the financial statements).

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Museum as of June 30, 2022 and 2021, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Museum and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Museum's ability to continue as a going concern within one year after the date that the financial statements are issued or available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood

that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Museum's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Museum's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Report on Summarized Comparative Information

We have previously audited the 2021 financial statements of the Museum, and we expressed an unmodified audit opinion on those audited financial statements in our report dated February 11, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.



Oklahoma City, Oklahoma
December 2, 2022

OKLAHOMA CITY MUSEUM OF ART, INC.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

June 30, 2022 and 2021

	2022	2021
Assets		
Cash and cash equivalents	\$ 757,731	\$ 3,245,920
Grants and accounts receivable, net	3,214,754	2,333,945
Inventory, net	533,272	472,710
Prepaid expenses	156,583	526,259
Investments	20,279,081	21,008,028
Beneficial interest in assets held by others	4,881,594	5,708,253
Property and equipment, net	16,398,834	14,061,438
Total assets	\$ 46,221,849	\$ 47,356,553
Liabilities and Net Assets		
Liabilities:		
Accounts payable	\$ 257,374	\$ 128,332
Accrued liabilities	616,663	464,941
Notes payable	674,626	870,426
Total liabilities	1,548,663	1,463,699
Net assets:		
Without donor restrictions:		
Undesignated	1,382,062	3,879,449
Board designated	8,290,180	7,327,539
Invested in property and equipment, net	16,398,834	14,061,438
Total net assets without donor restrictions	26,071,076	25,268,426
With donor restrictions	18,602,110	20,624,428
Total net assets	44,673,186	45,892,854
Total liabilities and net assets	\$ 46,221,849	\$ 47,356,553

OKLAHOMA CITY MUSEUM OF ART, INC.

CONSOLIDATED STATEMENTS OF ACTIVITIES

Year ended June 30, 2022

(with summarized totals for year ended June 30, 2021)

	2022		Total	2021 Totals
	Without Donor Restrictions	With Donor Restrictions		
Revenues, Gains and Other Support				
Contributions	\$ 3,695,737	\$ 954,278	\$ 4,650,015	\$ 2,787,956
Disaster relief funds	1,142,063	-	1,142,063	3,226,945
Fundraising events	160,334	310,893	471,227	535,077
Memberships	550,453	-	550,453	544,949
Admissions	470,760	-	470,760	256,611
Museum store sales	470,691	-	470,691	279,301
Museum of Art Cafe, Inc. sales	62,339	-	62,339	3,569
Museum Parking, LLC fees	178,417	-	178,417	122,249
In-kind donations	1,056,532	-	1,056,532	58,584
Miscellaneous	14,926	-	14,926	573
Net investment return (loss)	(1,418,268)	(1,464,595)	(2,882,863)	5,700,118
Net assets released from restrictions	1,822,894	(1,822,894)	-	-
Total revenues, gains and other support	8,206,878	(2,022,318)	6,184,560	13,515,932
Expenses				
Program services	5,329,946	-	5,329,946	4,235,338
Fundraising	662,875	-	662,875	437,533
Management and general	1,206,709	-	1,206,709	1,008,183
Other	204,698	-	204,698	275,589
Total expenses	7,404,228	-	7,404,228	5,956,643
Changes in net assets	802,650	(2,022,318)	(1,219,668)	7,559,289
Net assets, beginning of year	25,268,426	20,624,428	45,892,854	38,333,565
Net assets, end of year	\$ 26,071,076	\$ 18,602,110	\$ 44,673,186	\$ 45,892,854

OKLAHOMA CITY MUSEUM OF ART, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended June 30, 2022 and 2021

	2022	2021
Cash Flows from Operating Activities		
Changes in net assets	\$ (1,219,668)	\$ 7,559,289
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Donated land	(890,000)	-
Depreciation	664,831	690,389
(Gains) losses on disposal of property and equipment	(1,380)	19,972
Net (gains) losses on investments	3,236,505	(5,337,019)
Forgiveness from Paycheck Protection Program note payable	-	(575,000)
Changes in operating assets and liabilities:		
Grants and accounts receivable	(880,809)	(1,442,346)
Inventory	(60,562)	25,978
Prepaid expenses	369,676	(270,796)
Accounts payable	129,042	(116,867)
Accrued liabilities	151,722	9,638
	1,499,357	563,238
Cash Flows from Investing Activities		
Purchases of property and equipment	(2,110,847)	(1,831,855)
Purchases of investments	(13,564,294)	(7,358,572)
Proceeds from sales of investments	11,883,395	8,928,810
	(3,791,746)	(261,617)
Cash Flows from Financing Activities		
Proceeds from note payable	-	1,000,000
Principal payments on note payable	(195,800)	(129,574)
	(195,800)	870,426
Net cash provided by (used in) financing activities	(195,800)	870,426
Net change in cash and cash equivalents	(2,488,189)	1,172,047
Cash and cash equivalents, beginning of year	3,245,920	2,073,873
Cash and cash equivalents, end of year	\$ 757,731	\$ 3,245,920
Supplemental Disclosure of Cash Flow Information		
Cash paid for interest	\$ 12,082	\$ 9,014
Noncash Activity		
Fair value of donated land (see Note 7)	\$ 890,000	\$ -
Loan forgiveness from Paycheck Protection Program (see Note 8)	\$ -	\$ 575,000

OKLAHOMA CITY MUSEUM OF ART, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2022 and 2021

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 parking lots near the Museum and leases the lots 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 with a streamlined business model.

