



**OKLAHOMA CITY MUSEUM OF ART, INC.
AND SUBSIDIARIES**

**CONSOLIDATED FINANCIAL STATEMENTS
AND SUPPLEMENTAL INFORMATION**

JUNE 30, 2011 and 2010

WITH

INDEPENDENT AUDITORS' REPORT



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INDEPENDENT AUDITORS' REPORT

The Board of Trustees
Oklahoma City Museum of Art, Inc.

We have audited the accompanying consolidated statements of financial position of Oklahoma City Museum of Art, Inc. and Subsidiaries (OKCMOA) as of June 30, 2011 and 2010, and the related consolidated statements of activities and cash flows for the years then ended. These financial statements are the responsibility of OKCMOA's management. Our responsibility is to express an opinion on these financial statements based on our audits. The summarized comparative information for the year ended June 30, 2009, has been derived from the OKCMOA's 2009 financial statements and, in our report dated October 29, 2009, we expressed an unqualified opinion on those financial statements.

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 audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of OKCMOA's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of OKCMOA as of June 30, 2011 and 2010, and the consolidated results of its activities and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Our audits were conducted for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The accompanying supplemental information detailing the consolidating statement of financial position as of June 30, 2011, and the consolidating statement of activities for the year then ended are presented for purposes of additional analysis and are not a required part of the basic consolidated financial statements. This additional information is the responsibility of OKCMOA's management. Such information has been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and, in our opinion, is fairly stated in all material respects to the basic consolidated financial statements taken as a whole.



September 28, 2011

**OKLAHOMA CITY MUSEUM OF ART, INC.
AND SUBSIDIARIES**

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

June 30, 2011 and 2010

	2011	2010
Assets		
Cash	\$ 1,568,799	\$ 1,675,110
Grants and accounts receivable	128,756	75,071
Inventory, net	284,243	263,169
Prepaid expenses and other assets	227,984	231,426
Other restricted cash	645,162	545,421
Grants and accounts receivable with restrictions	176,034	231,551
Investments	3,418,631	1,990,065
Investments with restrictions	11,207,223	10,404,381
Beneficial interest in assets held by OCCF	3,655,609	2,904,873
Property, plant and equipment, net	17,515,241	18,097,544
Art and library collections (see Note 2)		
Total assets	\$ 38,827,682	\$ 36,418,611
Liabilities and Net Assets		
Liabilities:		
Accounts payable	\$ 141,473	\$ 64,721
Accrued liabilities	206,176	366,961
Note payable	835,000	835,000
Total liabilities	1,182,649	1,266,682
Net assets:		
Unrestricted	21,577,116	20,695,414
Temporarily restricted	7,010,326	5,725,346
Permanently restricted	9,057,591	8,731,169
Total net assets	37,645,033	35,151,929
Total liabilities and net assets	\$ 38,827,682	\$ 36,418,611

**OKLAHOMA CITY MUSEUM OF ART, INC.
AND SUBSIDIARIES**

CONSOLIDATED STATEMENTS OF ACTIVITIES

Year ended June 30, 2011
(and Summarized Totals for 2010)

	Unrestricted	Temporarily Restricted	Permanently Restricted	2011 Total	Summarized Totals for 2010
Revenues, Gains and Other Support					
Contributed income:					
Individuals	\$ 156,200	\$ 6,665	\$ 268,622	\$ 431,487	\$ 245,208
Corporate and other	459,090	122,904	2,600	584,594	365,599
Allied Arts	359,326	-	-	359,326	356,020
Grants and foundations	511,775	342,082	55,200	909,057	1,166,102
	<u>1,486,391</u>	<u>471,651</u>	<u>326,422</u>	<u>2,284,464</u>	<u>2,132,929</u>
Fundraising events	476,736	-	-	476,736	407,732
Memberships	408,755	-	-	408,755	433,951
Admissions	533,737	-	-	533,737	514,864
Museum store sales	250,032	-	-	250,032	261,492
Museum of Art Café sales	1,131,127	-	-	1,131,127	1,078,080
Museum of Art Café catering sales	292,560	-	-	292,560	192,488
Parking income	88,942	-	-	88,942	44,557
In-kind donations	25,695	-	-	25,695	128,694
Miscellaneous	103,679	-	-	103,679	114,228
Investment income	508,716	138,038	-	646,754	658,828
Net unrealized/realized gains on investments	1,789,539	820,206	-	2,609,745	1,159,298
Funds released from restrictions	144,915	(144,915)	-	-	-
Total revenues, gains and other support	<u>7,240,824</u>	<u>1,284,980</u>	<u>326,422</u>	<u>8,852,226</u>	<u>7,127,141</u>
Expenses					
Programming	1,633,566	-	-	1,633,566	1,574,551
Museum store	254,260	-	-	254,260	270,402
Museum of Art Café	1,311,973	-	-	1,311,973	1,202,349
Museum Parking	30,771	-	-	30,771	21,309
Management and general	845,467	-	-	845,467	1,033,125
Fundraising and development	627,245	-	-	627,245	640,089
Security, building and grounds	921,785	-	-	921,785	835,680
Art accessioned	20,000	-	-	20,000	237,046
Depreciation	714,055	-	-	714,055	749,192
Total expenses	<u>6,359,122</u>	<u>-</u>	<u>-</u>	<u>6,359,122</u>	<u>6,563,743</u>
Changes in net assets	881,702	1,284,980	326,422	2,493,104	563,398
Net assets, beginning of year	20,695,414	5,725,346	8,731,169	35,151,929	34,588,531
Net assets, end of year	<u>\$ 21,577,116</u>	<u>\$ 7,010,326</u>	<u>\$ 9,057,591</u>	<u>\$ 37,645,033</u>	<u>\$ 35,151,929</u>

See notes to consolidated financial statements.

