Museum of the Bible

Financial Statements
June 30, 2020

Contents

Independent auditor's report 1

Financial statements

- Statements of financial position 2
- Statements of activities 3
- Statements of cash flows 4
- Notes to financial statements 5-18

Independent Auditor's Report

Board of Directors
Museum of the Bible

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, 2020 and 2019, 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 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 Museum of the Bible as of June 30, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

RSM US LLP

Oklahoma City, Oklahoma
October 29, 2020

Museum of the Bible

Statements of Financial Position
June 30, 2020 and 2019

	2020	2019
Assets		
Cash and cash equivalents	**$ 618,131**	$ 14,844,917
Investments	**15,079,983**	-
Accounts receivable	**381,239**	516,900
Contributions receivable, net	**14,958,442**	19,343,953
Inventory	**2,579,220**	2,649,654
Prepaid expenses, deposits, and other assets	**930,321**	939,610
Restoration and loans, net	**360,677**	520,605
Property and equipment, net	**440,516,513**	459,809,950
Collections (Note 1)	**-**	-
Total assets	**$ 475,424,526**	$ 498,625,589
Liabilities and Net Assets		
Liabilities:		
Accounts payable	**$ 2,310,335**	$ 2,846,406
Accrued liabilities	**6,578,117**	8,110,589
Deferred PPP loan	**4,234,023**	-
Line of credit	**15,592,823**	-
Short term debt	**7,595,442**	-
Total liabilities	**36,310,740**	10,956,995
Net assets:		
Without donor restrictions	**423,897,295**	466,246,432
With donor restrictions	**15,216,491**	21,422,162
Total net assets	**439,113,786**	487,668,594
Total liabilites and net assets	**$ 475,424,526**	$ 498,625,589

See notes to financial statements.

Museum of the Bible

Statements of Activities
Years Ended June 30, 2020 and 2019

	2020	2019
Net Assets Without Donor Restrictions		
Operating revenues and other support:		
Contributions	**$ 15,334,917**	$ 115,330,630
Admissions	**4,813,810**	8,362,396
Gift shop sales	**1,946,758**	4,958,626
Other income	**2,556,879**	1,963,597
Net assets released from restriction	**29,091,249**	7,644,773
Total support and revenues	**53,743,613**	138,260,022
Operating expense:		
Payroll and related benefits	**22,023,949**	23,148,505
Contract services	**7,360,680**	7,969,893
Sponsorships	**150,200**	74,459
Awards and grants	**1,073,710**	677,859
Advertising	**6,769,933**	2,422,122
Technology	**1,779,080**	2,190,735
Operations	**5,808,566**	8,592,338
Non-employee and program-related travel	**291,359**	570,644
Depreciation and amortization	**21,687,194**	23,599,377
General and administrative	**10,542,326**	9,379,314
Cost of goods sold	**808,978**	2,535,924
Development	**194,775**	553,858
Total operating expense	**78,490,750**	81,715,028
Change in net assets without donor restrictions before acquisition collection	**(24,747,137)**	56,544,994
Net Assets With Donor Restrictions		
Contributions, net	**22,923,389**	12,766,662
Other income and loss	**(37,811)**	-
Net assets released from restriction	**(29,091,249)**	(7,644,773)
Change in net assets with donor restrictions	**(6,205,671)**	5,121,889
Change in net assets before acquisition collection	**(30,952,808)**	61,666,883
Acquisition collection	**(17,602,000)**	-
Change in net assets	**(48,554,808)**	61,666,883
Net assets at beginning of year	**487,668,594**	426,001,711
Net assets at end of year	**$ 439,113,786**	$ 487,668,594

See notes to financial statements.

