

Museum of the Bible

Financial Statements
June 30, 2016

Contents

Independent auditor's report	1
<hr/>	
Financial statements	
Statements of financial position	2
Statements of activities	3
Statements of cash flows	4
Notes to financial statements	5-11



Independent Auditor's Report

RSM US LLP

To the Board of Directors
Museum of the Bible
Oklahoma City, Oklahoma

Report on the Financial Statements

We have audited the accompanying financial statements of the Museum of the Bible, which comprise the statements of financial position as of June 30, 2016 and 2015, 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.

Auditor's 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 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 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 Museum of the Bible as of June 30, 2016 and 2015, and the changes in its net assets and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

RSM US LLP

Oklahoma City, Oklahoma
September 13, 2016

Museum of the Bible

**Statements of Financial Position
June 30, 2016 and 2015**

	2016	2015
Assets		
Cash and cash equivalents	\$ 16,913,455	\$ 9,805,739
Certificates of deposit	394,022	393,194
Contributions receivable	10,370,421	2,501,500
Inventory	85,748	71,587
Prepaid expenses, deposits, and other assets	2,530,889	2,920,505
Museum collections	201,212,721	201,236,667
Publication costs:		
Prepublication costs	10,727,015	9,549,411
Publications in-service, net	1,715,802	-
Property and equipment, net	268,248,904	123,697,027
Total assets	\$ 512,198,977	\$ 350,175,630
Liabilities and Net Assets		
Liabilities		
Accounts payable	\$ 20,046,949	\$ 1,051,379
Accrued liabilities	17,964,313	6,838,838
Total liabilities	38,011,262	7,890,217
Net Assets		
Unrestricted	464,812,257	339,557,338
Temporarily restricted	9,375,458	2,728,075
Total net assets	474,187,715	342,285,413
Total liabilities and net assets	\$ 512,198,977	\$ 350,175,630

See notes to financial statements.

Museum of the Bible

**Statements of Activities
June 30, 2016 and 2015**

	2016	2015
Unrestricted net assets		
Operating revenues and other support:		
Contributions:		
Gifts of cash and promises to give	\$ 153,567,454	\$ 85,726,490
Biblical artifacts	-	65,368,000
Admissions	465,681	273,220
Gift shop sales	114,069	102,820
Other income	1,199,973	828,125
Release from temporarily restricted net assets	7,653,529	2,627,629
Total support and revenues	163,000,706	154,926,284
Operating expense:		
Payroll and related benefits	10,368,359	5,743,735
Contract services	4,909,813	2,790,110
Sponsorships	1,120,731	482,477
Awards and grants	1,810,217	929,850
Marketing	2,207,878	799,655
Technology	840,349	546,473
Operations	2,038,902	1,024,275
Non-employee and program-related travel	3,354,722	195,898
Depreciation and amortization	1,776,195	1,320,161
General and administrative	4,127,253	3,294,837
Cost of goods sold	156,927	92,471
Fundraising	5,034,441	4,348,631
Total operating expense	37,745,787	21,568,573
Excess of operating revenues and support over operating expenses	125,254,919	133,357,711
Non-operating revenues, expenses, and other support:		
Rental income	-	369,277
Property management expenses	-	(1,360,170)
Total non-operating revenues, expenses and other support	-	(990,893)
Change in unrestricted net assets	125,254,919	132,366,818
Temporarily restricted net assets		
Gifts of cash and promises to give	14,300,912	5,355,704
Release of temporarily restricted net assets	(7,653,529)	(2,627,629)
Change in temporarily restricted net assets	6,647,383	2,728,075
Change in net assets	131,902,302	135,094,893
Net assets at beginning of year	342,285,413	207,190,520
Net assets at end of year	\$ 474,187,715	\$ 342,285,413

See notes to financial statements.

