



OKLAHOMA CITY MUSEUM OF ART, INC.

**CONSOLIDATED FINANCIAL STATEMENTS
AND SUPPLEMENTAL INFORMATION**

JUNE 30, 2019 and 2018

WITH

INDEPENDENT AUDITOR'S REPORT

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Oklahoma City Museum of Art, Inc. and its subsidiaries (collectively, the Museum) which comprise the consolidated statement of financial position as of June 30, 2019, and the related consolidated statements of activities and cash flows for the year then ended, and the related notes to the consolidated financial statements (collectively, the financial statements).

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Museum as of June 30, 2019, and the results of their activities and their cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 2 to the financial statements, in 2019 the Museum adopted Financial Accounting Standards Board Accounting Standards Update No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. Our opinion is not modified with respect to this matter.

Report on Summarized Comparative Information

We have previously audited the 2018 financial statements of the Museum, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 14, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The consolidating information as of and for the year ended June 30, 2019, is presented for purposes of additional analysis rather than to present the financial position and results of activities of the individual companies and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The consolidating information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with the auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.



Oklahoma City, Oklahoma
November 20, 2019

OKLAHOMA CITY MUSEUM OF ART, INC.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

June 30, 2019 and 2018

	2019	2018
Assets		
Cash	\$ 1,079,770	\$ 1,715,744
Grants and accounts receivable	948,423	459,820
Inventory, net	448,812	386,512
Prepaid expenses	555,567	365,547
Investments	19,248,977	18,812,060
Beneficial interest in assets held by others	4,848,543	5,174,098
Property and equipment, net	13,365,958	13,719,641
Total assets	<u>\$ 40,496,050</u>	<u>\$ 40,633,422</u>
Liabilities and Net Assets		
Liabilities:		
Accounts payable	\$ 195,127	\$ 147,201
Accrued liabilities	246,866	212,604
Long-term debt	540,209	589,451
Total liabilities	982,202	949,256
Net assets:		
Without donor restrictions:		
Undesignated	1,031,700	1,064,017
Board designated	5,409,684	5,334,184
Invested in property and equipment, net	13,365,958	13,719,641
Total net assets without donor restrictions	19,807,342	20,117,842
With donor restrictions	19,706,506	19,566,324
Total net assets	<u>39,513,848</u>	<u>39,684,166</u>
Total liabilities and net assets	<u>\$ 40,496,050</u>	<u>\$ 40,633,422</u>

OKLAHOMA CITY MUSEUM OF ART, INC.

CONSOLIDATED STATEMENTS OF ACTIVITIES

Year ended June 30, 2019

(with summarized totals for year ended June 30, 2018)

	2019			2018 Totals
	Without Donor Restrictions	With Donor Restrictions	Total	
Revenues, Gains and Other Support				
Contributions	\$ 2,052,411	\$ 1,035,500	\$ 3,087,911	\$ 2,644,557
Fundraising events	234,754	398,053	632,807	583,994
Memberships	656,196	-	656,196	508,830
Admissions	547,273	-	547,273	478,972
Museum store sales	398,943	-	398,943	312,429
Museum of Art Cafe, Inc. sales	1,372,550	-	1,372,550	1,361,042
Museum Parking, LLC fees	191,763	-	191,763	188,767
In-kind donations	176,283	-	176,283	222,651
Miscellaneous	48,775	-	48,775	58,849
Net investment return	865,316	750,825	1,616,141	2,182,096
Net assets released from restrictions	2,044,196	(2,044,196)	-	-
Total revenues, gains and other support	8,588,460	140,182	8,728,642	8,542,187
Expenses				
Program services	5,504,013	-	5,504,013	5,091,448
Fundraising	434,207	-	434,207	609,677
Management and general	1,052,643	-	1,052,643	1,103,051
Other	1,908,097	-	1,908,097	1,594,183
Total expenses	8,898,960	-	8,898,960	8,398,359
Changes in net assets	(310,500)	140,182	(170,318)	143,828
Net assets, beginning of year	20,117,842	19,566,324	39,684,166	39,540,338
Net assets, end of year	\$ 19,807,342	\$ 19,706,506	\$ 39,513,848	\$ 39,684,166

OKLAHOMA CITY MUSEUM OF ART, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended June 30, 2019 and 2018