**OKLAHOMA CITY MUSEUM OF ART, INC.
AND SUBSIDIARIES**

CONSOLIDATED STATEMENTS OF ACTIVITIES

Year ended June 30, 2010
(and Summarized Totals for 2009)

	Unrestricted	Temporarily Restricted	Permanently Restricted	2010 Total	Summarized Totals for 2009
Revenues, Gains and Other Support					
Contributed income:					
Individuals	\$ 198,660	\$ 37,548	\$ 9,000	\$ 245,208	\$ 1,492,564
Corporate and other	324,099	41,500	-	365,599	633,960
Allied Arts	356,020	-	-	356,020	356,488
Grants and foundations	595,502	560,600	10,000	1,166,102	1,248,550
	1,474,281	639,648	19,000	2,132,929	3,731,562
Fundraising events	407,732	-	-	407,732	333,687
Memberships	433,951	-	-	433,951	437,425
Admissions	514,864	-	-	514,864	782,032
Museum store sales	261,492	-	-	261,492	386,322
Museum of Art Café sales	1,078,080	-	-	1,078,080	1,233,080
Museum of Art Café catering sales	192,488	-	-	192,488	248,968
Parking income	44,557	-	-	44,557	-
In-kind donations	128,694	-	-	128,694	62,257
Miscellaneous	114,228	-	-	114,228	167,989
Investment income	520,790	138,038	-	658,828	646,533
Net unrealized/realized gains (losses) on investments	517,364	641,934	-	1,159,298	(2,041,390)
Funds released from restrictions	834,803	(834,803)	-	-	-
Total revenues, gains and other support	6,523,324	584,817	19,000	7,127,141	5,988,465
Expenses					
Programming	1,574,551	-	-	1,574,551	3,269,745
Museum store	270,402	-	-	270,402	378,788
Museum of Art Café	1,202,349	-	-	1,202,349	1,352,389
Museum Parking	21,309	-	-	21,309	-
Management and general	1,033,125	-	-	1,033,125	983,473
Fundraising and development	640,089	-	-	640,089	709,395
Security, building and grounds	835,680	-	-	835,680	903,196
Art accessioned	237,046	-	-	237,046	588,373
Depreciation	749,192	-	-	749,192	779,545
Total expenses	6,563,743	-	-	6,563,743	8,964,904
Changes in net assets	(40,419)	584,817	19,000	563,398	(2,976,439)
Net assets, beginning of year	20,735,833	5,140,529	8,712,169	34,588,531	37,564,970
Net assets, end of year	\$ 20,695,414	\$ 5,725,346	\$ 8,731,169	\$ 35,151,929	\$ 34,588,531

See notes to consolidated financial statements.

**OKLAHOMA CITY MUSEUM OF ART, INC.
AND SUBSIDIARIES**

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended June 30, 2011 and 2010

	2011	2010
Cash Flows from Operating Activities		
Change in net assets	\$ 2,493,104	\$ 563,398
Adjustments to reconcile the change in net assets to net cash provided by operating activities:		
Depreciation	714,055	749,192
Net unrealized/realized gain on investments	(2,609,745)	(1,159,298)
Contributions restricted for long-term purposes	(326,422)	(19,000)
Changes in operating assets and liabilities:		
Grants and accounts receivable	(53,685)	(30,697)
Inventory	(21,074)	46,435
Prepaid expenses and other assets	3,442	365,836
Grants and accounts receivable with restrictions	55,517	72,497
Accounts payable	76,752	(12,791)
Accrued liabilities	(160,785)	213,266
Net cash provided by operating activities	171,159	788,838
Cash Flows from Investing Activities		
Purchases of property, plant and equipment	(131,752)	(852,974)
Purchases of investments	(423,805)	(1,249,461)
Proceeds from sale of investments	243,206	143,857
Purchases of investments with restrictions	(407,893)	(411,038)
Proceeds from sale of investments with restrictions	216,093	381,011
Increase (decrease) in restricted cash	(99,741)	164,866
Net cash used in investing activities	(603,892)	(1,823,739)
Cash Flows from Financing Activities		
Contributions restricted for long-term purposes	326,422	19,000
Proceeds from note payable	-	835,000
Net cash provided by financing activities	326,422	854,000
Net decrease in cash	(106,311)	(180,901)
Cash, beginning of year	1,675,110	1,856,011
Cash, end of year	\$ 1,568,799	\$ 1,675,110
Supplemental Disclosure of Cash Flow Information		
Cash paid for interest	\$ 23,465	\$ 14,980
Cash paid for taxes	\$ -	\$ 5,868

See notes to consolidated financial statements.