Museum of the Bible

Statements of Cash Flows
Years Ended June 30, 2020 and 2019

	2020	2019
Cash flows from operating activities:		
Change in net assets	**$ (48,554,808)**	$ 61,666,883
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	**21,687,194**	23,599,377
Bad debt expense	**3,249,357**	1,083,373
Loss on disposal of property and equipment	**-**	575,834
Discount on contribution receivable	**807,055**	423,321
Gifts restricted for capital expenditures	**(10,002,000)**	(3,426,504)
Unrealized and realized gain	**(180,571)**	-
Change in operating assets and liabilities:		
Deferred PPP loan	**4,234,023**	-
Accounts receivable	**135,661**	38,037
Contributions receivable	**329,098**	(11,231,080)
Inventory	**70,434**	1,460,457
Prepaid expenses, deposits, and other assets	**(322,698)**	662,250
Accounts payable	**201,917**	(203,917)
Accrued liabilities	**(1,532,472)**	4,994,597
Net cash (used in) provided by operating activities	**(29,877,810)**	79,642,628
Cash flows from investing activities:		
Restoration of museum collections	**-**	(22,764)
Purchase of marketable securities	**(33,943,853)**	-
Sales of marketable securities	**19,044,441**	-
Purchases of prepublication costs	**-**	(161,883)
Purchases of property and equipment	**(2,639,829)**	(935,917)
Net cash used in investing activities	**(17,539,241)**	(1,120,564)
Cash flows from financing activities:		
Borrowings on line of credit	**53,382,111**	26,489,198
Payments on line of credit	**(37,789,288)**	(44,048,878)
Borrowings on long-term debt	**7,595,442**	-
Purchases of collections	**10,002,000**	-
Payments on long-term debt	**-**	(49,843,050)
Gifts collected for capital expenditures	**-**	3,426,504
Net cash provided by (used in) financing activities	**33,190,265**	(63,976,226)
Net change in cash and cash equivalents	**(14,226,786)**	14,545,838
Cash and cash equivalents:		
Beginning of year	**14,844,917**	299,079
End of year	**$ 618,131**	$ 14,844,917
Supplemental data:		
Capital asset additions financed via accruals	**$ 406,000**	$ -
Prepaid additions financed via accrued liabilities	**$ 331,988**	$ -
Interest paid	**$ 253,690**	$ 1,416,096

See notes to 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 transformative power of the Bible. The Museum has domestic and international traveling exhibits and in 2017, the Museum opened its 430,000 square-foot not-for-profit 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 (US GAAP).

Net asset classifications: The Museum has interpreted the *Uniform Prudent Management of Institutional Funds Act of 2006* (UPMIFA) as enacted by the State of Oklahoma (OK UPMIFA) to require the Museum to exercise prudence in determining whether to spend from or accumulate to donor-restricted endowment funds with a view toward the permanent nature and long-term continuing viability of such funds.

Net assets, revenues, and gains and losses are classified based on the existence or absence of donor-imposed restrictions. The Museum is required to report information regarding its financial position and activities according to two classes of net assets as follows:

Net assets without donor restrictions: Net assets that are generally not subject to donor-imposed restrictions. These may be designated for specific purposes by the Museum's Board of Directors. As of June 30, 2020 and 2019, the Board of Directors has designated $13,600,000 and $13,100,000 respectively, as an endowment to support the operations of the Museum.

Net assets with donor restrictions: Net assets that are subject to donor-imposed restrictions. Certain donor-imposed restrictions are temporary in nature and may or will be met either by actions of the Museum and/or the passage of time. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. The amount of net assets identified as released from restrictions includes any amounts released whether received in the current year or prior periods. Other donor-imposed restrictions are perpetual in nature, and require the Museum to maintain the contributed resources in perpetuity. Generally, the donors of assets with perpetual restrictions permit the Museum to use all or part of the income earned on these resources for general or specific purposes.

Cash and cash equivalents: Cash and cash equivalents include cash on hand, on deposit in demand, interest-bearing accounts, and money market funds administered by the Museum with original maturities of three months or less. At June 30, 2020 and 2019, 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.

Inventory: Inventory consists of retail items sold through the museum gift shop or online and are valued at the lower of cost or net realizable value using the average cost method.