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 (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, 2022 and 2021, net assets of \$8,290,180 and \$7,327,539, 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.

Accounts receivable

Receivables are reported at their estimated net realizable value. Receivables are evaluated on an individual basis for collectibility. Management believes the receivables at June 30, 2022 and 2021, will be collected in full, and therefore, no allowance for uncollectible receivables has been established.

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 (loss) 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 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 grab and go food and beverage service onsite, for the purpose of providing this amenity 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 food and beverages 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.

Subsequent events

Management has evaluated subsequent events through December 2, 2022, the date the financial statements were available to be issued.

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:

	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 757,731	\$ 3,245,920
Grants and accounts receivable	3,214,754	2,333,945
Investments	20,279,081	21,008,028
Beneficial interest in assets held by others	4,881,594	5,708,253
Total financial assets as of year-end	29,133,160	32,296,146
Less amounts unavailable for general expenditures within one year due to:		
Board designations	(8,290,180)	(7,327,539)
Restricted by donors with purpose/time restrictions or in perpetuity	(18,602,110)	(20,624,428)
Total amounts unavailable for general expenditures	(26,892,290)	(27,951,967)
Add:		
Amounts released from restrictions subsequent to year-end and available for general expenditures in the following fiscal year	830,927	912,388
Appropriations from endowment funds for general expenditures in the following fiscal year	1,133,548	1,022,708
Total financial assets available to management for general expenditures within one year	<u>\$ 4,205,345</u>	<u>\$ 6,279,275</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 \$499,159 and \$469,717 as of June 30, 2022 and 2021, 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, 2022 and 2021, this rate is 5% and \$267,389 and \$209,390, respectively, of appropriation from the board-designated endowments will be available within the next 12 months. Distributions from beneficial assets held by others for 2022 and 2021 are budgeted at \$367,000 and \$343,601, 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.

The Museum established an operating reserve endowment in 2022 in the amount of \$3,479,000. No withdrawals are scheduled from this fund until it reaches its maximum amount as prescribed by the Operating Reserve Policy.

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	2022			2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Board designated:						
Raymond A. and Verna N. Young	\$ 2,263,411	\$ -	\$ 2,263,411	\$ 2,636,815	\$ -	\$ 2,636,815
Westheimer Family	1,345,658	-	1,345,658	1,570,363	-	1,570,363
Museum Legacy	1,924,888	-	1,924,888	3,120,361	-	3,120,361
Operating Reserve	2,756,223	-	2,756,223	-	-	-
Total board designated	8,290,180	-	8,290,180	7,327,539	-	7,327,539

Endowment Fund Type	2022			2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Donor restricted:						
Thatcher Hoffman Smith Film	-	951,107	951,107	-	1,104,104	1,104,104
Sarkeys Foundation Arts Education	-	678,324	678,324	-	787,951	787,951
Sonic America's Drive-In Arts Education	-	342,689	342,689	-	398,851	398,851
James Meade Collections Legacy	-	163,317	163,317	-	68,052	68,052
Museum Legacy	-	5,871,264	5,871,264	-	5,871,264	5,871,264
Donald W. Reynolds Visual Arts Center Building Maintenance	-	4,075,704	4,075,704	-	5,227,030	5,227,030
Records Family	-	416,786	416,786	-	483,449	483,449
Total donor restricted	-	12,499,191	12,499,191	-	13,940,701	13,940,701
Total funds	\$ 8,290,180	\$ 12,499,191	\$ 20,789,371	\$ 7,327,539	\$ 13,940,701	\$ 21,268,240

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

	2022			2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Endowment fund net assets, beginning of year	\$ 7,327,539	\$ 13,940,701	\$ 21,268,240	\$ 5,231,868	\$ 12,946,047	\$ 18,177,915
Investment return (loss):						
Net investment income	182,530	113,556	296,086	178,328	121,602	299,930
Contributions	3,479,000	99,431	3,578,431	-	140,330	140,330
Net appreciation (depreciation)	(1,669,742)	(885,954)	(2,555,696)	2,431,248	1,658,049	4,089,297
	1,991,788	(672,967)	1,318,821	2,609,576	1,919,981	4,529,557
Appropriation for expenditure	(1,029,147)	(768,543)	(1,797,690)	(513,905)	(925,327)	(1,439,232)
Endowment fund net assets, end of year	\$ 8,290,180	\$ 12,499,191	\$ 20,789,371	\$ 7,327,539	\$ 13,940,701	\$ 21,268,240

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, 2022 or 2021.