**OKLAHOMA CITY MUSEUM OF ART, INC.
AND SUBSIDIARIES**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2011 and 2010

Note 1 – Organization

The Oklahoma City Museum of Art, Inc. (the Museum) is a privately-funded museum located at the Donald W. Reynolds Visual Arts Center. The three-story, 110,000 square-foot Visual Arts Center features 15 galleries showcasing the Museum's collections, temporary exhibitions organized by the Museum, and world-class traveling exhibitions. It offers the only comprehensive film program in the region. The Museum is accredited by the American Association of Museums and is an Allied Arts Member Agency. The Museum's mission is to enrich lives through the visual arts. The Museum's purpose is to create a cultural legacy in art and education for current and future generations to experience at the Museum and carry with them throughout their lives.

The Donald W. Reynolds Visual Arts Center, funded in part by a \$14.5 million capital grant from the Donald W. Reynolds Foundation, Las Vegas, Nevada, is part of the Museum's completed \$40 million project to fund the new Visual Arts Center expansion and endowment. The project was completed through private funding and was not a part of the Oklahoma City MAPS sales tax program. The Museum received significant funds from the general public and from private foundations.

The Museum is the sole owner of the Museum of Art Cafe, Inc. (the Café). The Café is located in the Donald W. Reynolds Visual Arts Center and provides full-service lunch and dinner in a casually elegant dining atmosphere.

The Museum is the sole owner of Museum Parking, LLC, which was formed on January 28, 2009, to acquire a parcel of land functioning as a parking lot in the vicinity of the Museum. Museum Parking, LLC leases the parking lot to a third-party operator.

Note 2 – Summary of Significant Accounting Policies

Consolidated financial statements

The consolidated financial statements of the Oklahoma City Museum of Art, Inc. and subsidiaries include the accounts of the Museum, the Café, and Museum Parking, LLC (collectively OKCMOA). All material intercompany transactions have been eliminated.

Basis of accounting and reporting

The consolidated financial statements of OKCMOA are prepared on the accrual basis of accounting. Separate funds are utilized to account for the Museum's various activities. The assets, liabilities and net assets of OKCMOA are reported as follows:

- Unrestricted net assets represent the portion of expendable funds that are available for support of OKCMOA operations. At June 30, 2011 and 2010, unrestricted net assets of \$2,926,862 and \$2,552,567, respectively, were designated for specific purposes by the Museum's Board of Trustees.

- Temporarily restricted net assets represent funds with donor-designated restrictions for acquisitions, capital campaign funds, maintenance of art objects or specific programs.
- Permanently restricted net assets represent funds that are subject to donor-designated restrictions requiring the principal to be invested in perpetuity.

Cash and restrictions

Cash consists of cash on hand and deposits in banks. OKCMOA maintains its cash balances in high credit quality financial institutions. At times, OKCMOA's cash may exceed federally insured limits, but OKCMOA believes any possible credit risk is minimal.

At June 30, 2011 and 2010, the Museum had cash contributions restricted by the donor for specific purposes of \$645,162 and \$545,421, respectively.

Receivables

The Museum has receivables, reflected as grants and accounts receivable and grants and accounts receivable with restrictions in the accompanying consolidated statements of financial position, which represent promises to give that have been made by donors, but have not yet been received by the Museum. The Museum provides an allowance for doubtful accounts based upon a review of the current status of its receivables. At June 30, 2011 and 2010, respectively, no allowance for doubtful accounts was deemed necessary by the Museum.

Due to the nature of these pledges, significant increases and decreases in net assets may occur. These significant fluctuations can arise as contributions and are recognized as support in the period in which they are pledged, but the expenses incurred with such contributions may occur in a different period.

Inventories

Inventories, which include products for sale in the Museum store, food and beverage items in the Café, and miscellaneous supplies, are stated at the lower of cost or market determined by the first-in, first-out method.

Investments

Investments, which include money market instruments, equity securities, U.S. government securities, and corporate bonds and debentures, are stated at estimated fair value (based on quoted market prices) with unrealized gains and losses reported in the consolidated statement of activities for the year. Donated investment instruments are initially recorded at estimated fair value at the date of donation.

Property, plant and equipment

Property, plant and equipment is recorded at historical cost or estimated value at date of donation. Depreciation of these assets is provided on the straight-line basis over the estimated useful lives of the respective assets, which range from 2 to 40 years. Maintenance and repair costs are expensed as incurred, while renewals and betterments are capitalized and depreciated over their estimated useful lives. Upon disposition, the cost and related accumulated depreciation are removed from the accounts and the resulting gain or loss is reflected in the consolidated statement of activities for the year.

Art and library collections

The Museum's art and library collections are made up of historically significant art, 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. Art and library collections, 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 consolidated statement of financial position. Purchases of collection items are recorded as decreases in unrestricted net assets in the year in which the items are acquired or as temporarily or permanently restricted net assets if the assets used to purchase the items are restricted by donors. Contributions of collection items are not recognized in the statement of activities. 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 unrestricted deaccessioned works are used for acquisitions to strengthen the collection.