Note 1. Significant Accounting Policies (Continued)

Investments: Marketable securities are stated at fair value and consist primarily of mutual funds and debt and equity securities. Investments acquired by gift or bequest are recorded at fair value at the date donated. Thereafter, donated marketable securities are carried at fair value. Investments in debt and equity securities with readily determinable fair values are periodically re-measured to fair value. Fair value is determined by quoted market prices, if available, or by a reasonable estimate of fair value provided by an investment manager. The Museum has investments in various investment securities, which in general, are exposed to various risks, such as interest rate, credit and overall market volatility. Further, due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes could materially affect the amounts reported in the Museum's financial statements. It is the policy of the Museum to liquidate as soon as practicably possible all gifts or bequests of investment securities.

Collections, restorations and loans: The Museum's collections consist of donated and purchased biblical artifacts, facsimiles and restoration costs for items 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.

In conformity with accounting policies generally followed by museums with similar collections, the value of the Museum's collections has been excluded from the statements of financial position, and gifts of artifacts are excluded from revenue in the statements of activities. Purchases of artifacts for the collection by the Museum are recorded as decreases in net assets in the statements of activities as with or without donor restrictions based on the restriction of the donor. Proceeds from the deaccession of biblical artifacts are recorded as net assets with donor restrictions and are restricted to the acquisition of other biblical artifacts.

The Museum has entered into a separate restoration and loan agreement with a third party and long-term loan agreements with various parties for the use of artifacts as part of its exhibits. Capitalized costs associated with this agreement at June 30, 2020 and 2019 are $1,456,981 and $1,456,981, respectively. Accumulated amortization is $1,096,304 and $936,376 at June 30, 2020 and 2019, respectively.

Property and equipment: Land, buildings and improvements, long-term museum exhibits, 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 $10,000 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	50 years
Museum long-term exhibits	7 to 10 years
Traveling exhibits	5 to 10 years
Furniture and fixtures	7 to 10 years
Durable equipment	5 years
Software and computer equipment	3 years

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.

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 due. An allowance is recognized for uncollectible contributions based upon management's judgment and analysis of the creditworthiness of the donors, past collection experience, and other relevant factors. Contributions receivable that are no longer expected to be expected are written off to bad debt expense. As of June 30, 2020 and 2019, the Museum has the following unconditional promises to give recorded as contributions receivable:

	2020	2019
Due in less than one year	$ 11,773,633	$ 13,882,130
Due in one to five years	2,668,969	5,692,039
Thereafter	776,000	1,811,000
	15,218,602	21,385,169
Less time value discount on pledge receivables (2%)	(260,160)	(1,067,216)
Less allowance for doubtful accounts	-	(974,000)
Net contributions receivable	$ 14,958,442	$ 19,343,953

Conditional promises to give are not recognized until the conditions on which they depend are substantially met (see Note 14). When a donor restriction expires, that is, when a stipulated purpose restriction is satisfied either by the passage of time or by actions of the Museum, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

The Museum reports gifts of long-lived assets as without donor restriction 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.

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.

Advertising costs: The Museum expenses the costs of advertising as incurred. For the years ended June 30, 2020 and 2019, advertising expense totaled $6,769,933 and $2,422,122, respectively.

Use of estimates: The preparation of financial statements in conformity with US 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.

Note 1. Significant Accounting Policies (Continued)

Functional allocation of expenses: The costs of providing various programs and other activities have been summarized in the statement of activities. Costs are allocated between program services and management and general expenses based on management's evaluation of the resources expended in the related activities. Management and general expenses include those expenses that are not directly identifiable with any other specific function, but provide for the overall support and direction of the Museum.

Fair value measurements: The *FASB Accounting Standards Codification* (ASC) Topic 820, Fair Value Measurements and Disclosures, defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Topic 820 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three broad levels.

The following is a brief description of those three levels:

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

Level 2: Inputs that are derived principally from or corroborated by observable market data

Level 3: Inputs that are unobservable and significant to the overall fair value measurement

Financial assets carried at fair value include marketable securities (see Note 4).

Subsequent events: The Museum has evaluated subsequent events through October 29, 2020, which is the date the financial statements were available to be issued. There were no subsequent events requiring recognition or disclosure.