Museum of the Bible

Statements of Cash Flows
June 30, 2016 and 2015

	2016	2015
Cash flows from operating activities:		
Change in net assets	\$ 131,902,302	\$ 135,094,893
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Non-cash contributions of artifacts	-	(65,368,000)
Depreciation and amortization	1,828,422	1,320,161
Bad debt expense	-	348,708
Time value discount of contributions receivable	458,153	-
Gifts restricted for capital expenditures	(7,169,526)	(4,602,479)
Change in operating assets and liabilities:		
Accrued interest	(828)	(194)
Contributions receivable	(3,220,011)	(1,500)
Inventory	(14,161)	(13,087)
Prepaid expenses, deposits, and other assets	389,616	(2,047,268)
Accounts payable and accrued liabilities	765,737	(1,398,666)
Refundable deposits	-	(185,431)
Net cash provided by operating activities	124,939,704	63,147,137
Cash flows from investing activities:		
Restoration of museum collections	(55,461)	(267,751)
Long-term artifact loan agreement	(387,645)	(143,171)
Purchases of certificates of deposit	-	(393,000)
Purchases of prepublication costs	(2,979,077)	(6,423,082)
Purchases of property and equipment	(116,472,268)	(51,124,986)
Net cash used in investing activities	(119,894,451)	(58,351,990)
Cash flows from financing activities:		
Collection of gifts restricted for capital expenditures	2,062,463	2,102,479
Net change in cash and cash equivalents	7,107,716	6,897,626
Cash and cash equivalents:		
Beginning of year	9,805,739	2,908,113
End of year	<u>\$ 16,913,455</u>	<u>\$ 9,805,739</u>
Supplemental data:		
Capital asset additions financed via accounts payable and accrued liabilities	<u>\$ 35,272,328</u>	<u>\$ 5,529,375</u>
Long-term artifact loan agreement restoration financed via accrued liabilities	<u>\$ 78,444</u>	<u>\$ 466,089</u>

See notes to financial statements.

Museum of the Bible

Notes to the Financial Statements

Note 1. Significant Accounting Policies

Nature of operations: Museum of the Bible (the Museum) is a publicly supported not-for-profit organization headquartered in Oklahoma City, Oklahoma. The Museum is an innovative, global, educational institution whose purpose is to invite all people to engage with the history, narrative and impact of the Bible. The Museum has domestic and international traveling exhibits and in 2017, the Museum is scheduled to open its 430,000 square-foot nonprofit museum in Washington D.C., located three blocks from the Capitol. The Museum supports scholarships and academic research activities through its Scholars Initiative and through development of Bible curricula for domestic and international use.

Basis of presentation: The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). The Museum classifies its net assets, revenues, expenses, gains, and losses based on the existence or absence of donor-imposed restrictions. Net assets of the Museum and changes therein are classified and reported as follows:

Unrestricted net assets: Net assets that are generally not subject to donor-imposed restrictions. Unrestricted net assets may be designated for specific purposes by the Museum's Board of Directors.

Temporarily restricted net assets: Net assets subject to donor-imposed restrictions that may or will be met either by actions of the Museum and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions. The amount of net assets identified as released from donor restrictions includes any amounts released whether received in the current year or prior periods. The Museum's temporarily restricted net assets are comprised of the following as of June 30:

	2016	2015
Permanent Museum	\$ 5,706,160	\$ 2,503,075
Research	1,724,012	-
Education	419,043	225,000
Time Restricted	1,526,243	-
	<u>\$ 9,375,458</u>	<u>\$ 2,728,075</u>

Permanently restricted net assets: Net assets subject to donor-imposed permanent restrictions. Generally, the donors of these assets permit the Museum to use all or part of the income earned on related assets for specific or general purposes. The Museum has no permanently restricted net assets as of June 30, 2016 and 2015.

Cash and cash equivalents: Cash and cash equivalents include cash on hand, on deposit in demand, and interest-bearing accounts administered by the Museum with original maturities of three months or less. At June 30, 2016, the Museum had certain concentrations of credit risk with financial institutions in the form of uninsured cash and time deposits. For purposes of evaluating credit risk, the stability of financial institutions conducting business with the Museum is periodically reviewed, and management believes that credit risk related to the balances is minimal.

Certificates of deposit: Certificates of deposit are carried at cost, which is a reasonable estimate of fair value.

Inventory: Inventory consists of retail items sold through traveling exhibits or online and are valued at the lower of cost or market, using the average cost method.

Museum of the Bible

Notes to the Financial Statements

Note 1. Significant Accounting Policies (Continued)

Collections: The Museum's collections consist of biblical artifacts that are held for public exhibition, education, or research in the furtherance of public service rather than financial gain; are protected, kept unencumbered, cared for, and preserved in perpetuity and, as a result, their service potential is undiminished. These assets are evaluated annually for indicators of impairment. The value of the biblical artifacts are included as an asset of the Museum and reflected in the statements of financial position.