Contributions to the Museum

The Museum reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, (that is, when a stipulated time restriction ends or purpose restriction is accomplished) temporarily restricted net assets are reclassified to unrestricted net assets and are reported in the consolidated statement of activities as net assets released from restrictions. Net assets with restrictions, which are met in the same reporting period as their receipt, are presented as part of unrestricted net assets.

The Museum reports gifts of land, buildings, and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long-lived assets must be maintained, the Museum reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

The Museum reports bequests as temporarily restricted support in contributed income when notice has been received and becomes legally enforceable. Once funds are received, bequests are considered available for general use, unless restricted for a specific use or for an endowment fund by the donor.

Income tax status

The Museum is a nonprofit organization and is exempt from income taxes under Internal Revenue Code Section 501. However, the Museum is subject to federal income tax on any unrelated business taxable income.

The accounting for income taxes may, at times, involve some degree of uncertainty, and as such, lead to uncertain tax positions having been taken. Management evaluated the Museum's tax positions and concluded that the Museum had taken no uncertain tax positions that require adjustment to the financial statements to comply with the provisions of this guidance. Generally, the Museum is no longer subject to income tax examinations by the U.S. federal, state or local tax authorities for years prior to 2008.

Allocation of expenses

OKCMOA allocates salaries and wages based on actual staff position. Administrative expenses are allocated to each area based on an estimate of usage. All remaining expenses are allocated based on actual expenditures for the function.

Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires OKCMOA 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 OKCMOA to credit risk, consist of grants and accounts receivable, grants and accounts receivable with restrictions, and investments.

The Museum's investments consist of various stocks, bonds and U.S. Treasury notes. Investment securities are exposed to various risks, such as interest rate, market, and credit risk. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such change could materially affect the investment account balances and the amounts reported in the consolidated statements of financial position and the consolidated statements of activities.

Advertising expense

All advertising costs are expensed as incurred. Advertising expenses were approximately \$248,000 and \$284,000 for the years ended June 30, 2011 and 2010, respectively.

Subsequent events

Management has evaluated subsequent events through September 28, 2011, the date the financial statements were available to be issued.

Reclassifications

Certain amounts in the 2010 consolidated financial statements have been reclassified to conform to the 2011 presentation. These reclassifications had no effect on previously reported changes in net assets.

Note 3 – Donated Services

OKCMOA has an affiliated volunteer group known as the Beaux Arts Committee which hosts an annual fundraiser benefiting the Museum's Beaux Arts Acquisitions Trust. The Museum recorded contributions from this group of \$50,000 and \$40,000 for the fiscal years 2011 and 2010, which are included in individuals contributed income in the consolidated statements of activities.

A substantial number of volunteers have made significant contributions of their time to develop the Museum's programs, of which no value was assigned.

Note 4 – Grants and Accounts Receivable with Restrictions

Grants and accounts receivable with restrictions are available for the following purposes at June 30:

	2011	2010
Temporary restrictions:		
Exhibit furnishings	\$ 137,363	\$ 189,263
Personnel benefits	500	500
Other	38,171	26,788
Permanent restrictions:		
Acquisitions	-	15,000
	<u>\$ 176,034</u>	<u>\$ 231,551</u>

Grants and accounts receivable restricted for personnel benefits are from various members of the Board of Trustees.

Note 5 – Investments

To ensure observance of limitations and restrictions placed on the uses of the resources available to the Museum, investments are maintained in various funds which are segregated as follows at June 30:

	2011	2010
Investments:		
Young Endowment ⁽¹⁾	\$ 1,531,259	\$ 1,066,450
Museum Legacy Endowment	751,769	(62,503)
Westheimer Family Endowment	1,135,603	986,118
	<u>3,418,631</u>	<u>1,990,065</u>
Investments with restrictions:		
Museum Acquisitions Trust	44,292	50,151
Beaux Arts Acquisitions Trust	232,520	180,066
Thatcher Hoffman Smith Film Endowment	755,070	639,695
Sarkeys Foundation Arts Education Endowment	567,808	478,690
Sonic America's Drive-In Arts Education Endowment	286,197	243,493
Museum Legacy Endowment	5,285,977	5,285,977
Donald W. Reynolds Visual Arts Center		
Building Maintenance Endowment	3,693,649	3,239,050
Records Family Endowment	341,710	287,259
	<u>11,207,223</u>	<u>10,404,381</u>
	<u>\$ 14,625,854</u>	<u>\$ 12,394,446</u>

⁽¹⁾ In May 2009, the Board of Directors approved an inter-fund borrowing from the Raymond A. and Verna N. Young Endowment fund to operating cash in the amount of \$500,000. The purpose of the inter-fund borrowing was to address budget shortfalls and cash flow needs. Principal payments are to be repaid through budget surpluses over a term of five years. Interest expense on the borrowing is to be paid through operations. During the year ended June 30, 2011, \$240,000 was paid from operating cash and applied to the inter-fund balance. Subsequent to June 30, 2011, an additional \$130,000 was applied to the inter-fund balance from operating cash.