Recently adopted accounting pronouncements: The Museum adopted the FASB Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers* (Topic 606 or ASC 606) effective July 1, 2019. The core principle of the new guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. In addition, the new guidance requires disclosure of the nature, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The Museum adopted ASC 606 using the modified retrospective transition method and applied the guidance to those contracts not completed as of June 30, 2019. Adoption of ASC 606 did not have a significant impact on the recognition of revenues; therefore, the Museum did not have an opening net assets adjustment and adoption had no significant impact on revenue recognition, operating results or cash flows.

Note 1. Significant Accounting Policies (Continued)

The Museum adopted ASU 2018-08, *Not for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (ASU 2018-08*) on January 1, 2019. These amendments clarify and improve current guidance about whether a transfer of assets, or the reduction, settlement, or cancellation of liabilities, is a contribution or an exchange transaction. The amendments also clarify how an entity determines whether a resource provider is receiving commensurate value and expands the criteria for determining whether a contribution is conditional. These are important because such determinations and classifications affect the timing of revenue and expense recognition. The Museum adopted the new guidance using the modified prospective basis and applied the guidance to agreements that were either (1) not completed as of the effective date or (2) entered into after the effective date. Adoption of ASU 2018-08 did not have a significant impact on the Museum's revenue recognition, operating results or cash flows.

Note 2. Property and Equipment

Property and equipment are summarized as follows:

	2020	2019
Land	$ 37,002,600	$ 37,002,600
Buildings and improvements	323,011,058	323,020,364
Museum long-term exhibits	121,848,805	121,801,015
Traveling exhibits	6,514,656	6,514,656
Furniture and fixtures	4,166,354	4,107,855
Durable equipment	4,756,908	4,756,908
Software and computer equipment	5,859,245	5,859,245
Construction in progress:		
Traveling exhibits	2,116,856	-
	505,276,482	503,062,643
Less accumulated depreciation	(64,759,969)	(43,252,693)
Net property and equipment	$ 440,516,513	$ 459,809,950

Depreciation expense relating to property and equipment totaled $21,507,276 and $21,666,293 for the years ending June 30, 2020 and 2019.

Note 3. Funds Held by Others

The Museum has a Single Charity Fund Agreement (the Museum Foundation) at the National Christian 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, 2020 and 2019, the Museum Foundation held $4,592 and $4,096 designated for the benefit of the Museum.

Note 4. Fair Value Measurements

The Museum uses quoted market prices to determine the fair value of an asset or liability when available. If quoted market prices are not available, the Museum uses net asset values when available or determines fair value using valuation techniques that use market-based or independently sourced market data, such as interest rates. The Museum has no liabilities measured on a recurring or nonrecurring basis. Assets measured at fair value on a recurring basis are classified within the fair value hierarchy as follows:

	June 30, 2020			
	Level 1	Level 2	Level 3	Total
Common stock:				
Consumer discretionary	$ 171,237	$ -	$ -	$ 171,237
Financials	154,481	-	-	154,481
Healthcare	54,204	-	-	54,204
Industrials	384,142	-	-	384,142
Information technology	53,721	-	-	53,721
Communication services	29,429	-	-	29,429
Total common stock	847,214	-	-	847,214
Mutual funds:				
Funds and pooled investments	8,124,272	-	-	8,124,272
Alternative strategies	1,059,430	-	-	1,059,430
Total mutual funds	9,183,702	-	-	9,183,702
Fixed income:				
Short-term investments	280,615	-	-	280,615
US government securities	579,004	-	-	579,004
Agency bonds	1,484,297	-	-	1,484,297
Corporate bonds	2,275,487	-	-	2,275,487
Foreign bonds	429,664	-	-	429,664
Total fixed income securities	5,049,067	-	-	5,049,067
Total assets measured at fair value on a recurring basis	$ 15,079,983	$ -	$ -	$ 15,079,983

Investment in common stock, mutual funds, and fixed income are based on quoted prices and are available in an active market, and as such, securities, bonds are classified within Level 1 of the hierarchy. All transfers between fair value hierarchy levels are recognized by the Museum at the beginning of each reporting period, there were no transfers between levels in the current year.