Biblical artifacts are stated at fair value at date of receipt by gift when acquired by donation or at cost when purchased by the Museum (no artifact purchases since inception). Collection items are not depreciated because of their historical significance and intention to maintain them in perpetuity; however, restoration costs are capitalized and depreciated over twenty years. Capitalized restoration costs of donated artifacts at June 30, 2016 and 2015 total \$397,690 and \$342,229, respectively. The Museum has entered into a separate restoration and loan agreement with a third party. Capitalized costs associated with this agreement at June 30, 2016 and 2015 are \$609,260 and \$609,260, respectively.

Property and equipment: Land, buildings and improvements, traveling exhibits, furniture and fixtures, durable equipment, computers and software are stated at cost. The Museum's capitalization policy includes purchases with a cost of \$1,000 or more and an estimated useful life of greater than one year. Assets are depreciated on the straight-line method over the estimated useful lives of the respective asset. Estimated lives for purposes of depreciation are as follows:

Buildings and improvements	Not in service
Traveling exhibits	5 to 10 years
Furniture and fixtures	7 to 10 years
Durable equipment	5 years
Software and computer equipment	3 years

The buildings and improvements will begin depreciation when placed into service.

Publication costs: The Museum's prepublication costs are comprised of costs associated with development of the Museum's Bible curriculum and publications and are evaluated for capitalization and subsequent amortization in accordance with Accounting Standards Codification (ASC) Topic 985, Software. The Museum's capitalization policy includes purchases with a cost of \$1,000 or more and an estimated useful life of greater than one year. As of June 30, 2016 and 2015, respectively, the Museum has \$10,727,015 and \$9,549,411 of capitalized prepublication costs related to development of its Bible curriculum. Once the Bible curriculum or publication is completed and placed in service, the costs are reclassified to publication in-service, and the Museum will begin amortizing it over its estimated useful life and expense the costs of maintenance and customer support.

As of June 30, 2016, the Museum has \$1,715,802 of publication in-service (none at June 30, 2015), which includes technology to allow for downloadable digital publications and the content of the publications themselves. Assets are depreciated or amortized on the straight-line method over the estimated useful lives of the respective asset. Estimated lives for purposes of amortization are 3 years for technology related to digital publications and 10 years for content of publications. Total amortization expense for the year ending June 30, 2016 (none in 2015) was \$85,591 of which \$52,227 has been recorded in cost of goods sold.

Museum operations: The Museum includes in its measure of operations all revenues and expenses that are an integral part of its programs and supporting activities. Museum operations exclude rental operations associated with the building acquired for conversion into the Museum's permanent museum in Washington D.C.

Museum of the Bible

Notes to the Financial Statements

Note 1. Significant Accounting Policies (Continued)

Contributions and promises to give: Contributions, including promises to give are recorded as restricted support if they are received with donor stipulations that limit the use of the donated assets. Other similar contributions may not be accompanied by a donor stipulation but are time restricted until received. As of June 30, 2016 and 2015, the Museum has the following unconditional promises to give recorded as contributions receivable:

	2016	2015
Due in less than one year	\$ 2,781,979	\$ 1,701,500
Due in one to five years	8,046,595	800,000
	<u>10,828,574</u>	<u>2,501,500</u>
Less time value discount on pledge receivables	(458,153)	-
Net contributions receivable	<u>\$ 10,370,421</u>	<u>\$ 2,501,500</u>

Conditional promises to give are not recognized until the conditions on which they depend are substantially met. When a donor restriction expires, that is, when a stipulated purpose restriction is satisfied either by the passage of time or the actions of the Museum, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

The Museum reports gifts of long-lived assets (exclusively biblical artifacts in 2015) as unrestricted support unless explicit donor stipulations specify how the donated asset must be used. Gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support.

Through June 30, 2016, all of the Museum's collections have been received via contribution and valued at fair value as of the date of the contribution. None of the Museum's contributed artifacts have any restrictions on their use or disposition and, as a result, have been reported as unrestricted contributions in the statements of activities.

Rental income: Rental income is recognized monthly, on a straight-line basis, consistent with the terms of each individual lease agreement. See Note 2 for a discussion of the Museum's lease agreements associated with the building acquired for its permanent museum location in Washington D.C.

Admissions and gift shop sales: Admission and gift shop sales revenue is recorded when earned, which is the date of sale. Inventory is relieved at the time gift shop revenue is recognized.