Investments without restrictions are maintained in funds as shown for the following purposes:

- The Raymond A. and Verna N. Young Endowment represents the funds originally designated for the construction of the Museum building. Since the construction has been completed, the funds became unrestricted for use in general operations of the Museum.
- The interest and unrealized investment gains generated from the Museum Legacy Endowment are unrestricted and available for use in general Museum operations.
- The Westheimer Family Endowment and related interest and unrealized investment gains generated from the funds are available for use for the Museum's programs and operations with first priority for the proper maintenance, display, and preservation of the Westheimer Family Collection.

Investments with restrictions are maintained in funds as shown for the following purposes:

- The Museum Acquisitions Trust and Beaux Arts Acquisitions Trust are temporarily restricted funds maintained for the purchase and maintenance of art objects for the Museum.
- The Thatcher Hoffman Smith Film Endowment includes funds maintained for the purpose of supporting the Museum's comprehensive film program. This is a permanent endowment, with the principal required to be maintained in perpetuity and the interest being expendable for the stated purpose of the fund.
- The Sarkeys Foundation Arts Education Endowment is maintained for education programming. Like the Thatcher Hoffman Smith Film Endowment, this is also a permanent endowment, with the principal required to be maintained in perpetuity and the interest being expendable for the stated purpose of the endowment.
- The Sonic America's Drive-In Arts Education Endowment is permanently restricted for education programming.
- The Museum Legacy Endowment includes funds solicited from donors to provide for a permanent endowment for the Museum. The principal amount of these funds will not be expended. Interest and unrealized gains generated by the endowment principal may be used for general Museum operations.
- The Donald W. Reynolds Visual Arts Center Building Maintenance Endowment represents funds temporarily restricted for maintenance of the Museum in the Donald W. Reynolds Visual Arts Center facility. It is the Museum's intention to use only the income generated from the endowment principal for the maintenance and upkeep of the building as directed by the grant agreement.
- The Records Family Endowment was established as a permanent endowment to support Museum operations. The principal amount of these funds will not be expended. Distributions of interest and unrealized gains generated by the endowment principal may be used for general Museum operations.

Investment income is reported net of related investment expenses. Investment expense was \$28,713 and \$25,254 for the years ended June 30, 2011 and 2010, respectively.

Note 6 – Contributions to the Oklahoma City Community Foundation

A separate fund, the Oklahoma City Museum of Art Affiliated Fund (the Affiliated Fund), is established at the Oklahoma City Community Foundation (OCCF). Contributions received subsequent to 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 the OCCF Board of Directors. As a result, OCCF has variance power and the Museum has not recorded these funds as an asset in its statement of position.

Funds held by OCCF on behalf of the Museum are as follows at June 30 at market value:

	2011	2010
Recognized in the Museum's financial statements as beneficial interest in assets held by OCCF:		
Oklahoma City Museum of Art Affiliated Fund	\$ 172,948	\$ 122,775
Fee-Milligan Operating Endowment	1,825,916	1,590,585
The James C. and Virginia W. Meade Collections Endowment	1,145,754	949,881
Carolyn A. Hill Collections Endowment	510,991	241,632
	<u>3,655,609</u>	<u>2,904,873</u>
Funds held by OCCF with variance power retained by OCCF:		
Oklahoma City Museum of Art Affiliated Fund	3,961,893	3,442,517
Oklahoma City Museum of Art Acquisitions Fund	84,486	70,612
Pauline Morrison Ledbetter Fund	277,626	231,873
	<u>4,324,005</u>	<u>3,745,002</u>
Total funds held by OCCF on behalf or for the benefit of the Museum	<u>\$ 7,979,614</u>	<u>\$ 6,649,875</u>
Investment income distributed to the Museum by OCCF	<u>\$ 273,908</u>	<u>\$ 282,451</u>

The Fee-Milligan Operating Endowment (the Endowment) within the Affiliated Fund includes funds transferred by the Museum to OCCF, with the Museum designating itself as beneficiary of the fund. The Museum's Board of Trustees has authorized OCCF to manage the Endowment in the same manner as the Affiliated Fund assets, which effectively grants variance power to OCCF. However, as the Museum designated itself as beneficiary for the Endowment, the Museum recognizes a beneficial interest in the Endowment assets held by OCCF in its statements of financial position.

The market value of the entire Affiliated Fund, which includes the beneficial interest Endowment funds, was \$7,617,502 and \$6,347,390, at June 30, 2011 and 2010, respectively. As a result of OCCF's variance power over the funds contributed by unrelated donors, the Museum has not recorded the remaining value of the Affiliated Fund of \$3,961,893 and \$3,442,517 at June 30, 2011 and 2010, respectively, as an asset in the accompanying consolidated statements of financial position. Investment income distributed to the Museum from OCCF is classified as unrestricted support in the consolidated statements of activities.

In addition, OCCF maintains an account for funds designated for Museum acquisitions of art (the Designated Fund). Earnings are not distributed but, rather, are retained in the Designated Fund under the control of OCCF until requested by the Museum for an acquisition of art. The expendable balance in the Designated Fund was \$22,908 and \$19,338 at June 30, 2011 and 2010, respectively, and is recorded in grants and accounts receivable in the consolidated statements of financial position.