Note 5. Revenue from Exchange Transactions

Revenue from contracts with customers include proceeds from museum operations, curatorial services, curriculum sales and other sources. Museum operations consist of admission ticket sales, sales of membership, sales to special exhibits, docent tours, the Museum's Washington Revelations Flythrough ride, Lecture Series events, virtual reality theater, performance hall event sales, ballroom and other room rentals, gift shop sales and food beverage sales. Curatorial services are fees charged to various collection owners who have contracted with the Museum to care for and restore their collections. Curriculum sales are from limited sales of its Bible curricula for special projects outside of its normal curricula projects in which curricula is given away to further the Museum's mission. Lastly, other revenue is collected from various sources and traveling exhibits as part of the Museum's mission.

The Museum's revenues from contracts with customers included from operations in the statements of activities, are compromised of the following for the year ending June 30, 2020:

	2020	2019
Museum operations	$ 6,760,568	$ 13,321,022
Curatorial services	1,700,000	1,635,000
Curriculum sales	109,748	88,585
Other	103,042	(298)
	$ 8,673,358	$ 15,044,309

Note 6. Loan Agreements

On August 1, 2017, the Museum entered into a $25,000,000 revolving line of credit arrangement to be used to fund operational needs as necessary. The revolving line of credit has a three-year term with an maturity date of July 31, 2022, and was renewed on March 25, 2019. Interest is computed on the daily outstanding principal balance of indebtedness at a rate of 1.85% over the one month LIBOR rate (2.01% as of June 30, 2020 and 5% as of June 30, 2019). Interest is due on the same dates as the amortizing portion of the debt. An administrative and commitment fee of 0.20% on the full $25,000,000 commitment has been recognized and will be amortized over the life of the line of credit. In addition, a 0.25% fee on any unused portion of the line of credit is calculated on a daily basis and remitted quarterly to the lender. At June 30, 2020 and 2019, there was an outstanding balance of $15,592,823 and $-0-, on the revolving line of credit.

The line of credit is not collateralized by assets but assets may not be pledged on any future debt without written authorization by the lender. The line of credit has been guaranteed by a trust controlled by a third party to the satisfaction of the lender.

On November 14, 2019, the Museum entered into a $17,600,000 bargain purchase agreement to purchase a collection of biblical and other artifacts from a private seller. The agreement has a two-year term and required the Museum to make two payments with $10,000,000 due upon execution and the remaining $7,600,000 due by January 4, 2021. The note is non-interest bearing but is collateralized by the underlying artifacts which are in the Museum's possession as of June 30, 2020.

Note 7. Related Party Transactions

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

The Museum's services agreement provides for the curation of biblical artifacts on a month-to-month basis. The monthly rate is currently $100,000 per month in 2020 and 2019.

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

	2020	2019
Curatorial services	$ (1,200,000)	$ (1,200,000)
Office lease and other leasing expenses	432,735	432,735
Gift shop sales	-	(1,426,822)
Other expenses	19,501	6,308
	$ (747,764)	$ (2,187,779)

As of June 30, 2020 and 2019, the Museum had related party receivables of $1,725 and $-0- respectively. As of June 30, 2020 and 2019, the Museum had related party payables of $1,003 and $17,706 respectively.

Note 8. Commitments and Contingencies

As the Museum has commenced operations in its new facility in Washington D.C., it has entered into many contracts related to its operations and continued maintenance. As of June 30, 2020, the Museum has approximately $26,584,000 of outstanding commitments related to these activities.

The Museum occasionally becomes involved in various claims and legal disputes arising in the normal course of business. The Museum’s management does not believe that the outcome of these matters will have a material adverse impact on the Museum’s financial position.

Note 9. 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% on an employee’s contribution, up to a maximum of 6% of their income. The Museum incurred minimal expense associated with the 401(k) plan in 2020 and 2019. The Museum contributed $355,508 and $328,588 of matching employer contributions in 2020 and 2019, respectively.

Note 10. Expenses by Functional Classification

The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses are allocated based on square footage, head count and direct costs.