	2019	2018
Cash Flows from Operating Activities		
Changes in net assets	\$ (170,318)	\$ 143,828
Adjustments to reconcile changes in net assets to net cash used in operating activities:		
Depreciation	607,116	637,608
Net gains on investments	(995,099)	(1,502,011)
Changes in operating assets and liabilities:		
Grants and accounts receivable	(488,603)	(130,450)
Inventory	(62,300)	(96,878)
Prepaid expenses	(190,020)	(264,100)
Accounts payable	47,926	(96,801)
Accrued liabilities	34,262	5,610
	(1,217,036)	(1,303,194)
Cash Flows from Investing Activities		
Purchases of property and equipment	(253,433)	(73,886)
Purchases of investments	(2,901,218)	(3,866,179)
Proceeds from sales of investments	3,784,955	3,299,680
	630,304	(640,385)
Cash Flows from Financing Activities		
Debt principal payments	(49,242)	(43,974)
	(49,242)	(43,974)
Net decrease in cash	(635,974)	(1,987,553)
Cash, beginning of year	1,715,744	3,703,297
	\$ 1,079,770	\$ 1,715,744
	\$ 1,079,770	\$ 1,715,744
Supplemental Disclosure of Cash Flow Information		
Cash paid for interest	\$ 28,279	\$ 25,430
	\$ 28,279	\$ 25,430

OKLAHOMA CITY MUSEUM OF ART, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2019 and 2018

Note 1 – Organization

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

The Museum's wholly owned subsidiaries are Museum of Art Cafe, Inc. (the Cafe), which provides full-service lunch and dinner in a casually elegant dining atmosphere, and Museum Parking, LLC (Parking), which owns a parking lot near the Museum. Parking leases the parking lot to a third-party operator.

Note 2 – Summary of Significant Accounting Policies

Consolidated financial statements

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

Summarized comparative financial information

The consolidated statements of activities include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP). Accordingly, such information should be read in conjunction with the consolidated financial statements for fiscal year 2018 from which the summarized information was derived.

Net assets

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

- *Without donor restrictions* – Net assets without donor restrictions are available for use at the discretion of the Museum's Board of Trustees and/or management for support of operations. From time to time, the Board of Trustees may designate a portion of these net assets for specific purposes, which makes them unavailable for use at management's discretion. At June 30, 2019 and 2018, net assets of \$5,409,684 and \$5,334,184, respectively, were designated to be held in reserve by the Board of Trustees (see Note 4).
- *With donor restrictions* – Net assets with donor restrictions consist of assets whose use is limited by donor-imposed time and/or purpose restrictions. Donor-imposed restrictions can be temporary in nature, such as those that will be met with the passage of time or other events specified by the donor, or perpetual in nature, where the donor stipulates that the resources be maintained in perpetuity.

Investments

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

Property and equipment

Purchased assets are recorded at cost and donated assets are recorded at fair value at the date of donation. Property and equipment, with an initial value of \$5,000 or more is capitalized and depreciated on a straight-line basis over the estimated useful lives of the respective assets, which range from 2 to 40 years.

Permanent art collection

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

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

Works of art, which were acquired through purchases and contributions since the Museum's inception are insured under the Museum's fine art insurance policy and are not capitalized and recognized as assets in the financial statements. Purchases of collection items are recorded as decreases in net assets without donor restrictions in the year in which the items are acquired or as net assets with donor restrictions if the assets used to purchase the items are restricted by donors. Contributions of collection items are not recognized in the financial statements. Proceeds from deaccessions or insurance recoveries are reflected as increases in the appropriate net assets classification. The Museum's policy provides for deaccessioning works that do not fit into the collections plan or that are of poor quality or condition. Any funds made available by the sale of deaccessioned works without donor restrictions are used for acquisitions to strengthen the collection.

Contributions

Gifts of cash and other assets are reported as increases in net assets with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor's restriction expires, (that is, when a stipulated time restriction ends, or purpose restriction is accomplished) net assets are reclassified to net assets without donor restrictions and are reported in the financial statements as net assets released from restrictions. Gifts received with restrictions, which are met in the same reporting period as their receipt, are reported as support without donor restrictions.

Gifts of land, buildings, and equipment are reported as increases in net assets without donor restrictions 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 increases in net assets with donor restrictions. Absent explicit donor stipulations about how long-lived assets must be maintained, expirations of donor restrictions are reported when the donated or acquired long-lived assets are placed in service.

Bequests are reported as increases in net assets with donor restrictions 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. However, the Museum is subject to federal income tax on any unrelated business taxable income.