Income tax status: The Museum is an organization exempt from federal income tax pursuant to Section 501 (a) of the Internal Revenue Code (the Code) as an organization described in Section 501(c)(3) of the Code. Provision has been made, where material, for any taxes due on unrelated business income. Management has evaluated their tax positions and concluded they have taken no uncertain tax positions that require recognition or disclosure in the financial statements. With few exceptions, the Museum is no longer subject to income tax examinations by the U.S. federal, state, or local tax authorities for years before 2013.

Museum of the Bible

Notes to the Financial Statements

Note 1. Significant Accounting Policies (Continued)

Advertising costs: The Museum expenses the costs of advertising as incurred. For the years ended June 30, 2016, and 2015, advertising expense totaled \$2,015,737 and \$653,356, respectively.

Use of estimates: The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Subsequent events: The Museum has evaluated subsequent events through September 13, 2016, which is the date the financial statements were available to be issued. Other than what is disclosed in Note 9, there were no subsequent events requiring recognition or disclosure.

Reclassification: Certain amounts from 2015 have been reclassified to conform to 2016 presentations.

Note 2. Property and Equipment

Property and equipment are summarized as follows:

	2016	2015
Land	\$ 37,002,600	\$ 37,002,600
Building	13,379,888	13,358,255
Traveling exhibits	6,138,656	5,956,866
Furniture and fixtures	769,052	591,454
Durable equipment	807,771	541,796
Software and computer equipment	683,540	452,555
Construction in progress:		
Permanent museum	214,073,964	68,736,723
	<u>272,855,471</u>	<u>126,640,249</u>
Less accumulated depreciation	(4,606,567)	(2,943,222)
Net property and equipment	<u>\$ 268,248,904</u>	<u>\$ 123,697,027</u>

In July 2012, the Museum acquired a building in Washington D.C. to serve as its permanent museum. The acquisition price totaled \$50,360,855 of which \$37,002,600 was allocated to land and \$13,358,255 allocated to the building. At the time of the acquisition, the building was being operated as a commercial property with existing lease agreements. The Museum did not renew expiring lease agreements and negotiated with other tenants to early terminate their agreements. In October 2014, the Museum settled its last contractual lease dispute with a tenant. As of December 10, 2014, all tenants had vacated the building.

As the building has not been utilized for its intended use since its acquisition and, the building requires substantial renovation for it to be in condition for its intended use, the building has not been depreciated since acquisition. It is anticipated that the building will not be depreciated until all renovations are complete and the Museum's permanent Washington D.C. location is opened.

Museum of the Bible

Notes to the Financial Statements

Note 3. Funds Held by Others

The Museum has a Single Charity Fund Agreement (the Museum Foundation) at the National Christian Charitable Foundation, Inc. (NCF). Individuals and other organizations may contribute to the NCF and designate their contributions to benefit the Museum Foundation. All funds held in the Museum Foundation are the property of NCF. NCF retains full and unlimited control, use, and distribution of the assets of the fund. Further, NCF may distribute the Museum Foundation assets in contravention of the Museum's Single Charity Fund Agreement to the extent it determines that such a restriction is unnecessary, incapable of fulfillment, or inconsistent with the charitable needs of the community served.

Due to the conditions outlined above, assets held in the Museum Foundation are not reflected as assets of the Museum in the accompanying statements of financial position. As of June 30, 2016, the Museum Foundation held \$2,966,210 designated for the benefit of the Museum.

The Museum has received conditional promises to give to the Museum Foundation. Future amounts expected under the conditional promises total \$250 million at June 30, 2016. Management expects these amounts to be received over the next two years as needed to fund Museum operations.

Note 4. Related Party Transactions

The Museum engages in business transactions with three of its board members and/or companies they control for goods and services, at fair value, that it would purchase or provide in the ordinary course of business.

The Museum's leasing arrangements include (a) office space in Oklahoma City with one-year terms and options to renew, (b) office space in Washington D.C. through August 2017, and (c) exhibit sublease space for its traveling exhibits with month-to-month terms.

The Museum's services agreement provides for the curation of biblical artifacts on a month-to-month basis. The monthly rate was amended in January 2016 and is currently \$100,000 per month.

A summary of the expenses (revenue/cost recovery) related to these agreements and other transactions between the Museum and its related parties is as follows:

	2016	2015
Curatorial services	\$ (1,107,474)	\$ (802,714)
Office lease and other leasing expenses	553,486	437,013
Public relations services	245,333	236,656
Other expenses	715,536	915,184
	<u>\$ 406,881</u>	<u>\$ 786,139</u>

In addition to the above transactions impacting the statements of activities, a related party contributed \$65,368,000 of artifacts to the Museum in 2015 (none in 2016).