Expenses by functional and natural classification for the years ended June 30, 2020 and 2019 are as follows:

2020

	Museum Program Expenses					Supporting Services		
	Traveling Exhibits	Museum Collections	Research	Permanent Museum	Education	Management and General	Fundraising	Total
Payroll and related benefits	$ -	$ 2,167,244	$ 303,129	$ 11,821,532	$ -	$ 6,735,290	$ 996,754	$ 22,023,949
Contract services	2,570	758,887	19,880	4,522,901	185,456	1,164,248	706,738	7,360,680
Sponsorships	-	-	-	150,200	-	-	-	150,200
Awards and grants	-	-	1,073,710	-	-	-	-	1,073,710
Advertising	145	1,863	40	6,746,614	48,001	(33,958)	7,228	6,769,933
Technology	-	14,417	45	276,094	936	1,482,677	4,911	1,779,080
Operations	12,512	63,661	257	5,524,366	683	79,804	127,283	5,808,566
Non-employee and program-related travel	2,717	53,388	19,908	117,349	8,141	35,151	54,705	291,359
Depreciation and amortization	2,978	100,100	725	21,327,072	-	243,094	13,225	21,687,194
General and administrative	11,598	136,330	17,518	3,793,268	525	4,509,557	2,073,530	10,542,326
Cost of goods sold	-	-	-	808,978	-	-	-	808,978
Development	-	2,547	-	44,801	-	-	147,427	194,775
	$ 32,520	$ 3,298,437	$ 1,435,212	$ 55,133,175	$ 243,742	$ 14,215,863	$ 4,131,801	$ 78,490,750

2019

	Museum Program Expenses					Supporting Services		
	Traveling Exhibits	Museum Collections	Research	Permanent Museum	Education	Management and General	Fundraising	Total
Payroll and related benefits	$ 9,863	$ 1,687,458	$ 208,586	$ 12,140,205	$ 218,160	$ 7,068,060	$ 1,816,173	$ 23,148,505
Contract services	3,083	307,173	22,753	3,346,939	1,632,545	1,488,771	1,168,629	7,969,893
Sponsorships	-	-	12,973	7,986	-	-	53,500	74,459
Awards and grants	-	2,000	730,382	113	(54,636)	-	-	677,859
Advertising	605	1,213	-	2,234,421	127,650	38,364	19,869	2,422,122
Technology	109	1,958	-	348,816	329	1,831,998	7,525	2,190,735
Operations	32,391	123,083	-	8,268,179	1,795	150,861	16,029	8,592,338
Non-employee and program-related travel	2,848	32,981	61	250,338	84,823	63,520	136,073	570,644
Depreciation and amortization	208,305	165,145	726	21,626,738	1,203,380	347,084	47,999	23,599,377
General and administrative	15,475	165,957	8,820	5,060,385	521,943	2,591,169	1,015,565	9,379,314
Cost of goods sold	-	-	-	2,535,924	-	-	-	2,535,924
Development	-	760	60	162,160	-	694	390,184	553,858
	$ 272,679	$ 2,487,728	$ 984,361	$ 55,982,204	$ 3,735,989	$ 13,580,521	$ 4,671,546	$ 81,715,028

Note 11. Concentrations

For the years ended June 30, 2020 and 2019, respectively, the Museum received 67% and 90% of its contributions from one donor.

Note 12. Net Assets With Donor Restrictions

The Museum's net assets with donor restrictions are comprised of the following as of June 30:

	2020	2019
Net assets with donor restrictions:		
Purposes or time restrictions:		
Permanent museum	$ 820,118	$ 3,426,504
Traveling exhibits	5,013	55,904
Research	214,012	714,012
Education	554,213	549,524
Time restricted	12,581,166	15,672,060
Accumulated earnings on donor-restricted endowment	41,969	4,158
	14,216,491	20,422,162
Perpetual in nature:		
Scholarship endowment	1,000,000	1,000,000
	$ 15,216,491	$ 21,422,162

Note 13. Endowments

In April 2019, the Museum created one donor-restricted endowment fund and one fund designated by the Board of Directors to function as an endowment. Assets associated with endowment funds include cash and cash equivalents as of June 30, 2020.