Functional expense allocations

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

Use of estimates

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

Concentration of credit risk

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

Adoption of accounting pronouncement

In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*, which provides more relevant information about available resources (and the changes in those resources) to donors, grantors, creditors, and other users. The most significant aspects of the standard are as follows: the standard (1) replaced the previous presentation of three classes of net assets (unrestricted, temporarily restricted, and permanently restricted) with two classes of net assets – net assets with donor restrictions and net assets without donor restrictions; (2) expanded the disclosures about the nature and amount of any donor restrictions, board designations of net assets without donor restrictions as well as any underwater endowment funds; (3) required expenses to be presented by nature and function, as well as an analysis of the allocation of these expenses; (4) required specific quantitative and qualitative disclosures to improve the ability of financial statement users to assess the entity's available financial resources and the methods by which it manages liquidity and liquidity risk; and (5) the standard required investment returns to be presented net of external and direct internal investment expenses. The Museum adopted the provisions of this standard as of and for the year ended June 30, 2019, with retrospective application for the 2018

financial statements. As a result, the Museum changed its net asset classes and expanded the footnote disclosures as required by the standard. The Museum elected to not disclose liquidity and availability information and the analysis of the allocation of expenses for 2018 as permitted under the standard in the year of adoption.

Accounting pronouncements yet to be adopted

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*. The update provides guidance concerning the recognition and measurement of revenue from contracts with customers. Its objective is to increase the usefulness of information in the financial statements regarding the nature, timing and uncertainty of revenues. As deferred by ASU No. 2015-14, the update is effective for the Museum for its fiscal year ending on June 30, 2020. The standard permits the use of either the retrospective or cumulative effect transition method. While the Museum does not expect these updates to have a material effect on its financial statements, the cumulative effect (if any) of applying the standard will be accounted for as an adjustment to beginning net assets at the date of initial application.

In June 2018, the FASB issued ASU No. 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The amendments clarify and improve the scope and accounting guidance around contributions of cash and other assets received and made by not-for-profit organizations and business enterprises. Specifically, the standard provides additional guidance to clarify contributions vs. exchange transactions and provides a more robust framework for determining whether a contribution is conditional or unconditional, and for distinguishing a donor-imposed condition from a donor-imposed restriction. The requirements are effective for the Museum for transactions in which the entity serves as a resource recipient for the year ending June 30, 2020. For transactions in which the Museum serves as the resource provider, the requirements are effective for the year ending June 30, 2021, with early adoption permitted. The Museum is currently evaluating the impact this standard will have on its financial statements and related disclosures.

In March 2019, the FASB issued ASU No. 2019-03, *Not-for-Profit Entities (Topic 958): Updating the Definition of Collections*. ASU No. 2019-03 modifies the definition of the term collections and requires that a collection-holding entity disclose its policy for the use of proceeds from when collection items are deaccessioned (i.e. removed from a collection). If a collection-holding entity has a policy that allows proceeds from deaccessioned collection items to be used for direct care, it should disclose its definition of direct care. The update is effective for the Museum for the year ending June 30, 2021, with early adoption permitted on a prospective basis. The Museum is currently evaluating the impact this standard will have on its financial statements and related disclosures.

In August 2018, the FASB issued ASU No. 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework – Changes to the Disclosure Requirements for Fair Value Measurement*, which modifies the disclosure requirements for fair value measurements by removing, modifying, or adding certain disclosures. ASU No. 2018-13 is effective for the Museum for its fiscal year ending June 30, 2021. The Museum is currently evaluating the impact this standard will have on its financial statements and related disclosures.

Reclassifications

Certain reclassifications have been made to the 2018 financial statement information to conform to the current-year presentation. These reclassifications had no effect on total net assets or the change in total net assets in fiscal year 2018.

Subsequent events

Management has evaluated subsequent events through November 20, 2019, the date the financial statements were available to be issued.