In connection with the construction of the permanent museum, during 2016 the Museum incurred \$4,518,276 of construction related costs from a related party that have been capitalized as part of the permanent museum (none in 2015).

As of June 30, 2016 and 2015, the Museum had related party receivables of \$200,000 and \$138,031. As of June 30, 2016 and 2015, the Museum had related party payables of \$4,865,359 and \$592,549.

Museum of the Bible

Notes to the Financial Statements

Note 5. Commitments and Contingencies

As discussed in Note 2, the Museum has acquired a facility in Washington D.C. that will be transformed from commercial real estate into a 430,000 square foot permanent museum to educate the public and showcase the Museum's biblical artifacts. As part of the conversion from commercial real estate to a world-class museum, the Museum anticipates entering into multiple contracts for architecture, construction, design, exhibit fabrication, and other ancillary services. The Museum has finalized most contracts and is in process of negotiating others. The Museum estimates the total costs subject to current and future project contracts to be \$215 to \$240 million. As of June 30, 2016, the Museum has approximately \$196 million of outstanding commitments on existing construction and designer contracts for the permanent museum.

As discussed in Note 1, the Museum is in the process of developing a Bible curriculum. Various contracts have been executed related to this project's development. The Museum estimates the total costs subject to current and future project contracts to be \$2.8 to \$3.0 million. As of June 30, 2016, the Museum has approximately \$450,000 of outstanding commitments on existing software and hardware contracts for the curriculum.

The Museum has an outstanding contractual commitment of approximately \$3.7 million for a grant to fund research services in Israel as of June 30, 2016.

In connection with certain construction commitments discussed above, the Museum has issued irrevocable letters of credits of \$391,272, which are collateralized by certificates of deposits totaling \$394,022.

The Museum is involved in various claims and legal disputes from time to time arising in the normal course of business. However, the Museum's management does not believe that the outcome of any of these matters will have a material adverse effect on the Museum's financial position.

Note 6. Employee Benefit Plan

The Museum maintains and offers a defined contribution retirement plan with a 401(k) feature. Substantially all employees meeting certain age and service requirements are eligible to participate in the 401(k) plan. The Museum provides a discretionary match of 50 percent on an employee's contribution, up to a maximum of 6 percent of their income. The Museum incurred minimal expense associated with the 401(k) plan in 2016 and 2015.

Museum of the Bible

Notes to the Financial Statements

Note 7. Expenses by Functional Classification

Expenses by functional classification for the years ended June 30, 2016 and 2015 are as follows:

	2016	2015
Museum operating expenses, excluding depreciation	\$ 35,969,592	\$ 20,248,411
Depreciation	1,776,195	1,320,162
	<u>\$ 37,745,787</u>	<u>\$ 21,568,573</u>
Museum program expenses:		
Traveling exhibits	\$ 3,772,572	\$ 3,231,612
Museum collections	2,370,761	1,694,408
Research	1,711,313	2,092,110
Permanent museum	998,204	407,562
Education	4,115,662	411,849
Cost of sales	156,926	92,470
	<u>13,125,438</u>	<u>7,930,011</u>
Supporting services:		
Management and general	10,296,201	5,930,207
Fundraising	14,324,148	7,708,355
	<u>24,620,349</u>	<u>13,638,562</u>
	<u>\$ 37,745,787</u>	<u>\$ 21,568,573</u>

Note 8. Concentrations

For the years ended June 30, 2016 and 2015, respectively, the Museum received 89 and 96 percent of its contributions from one donor. The Museum did not receive any artifact donations for the year ended June 30, 2016. The Museum received 100 percent of its artifact donations from one donor for the year ended June 30, 2015.

Note 9. Subsequent Events

On July 18, 2016, the Museum entered into a loan agreement with a private lending institution for a twelve month, \$75,000,000 loan. The loan proceeds will be used by the Museum in order to pay short-term operating and capital obligations as they come due. The loan includes a 1.0 percent origination fee and a minimum floating interest rate of 4.50 percent tied to the Wall Street Journal Prime index. The fee and monthly interest-only payments will be capitalized to the extent they have are used for capital items not placed in service. The loan is not collateralized but has been guaranteed by a third party to the satisfaction of the lender.