Interpretation of relevant law: The Museum is subject to Oklahoma Uniform Prudent Management of Institution Funds Act (OK UPMIFA) and classifies funds which are donor-restricted in perpetuity and the related accumulated and unappropriated earnings, including any underwater amounts, as net assets with donor restrictions until appropriated for expenditure by the Board of Directors. The Museum's donor-restricted endowment funds are also subject to purpose restrictions that must be met before reclassifying such amounts to net assets without donor restrictions. The Board of Directors has interpreted OK UPMIFA as not requiring the maintenance of purchasing power of the original gift amount contributed to an endowment fund, unless a donor specifically stipulates the contrary. As a result of this interpretation, the Museum considers a fund to be underwater if the fair value of the fund is less than the sum of (a) the original value of initial and subsequent gift amounts donated to the fund and (b) any accumulations to the fund that are required to be maintained in perpetuity in accordance with the direction of the applicable donor gift instrument. The Museum has interpreted OK UPMIFA to permit spending from underwater funds in accordance with the prudent measures required under the law. Additionally, in accordance with OK UPMIFA, the Museum considers the following factors in making a determination to appropriate or accumulate donor restricted endowment funds: 1) the duration and preservation of the fund; 2) the purposes of the Museum and the donor restricted endowment fund; 3) general economic conditions; 4) the possible effect of inflation and deflation; 5) the expected total return from income and the appreciation of investments; 6) other resources of the Museum; and 7) the investment policies of the Museum.

Note 13. Endowments (Continued)

Endowment net assets composition by type of fund as of June 30, 2020:

Endowment net asset composition by type of fund

		Without Donor Restrictions		With Donor Restrictions		Total
Board-designated endowment fund	$	14,131,703	$	-	$	14,131,703
Donor-restricted endowment funds		-		1,041,969		1,041,969
Total endowment funds	$	14,131,703	$	1,041,969	$	15,173,672

Change in endowment net assets

		Without Donor Restrictions		With Donor Restrictions		Total
Endowment net assets, beginning of year	$	13,154,476	$	1,004,158	$	14,158,634
Contributions		500,000		-		500,000
Investment earnings		477,227		37,811		515,038
Endowment net assets, end of year	$	14,131,703	$	1,041,969	$	15,173,672

Endowment net assets composition by type of fund as of June 30, 2019:

Endowment net asset composition by type of fund

		Without Donor Restrictions		With Donor Restrictions		Total
Board-designated endowment fund	$	13,154,476	$	-	$	13,154,476
Donor-restricted endowment funds		-		1,004,158		1,004,158
Total endowment funds	$	13,154,476	$	1,004,158	$	14,158,634

Change in endowment net assets

		Without Donor Restrictions		With Donor Restrictions		Total
Endowment net assets, beginning of year	$	-	$	-	$	-
Contributions		-		1,000,000		1,000,000
Investment earnings		54,476		4,158		58,634
Board designations		13,100,000		-		13,100,000
Endowment net assets, end of year	$	13,154,476	$	1,004,158	$	14,158,634

Return objective and risk parameters: The Museum has adopted investment and spending policies for endowment assets that provide for growth and a predictable stream of funding to operations, programs and other specified purposes supported by its endowment while seeking to maintain the purchasing power of the endowment assets.

Note 13. Endowments (Continued)

Strategies employed for achieving objectives: Under its investment policy, as approved by the Board of Directors in August 2019, the assets of the endowment are invested in accordance with the following objectives: to generate a real return from the Museum's investments that will provide a sustainable funding source for the Museum while preserving the portfolio's purchasing power over the long-run; to maximize the real rate of return on investments within a prudent level of risk; and to look at investment returns over a long-term horizon while also recognizing the need for annual endowment draws. The Museum has set an objective of achieving returns on its portfolio investments that, over the long-term, will achieve returns net of inflation and fees that exceed the endowment draw by an amount that will allow for additional growth in the portfolio (currently 7%). The Museum's investment policy targets a diversified asset allocation that places a greater emphasis on equity-based securities (target ranges from 40% – 80%) than fixed income securities (10% – 50%) and cash equivalents (0% – 30%) to achieve its long-term objectives with prudent risk constraints. Prior to the adoption of the investment policy, all endowment funds were held in money market funds.