In August 2006, the Museum entered into an endowment agreement with James C. and Virginia W. Meade (the Meades) to establish a permanent endowment named "*The James C. and Virginia W. Meade Collections Endowment*" for the purpose of supporting acquisitions for the Museum's collections and furtherance of the Museum's mission. Under the terms of this agreement (and a related agreement between the Meades, the Museum and the OCCF), the Meades pledged \$1,000,000 to the Museum to be contributed over a three-year period and invested in the Affiliated Fund at OCCF. The annual distribution from the fund will generally be 5% of the average market value based upon certain restrictions intended to protect and preserve the original corpus of the endowment.

In May 2007, OCCF received a direct gift of \$250,000 to establish the Pauline Morrison Ledbetter Fund to benefit OKCMOA. At the direction of the donor, this gift established an acquisitions endowment fund whereby two-thirds of the earnings of the funds are available for the purchase of art and sculpture for the Museum and the remaining one-third of earnings reinvested in the endowment. Because OCCF retains variance power over these funds, the endowment is not recorded in the statement of financial position of OKCMOA. The expendable balance in the Pauline Morrison Ledbetter Fund was \$15,263 and \$7,450 at June 30, 2011 and 2010, respectively, and is recorded in grants and accounts receivable in the consolidated statements of financial position.

In December 2008, the Museum established an endowment agreement with OCCF to establish a permanent endowment named "*Carolyn A. Hill Collections Endowment*" for the purpose of supporting acquisitions for the Museum's collections. Under the terms of this agreement, the annual distribution from the fund will generally be 5% of the average market value based upon certain restrictions intended to protect and preserve the original corpus of the endowment.

Note 7 – Fair Value Measurements

The Financial Accounting Standards Board Accounting Standards Codification established a consistent framework for measuring fair value and 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 inputs or methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities.

The following table sets forth by level, within the fair value hierarchy, the Museum's assets at fair value as of June 30, 2011:

	Level 1	Level 2	Level 3	Total
Cash and equivalents	\$ 957,583	\$ -	\$ -	\$ 957,583
Equity securities:				
Small cap equity funds	1,207,886	-	-	1,207,886
Mid cap equity funds	2,004,298	-	-	2,004,298
Large cap equity funds	4,380,547	-	-	3,985,419
Foreign equity funds	394,037	-	-	394,037
Federal debt securities	-	5,681,503	-	5,681,503
Beneficial interest in assets held at OCCF ⁽²⁾	-	3,655,609	-	3,655,609
Total assets at fair value	\$ 8,944,351	\$ 9,337,112	\$ -	\$ 18,281,463

The following table sets forth by level, within the fair value hierarchy, the Museum's assets at fair value as of June 30, 2010:

	Level 1	Level 2	Level 3	Total
Cash and equivalents	\$ 644,166	\$ -	\$ -	\$ 644,166
Equity securities:				
Small cap equity funds	1,030,560	-	-	1,030,560
Mid cap equity funds	1,769,808	-	-	1,769,808
Large cap equity funds	3,409,160	-	-	3,329,125
Foreign equity funds	532,390	-	-	532,390
Federal debt securities	-	5,008,362	-	5,008,362
Beneficial interest in assets held at OCCF ⁽²⁾	-	2,904,873	-	2,904,873
Total assets at fair value	\$ 7,386,084	\$ 7,913,235	\$ -	\$ 15,299,319

⁽²⁾ See Note 6 for description of these assets measured at fair value.

Beneficial interest in assets held by others (Beneficial Interest) is measured at fair value using Level 2 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. The underlying investments include cash equivalents, corporate obligations, equity securities and other investments. The fair values of the underlying investments are based on quoted prices from active and inactive markets.

Market volatility

Investment securities are exposed to various risks, such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect net assets.

Note 8 – Property, Plant and Equipment

Property, plant and equipment consists of the following at June 30 at cost:

	2011	2010
Land	\$ 901,909	\$ 901,909
Building and improvements	20,639,783	20,627,806
Furniture and fixtures	1,448,026	1,391,473
Equipment	1,247,436	1,192,031
	<u>24,237,154</u>	<u>24,113,219</u>
Accumulated depreciation	(6,721,913)	(6,015,675)
	<u>\$ 17,515,241</u>	<u>\$ 18,097,544</u>

Note 9 – Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets are available for the following purposes at June 30:

	2011	2010
Art acquisition	\$ 568,852	\$ 237,939
Art education endowment	103,655	-
Building maintenance endowment	3,693,649	3,239,050
Film endowment	89,684	-
General Museum endowment	1,998,864	1,713,360
Museum operations	33,870	-
Programming	521,752	534,997
	<u>\$ 7,010,326</u>	<u>\$ 5,725,346</u>

Permanently restricted net assets are designated for the following purposes at June 30:

	2011	2010
Art acquisition	\$ 1,537,751	\$ 1,225,579
Art education endowment	750,350	750,350
Capital campaign-Museum endowment	5,796,264	5,796,264
Film endowment	665,386	651,136
Museum operations	307,840	307,840
	<u>\$ 9,057,591</u>	<u>\$ 8,731,169</u>

As described in Note 5, the investment income on the Thatcher Hoffman Smith Film Endowment and the Sarkeys Foundation Arts Education Endowment can be expended for the stated purposes of each endowment. The investment income and unrealized gains on the Museum Legacy Endowment can be expended for general Museum operations.