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:

	2022	2021
Fee-Milligan Operating Endowment	\$ 2,144,221	\$ 2,552,921
Oklahoma City Museum Art Funds	203,361	242,122
The James C. and Virginia W. Meade Acquisitions Fund for 18th and 19th Century American Art	1,314,358	1,501,715
Carolyn A. Hill Collections Endowment	1,039,897	1,188,129
James C. Meade Friends Lecture Series Endowment Fund	179,757	223,366
	<u>4,881,594</u>	<u>5,708,253</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	5,214,503	6,186,487
Pauline Morrison Ledbetter Fund	352,098	411,132
	<u>5,566,601</u>	<u>6,597,619</u>
Total funds	<u>5,566,601</u>	<u>6,597,619</u>
Total funds held by OCCF	<u>\$ 10,448,195</u>	<u>\$ 12,305,872</u>

Note 6 – Investments and Fair Value Measurements

The Museum 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:

- 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 as of June 30, 2022 and 2021.

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, 2022:

	Level 1	Level 2	Level 3	Total
2022				
Certificates of deposit	\$ -	\$ 526,118	\$ -	\$ 526,118
Mutual funds	1,518,218	-	-	1,518,218
Exchange traded funds	10,665,659	-	-	10,665,659
Fixed income securities	-	7,569,086	-	7,569,086
Beneficial interest in assets held by others	-	-	4,881,594	4,881,594
Total assets at fair value	<u>\$ 12,183,877</u>	<u>\$ 8,095,204</u>	<u>\$ 4,881,594</u>	<u>\$ 25,160,675</u>

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>

There were no purchases of investments included in level 3 during the years ended June 30, 2022 or 2021. During the years ended June 30, 2022 and 2021, 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:

	2022	2021
Land and improvements	\$ 3,429,290	\$ 901,909
Buildings and improvements	22,854,365	22,651,374
Furniture and fixtures	2,162,760	1,917,218
Equipment	1,435,570	1,410,639
	29,881,985	26,881,140
Accumulated depreciation	(13,483,151)	(12,819,702)
Total	\$ 16,398,834	\$ 14,061,438

In June 2022, the Museum purchased an undivided interest in an additional parking for \$1,600,000. The purchase price and subsequent remediation were funded by donations of \$1,857,000. The Museum was then gifted both the remaining undivided interest in the parking lot, valued by an independent appraisal at \$880,000, and associated legal fees of \$10,000.

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*. 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:

	2022	2021
\$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.	\$ 674,626	\$ 870,426

Future maturities are as follows at June 30:

<u>Fiscal Year</u>	<u>Amount</u>
2023	\$ 198,936
2024	201,989
2025	205,117
2026	<u>68,584</u>
	<u>\$ 674,626</u>

Note 9 – Net Assets with Donor Restrictions

Net assets with donor restrictions are available for the following purposes at June 30, 2022:

<u>Purpose</u>	<u>For a Specific Purpose/Time</u>	<u>Held in Perpetuity</u>	<u>Total</u>
Art acquisition	\$ 844,882	\$ 1,629,373	\$ 2,474,255
Art education	270,661	750,350	1,021,011
Building maintenance	4,075,704	-	4,075,704
Film	210,721	740,386	951,107
Operations	108,946	6,179,104	6,288,050
Programming	1,101,327	-	1,101,327
Meade Legacy - exhibition, conservation, and scholarship	(1,444)	164,761	163,317
Meade Lecture Series (OCCF)	35,132	144,625	179,757
Operations (OCCF)	<u>2,347,582</u>	-	<u>2,347,582</u>
	<u>\$ 8,993,511</u>	<u>\$ 9,608,599</u>	<u>\$ 18,602,110</u>

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)	<u>2,795,043</u>	-	<u>2,795,043</u>
	<u>\$ 11,115,260</u>	<u>\$ 9,509,168</u>	<u>\$ 20,624,428</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:

2022	Program Services	Fundraising	Management and General	Other	Total
Personnel	\$ 1,929,972	\$ 381,542	\$ 850,481	\$ -	\$ 3,161,995
Marketing	394,708	17,530	1,504	-	413,742
Utilities	358,096	17,632	32,468	-	408,196
Shipping/postage	61,222	760	581	-	62,563
Rentals	544,126	-	-	-	544,126
In-kind (advertising and other)	137,042	29,490	-	-	166,532
Equipment and maintenance	149,568	19,943	29,914	8,291	207,716
Professional services	19,190	-	74,607	-	93,797
Supplies and materials	441,376	3,321	9,345	-	454,042
Contract labor	42,021	19,246	19,580	-	80,847
Travel	23,100	1,317	169	-	24,586
Dues and subscriptions	17,689	3,965	77,108	-	98,762
Receptions and events	47,734	136,540	1,252	-	185,526
Insurance	90,726	4,032	6,048	-	100,806
Museum of Art Cafe, Inc.	-	-	-	49,372	49,372
Museum Parking, LLC	-	-	-	12,173	12,173
Museum Store	291,977	-	-	131,177	423,154
Art Accessioned	42,340	-	-	-	42,340
Other	144,028	1,111	63,983	-	209,122
Depreciation and amortization	595,031	26,446	39,669	3,685	664,831
Total expenses	<u>\$ 5,329,946</u>	<u>\$ 662,875</u>	<u>\$ 1,206,709</u>	<u>\$ 204,698</u>	<u>\$ 7,404,228</u>

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>