Spending policy and how the investment objectives relate to spending policy: The endowment's investment earnings are allocated in a reasonable and balanced way between current distribution and reinvestment for future earnings. Distributions should provide a reasonably stable and predictable source of funds for the activities of the Museum that are supported by the endowment. Subject to OK UPMIFA (to the extent applicable), the annual distributable funds from the endowment will be no more than 4.5%. The distribution percentage rate will be defined using a three-year investment average. Until an endowment has been invested for three years, the annual average will be used after the initial 12 months. Specific gifts may be excluded from averaging and/or be subject to other distribution rules, when explicitly directed by the donor or by a 75% approval of the Board of Directors.

The Museum's policy permits spending from underwater endowment funds when deemed prudent by 75% of the Board of Directors. Distributions will be made annually, and endowments may be held for more than 12 months based on the date of the charitable gift.

Note 14. Liquidity Management and Funds Available

The following reflects the Museum's financial assets as of the statement of financial position date, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the statement of financial position date.

The Museum's financial assets available within one year of the statement of financial position for general expenditure are as follows at June 30:

	2020	2019
Financial assets, at year end	$ 31,037,795	$ 34,705,770
Less those unavailable for general expenditures within one year due to:		
Contributions receivables not due in one year, net	(3,184,809)	(5,461,823)
Contributions receivables due in one year for restricted purposes	(11,773,633)	(3,103,864)
Funds to be used for other commitments in the next year (Note 6)	(9,075,724)	(375,412)
Board designated endowment	(14,131,703)	(13,154,476)
Donor restricted for specific purposes and/or in perpetuity	(258,049)	(2,078,209)
Financial assets available to meet cash needs for general expenditures within one year	$ (7,386,123)	$ 10,531,986

The Museum maintains a policy of structuring its financial assets to be available as its general expenditures, liabilities and other obligations come due. In addition, the Museum invests cash in excess of weekly requirements in short-term investments (money market funds). As mentioned in Note 4, to help manage unanticipated liquidity needs and commitments, the Museum has a revolving line of credit of $25,000,000, upon which it can draw.

Further, the Museum has received contingent promise to give up to $50,000,000 at June 30, 2020. Management expects these amounts to be received within the next fiscal year as needed to fund Museum operations and expenditures.

Note 15. COVID-19 and Payroll Protection Program Loan

On January 30, 2020, the World Health Organization declared the coronavirus outbreak (COVID-19) a "Public Health Emergency of International Concern" and on March 10, 2020, declared COVID-19 a pandemic. The impact of COVID-19 could negatively impact the Museum's operations, suppliers or other vendors, and businesses. The operations for the Museum's services could be negatively impacted by the regional and global outbreak of COVID-19, including stop-work orders on existing contract work for an unknown period of time. The extent to which the coronavirus impacts the Museum's results will depend on future developments, which are highly uncertain and cannot be predicted, including new information which may emerge concerning the severity of the coronavirus and actions taken to contain the coronavirus or its impact, among others.

Payroll Protection Program: On April 9, 2020, the Museum was granted a loan from BOKF, NA in the aggregate amount of $4,228,500, pursuant to the Paycheck Protection Program under Division A, Title I of the CARES Act, which was enacted March 27, 2020.

Note 15. COVID-19 and Payroll Protection Program Loan (Continued)

The loan, bears an interest rate of 1.00% per annum, payable monthly commencing on November 9, 2020. The loan may be prepaid by the Museum at any time prior to maturity with no prepayment penalties. Funds from the loan may only be used for payroll costs, costs used to continue group health care benefits, mortgage payments, rent, utilities, and interest on other debt obligations incurred before February 15, 2020. The Museum has used the entire loan amount for qualifying expenses. Under the terms of the payroll protection program, certain amounts of the loan may be forgiven if they are used for qualifying expenses as described in the CARES Act. As of June 30, 2020, the Museum has recorded the loan as deferred revenue in the statement of financial position until forgiven by the Small Business Administrations. The Museum has applied for forgiveness on September 21, 2020, and the forgiveness application has been forwarded to the SBA from BOKF, NA.