Note 10 – Donor-Restricted and Board-Designated Endowments

Board 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 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 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 current investment allocation 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 as of June 30, 2011:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	\$ -	\$ 3,920,858	\$ 7,519,840	\$ 11,440,698
Board-designated endowment funds	2,926,862	-	-	2,926,862
Total funds	\$ 2,926,862	\$ 3,920,858	\$ 7,519,840	\$ 14,367,560

Changes in endowment fund net assets for the year ended June 30, 2011, consist of the following:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment fund net assets, beginning of year	\$ 2,429,875	\$ 3,239,050	\$ 7,520,590	\$ 13,189,515
Adjusted endowment fund net assets investment return:				
Investment income	61,638	100,778	-	162,416
Net appreciation	468,349	775,116	-	1,243,465
	2,959,862	4,114,944	7,520,590	14,595,396
Contributions	-	-	14,250	14,250
Appropriation of endowment assets for expenditure	(33,000)	(194,086)	-	(227,086)
Transfers to OCCF	-	-	(15,000)	(15,000)
Endowment fund net assets, end of year	\$ 2,926,862	\$ 3,920,858	\$ 7,519,840	\$ 14,367,560

Endowment net asset composition by type of fund as of June 30, 2010:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	\$ (122,692)	\$ 3,239,050	\$ 7,520,590	\$ 10,636,948
Board-designated endowment funds	2,552,567	-	-	2,552,567
Total funds	\$ 2,429,875	\$ 3,239,050	\$ 7,520,590	\$ 13,189,515

Changes in endowment fund net assets for the year ended June 30, 2010, consist of the following:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment fund net assets, beginning of year	\$ 1,666,027	\$ 3,206,401	\$ 7,515,590	\$ 12,388,018
Adjusted endowment fund net assets investment return:				
Investment income	201,063	85,723	-	286,786
Net appreciation	647,458	282,981	-	930,439
	2,514,548	3,575,105	7,515,590	13,605,243
Contributions	74,883	4,000	15,000	93,883
Appropriation of endowment assets for expenditure	(499,611)	-	-	(499,611)
Transfers to OCCF	-	-	(10,000)	(10,000)
Transfers to operating funds	340,055	(340,055)	-	-
Endowment fund net assets, end of year	\$ 2,429,875	\$ 3,239,050	\$ 7,520,590	\$ 13,189,515

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. While there were no such deficiencies as of June 30, 2011, deficiencies reported in unrestricted net assets as of June 30, 2010, were \$122,692. These deficiencies resulted from unfavorable market fluctuations that occurred shortly after the investment of new permanently restricted contributions and continued appropriation for certain programs that was deemed prudent by the Board of Directors.

Note 11 – Note Payable

In August 2009, Museum Parking, LLC, a wholly owned subsidiary of the Museum, entered into an agreement to purchase a tract of land in the vicinity of the Museum's building currently functioning as a parking facility. The purchase was financed through a local bank. The promissory note for \$835,000 matures October 1, 2012, with interest payable monthly at the 30 day LIBOR rate plus 2.5% (2.69% at June 30, 2011).

Note 12 – Employee Benefits

The Museum maintained a 403(b) Employee Salary Reduction Plan (the 403(b) Plan) which allowed employees to make savings contributions with pre-tax dollars. All full-time OKCMOA employees over age 18 were eligible to participate. Under the 403(b) Plan, the Museum did not make any contributions on behalf of participants. During 2010, all funds held in the Plan were distributed to plan participants.

In 2006, the Museum solicited contributions to enhance retirement benefits for its employees. During 2011 and 2010, the Museum did not receive any pledges in support of this program. At June 30, 2011 and 2010, \$500 of these pledges are included in grants and contributions receivable with restrictions (see Note 4).

Effective January 1, 2006, the Museum established the Oklahoma City Museum of Art 457(b) Deferred Compensation Plan (the 457(b) Plan), which is intended to provide deferred compensation primarily for a select group of management and highly compensated employees covered by the 457(b) Plan. Eligible participants may make elective deferrals and the Museum, upon approval of the Board of Trustees, may make employer contributions. During the year ended June 30, 2010, the Museum approved elective deferrals of \$16,500 to the 457(b) Plan. In March 2010, all funds held in the 457(b) Plan were distributed to plan participants.

Effective January 1, 2007, the Museum established the Oklahoma City Museum of Art 401(k) Retirement Plan (the 401(k) Plan), which is offered to all employees of the Museum and the Café. Employees who have completed one year of credited service (as defined) and are at least 21 years of age are eligible to participate in the 401(k) Plan. In addition to employee elective deferrals into the 401(k) Plan, the Museum may make a matching contribution at the discretion of the Board of Trustees. Matching and other contributions by the Museum vest gradually over a six-year period. All reasonable expenses incurred in administering the 401(k) Plan are paid out of the principal or interest of the 401(k) Plan assets. The Museum may pay any such expenses of the 401(k) Plan at its discretion. During the years ended June 30, 2011 and 2010, the Museum approved matching or other retirement contributions of \$59,906 and \$52,259, respectively, to the 401(k) Plan.

Note 13 – Commitments

During the years ended June 30, 2011 and 2010, the Museum entered into contractual agreements with certain art exhibit leasing organizations for future exhibits. Exhibit lease commitments for the year ending June 30, 2012, are \$249,500. The Museum is soliciting contributions and other sources of support to fund these commitments.

Under the Café's operating statement, all costs and expenses of the Café's operations are the responsibility of the Café. However, if the Café incurs operating costs in excess of revenues from its operations (measured on a cash basis), the Museum may advance funds to the Café. No funds were advanced to the Café in 2011 or 2010.

SUPPLEMENTAL INFORMATION

**OKLAHOMA CITY MUSEUM OF ART, INC.
AND SUBSIDIARIES**

**CONSOLIDATING SCHEDULE –
STATEMENT OF FINANCIAL POSITION INFORMATION**

June 30, 2011

	Museum *	Café	Eliminating Entries	Total
Assets				
Cash	\$ 1,463,470	\$ 105,329	\$ -	\$ 1,568,799
Grants and accounts receivable	101,359	44,513	(17,116)	128,756
Inventory	228,623	55,620	-	284,243
Prepaid expenses and other assets	211,024	16,960	-	227,984
Other restricted cash	645,162	-	-	645,162
Grants and accounts receivable with restrictions	176,034	-	-	176,034
Investments	3,592,571	-	(173,940)	3,418,631
Investments with restrictions	11,207,223	-	-	11,207,223
Beneficial interest in assets held by OCCF	3,655,609	-	-	3,655,609
Property, plant and equipment, net	17,485,191	30,050	-	17,515,241
Art and library collections (see Note 2)	-	-	-	-
Total assets	\$ 38,766,266	\$ 252,472	\$ (191,056)	\$ 38,827,682
Liabilities and Net Assets				
Liabilities:				
Accounts payable	\$ 132,324	\$ 26,265	\$ (17,116)	\$ 141,473
Accrued liabilities	154,924	51,252	-	206,176
Note payable	835,000	-	-	835,000
Total liabilities	1,122,248	77,517	(17,116)	1,182,649
Net assets:				
Unrestricted	21,576,101	174,955	(173,940)	21,577,116
Temporarily restricted	7,010,326	-	-	7,010,326
Permanently restricted	9,057,591	-	-	9,057,591
Total net assets	37,644,018	174,955	(173,940)	37,645,033
Total liabilities and net assets	\$ 38,766,266	\$ 252,472	\$ (191,056)	\$ 38,827,682

* Includes Museum Parking, LLC

See independent auditors' report.

**OKLAHOMA CITY MUSEUM OF ART, INC.
AND SUBSIDIARIES**

**CONSOLIDATING SCHEDULE –
STATEMENT OF ACTIVITIES INFORMATION**

Year ended June 30, 2011

	Museum *	Café	Eliminating Entries	Total
Revenues, Gains and Other Support				
Contributed income:				
Individuals	\$ 431,487	\$ -	\$ -	\$ 431,487
Corporate and other	584,594	-	-	584,594
Allied Arts	359,326	-	-	359,326
Grants and foundations	909,057	-	-	909,057
	<u>2,284,464</u>	-	-	<u>2,284,464</u>
Fundraising events	476,736	-	-	476,736
Memberships	408,755	-	-	408,755
Admissions	533,737	-	-	533,737
Museum store sales	250,032	-	-	250,032
Museum of Art Café sales	-	1,131,127	-	1,131,127
Museum of Art Café catering sales	-	292,560	-	292,560
Parking income	88,942	-	-	88,942
In-kind donations	25,695	-	-	25,695
Miscellaneous	212,425	3,603	(112,349)	103,679
Investment income	646,754	-	-	646,754
Net realized gains on investments	2,609,745	-	-	2,609,745
	<u>7,537,285</u>	<u>1,427,290</u>	<u>(112,349)</u>	<u>8,852,226</u>
Expenses				
Programming	1,633,566	-	-	1,633,566
Museum store	254,260	-	-	254,260
Museum of Art Café	-	1,409,814	(97,841)	1,311,973
Museum Parking	30,771	-	-	30,771
Management and general	845,467	-	-	845,467
Fundraising and development	627,245	-	-	627,245
Security, building and grounds	921,785	-	-	921,785
Art accessioned	20,000	-	-	20,000
Depreciation	704,862	9,193	-	714,055
	<u>5,037,956</u>	<u>1,419,007</u>	<u>(97,841)</u>	<u>6,359,122</u>
Change in net assets	2,499,329	8,283	(14,508)	2,493,104
Net assets, beginning of year	35,144,689	166,672	(159,432)	35,151,929
	<u>\$ 37,644,018</u>	<u>\$ 174,955</u>	<u>\$ (173,940)</u>	<u>\$ 37,645,033</u>

* Includes Museum Parking, LLC

See independent auditors' report.