Note 3 – Liquidity and Availability of Financial Assets

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following as of June 30, 2019:

Cash	\$ 1,079,770
Grants and accounts receivable	948,423
Investments	19,248,977
Beneficial interest in assets held by others	<u>4,848,543</u>
Total financial assets as of year-end	26,125,713
Less amounts unavailable for general expenditures within one year due to:	
Board designations	(5,409,684)
Restricted by donors with purpose/time restrictions or in perpetuity	<u>(19,706,506)</u>
Total amounts unavailable for general expenditures	(25,116,190)
Add:	
Amounts released from restrictions subsequent to year-end and available for general expenditures in fiscal year 2020	1,215,694
Appropriations from endowment funds for general expenditures in fiscal year 2020	<u>1,059,579</u>
Total financial assets available to management for general expenditures within one year	<u><u>\$ 3,284,796</u></u>

As part of its liquidity management, the Museum has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. The Museum considers general expenditures to include expenditures for operations, programming, and exhibitions. Endowment funds consist of donor-restricted endowments and board-designated endowments. Income from donor-restricted endowments that is restricted for specific purposes is not available for general expenditure. The amount appropriated for general expenditures is \$560,368. As described in Note 4, the Museum's board-designated endowments are subject to an annual spending rate. For the year ended June 30, 2019, this rate is 5% and \$167,211 of appropriation from the board-designated endowments will be available within the next 12 months. Distributions from beneficial assets held by others are budgeted at \$332,000. Although the Museum does not intend to spend from the board-designated endowment (other than amounts appropriated per the Board of Trustee's annual spending rate approval), these amounts could be made available if necessary.

Note 4 – Endowment Funds

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 investment allocation goal of 55% equities and 45% fixed income, with quarterly performance reviews, is expected to achieve the long-term return objectives within prudent risk constraints.

Under the Investment Policy, the total return on investments is expected to exceed a benchmark consisting of the appropriate percent of the Standard & Poor's 500 Index and the Barclays Capital U.S. Government Bond Index that matches the equity and fixed income diversification of the portfolio over an average period of five consecutive years. The total return, after fees, from all unrestricted equity securities should equal or exceed the total return on the Standard & Poor's 500 Index over a period of five consecutive fiscal years.

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

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

Endowment Fund Type	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Board designated:						
Raymond A. and Verna N. Young	\$ 2,229,899	\$ -	\$ 2,229,899	\$ 2,212,635	\$ -	\$ 2,212,635
Westheimer Family	1,335,737	-	1,335,737	1,332,316	-	1,332,316
Museum Legacy	1,844,048	-	1,844,048	1,789,233	-	1,789,233
Total board designated	5,409,684	-	5,409,684	5,334,184	-	5,334,184
Donor restricted:						
Thatcher Hoffman Smith Film	-	941,846	941,846	-	976,204	976,204
Sarkeys Foundation Arts Education	-	669,239	669,239	-	665,638	665,638
Sonic America's Drive-In Arts Education	-	337,997	337,997	-	335,154	335,154
Museum Legacy	-	5,796,264	5,796,264	-	5,796,263	5,796,263
Donald W. Reynolds Visual Arts Center Building Maintenance	-	5,129,183	5,129,183	-	4,883,841	4,883,841
Records Family	-	409,889	409,889	-	406,282	406,282
Total donor restricted	-	13,284,418	13,284,418	-	13,063,382	13,063,382
Total funds	\$ 5,409,684	\$ 13,284,418	\$ 18,694,102	\$ 5,334,184	\$ 13,063,382	\$ 18,397,566

Changes in endowment fund net assets consists of the following:

	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Endowment fund net assets, beginning of year	\$ 5,334,184	\$ 13,063,382	\$ 18,397,566	\$ 4,854,125	\$ 12,646,102	\$ 17,500,227
Investment return:						
Investment income	183,731	135,993	319,724	154,852	111,090	265,942
Net appreciation	384,769	268,076	652,845	737,661	508,203	1,245,864
	568,500	404,069	972,569	892,513	619,293	1,511,806
Contributions	-	-	-	72,546	-	72,546
Appropriation for expenditure	(493,000)	(183,033)	(676,033)	(485,000)	(202,013)	(687,013)
Endowment fund net assets, end of year	\$ 5,409,684	\$ 13,284,418	\$ 18,694,102	\$ 5,334,184	\$ 13,063,382	\$ 18,397,566

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or state law requires the Museum to retain as a fund of perpetual duration. There were no such deficiencies at June 30, 2019 or 2018.

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

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

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

	2019	2018
Oklahoma City Museum of Art Funds	\$ 2,144,573	\$ 2,099,729
Fee-Milligan Operating Endowment	203,394	199,141
The James C. and Virginia W. Meade Acquisitions Fund for 18th and 19th Century American Art	1,253,215	1,531,247
Carolyn A. Hill Collections Endowment	1,065,228	1,159,075
James C. Meade Friends Lecture Series Endowment Fund	182,133	184,906
	4,848,543	5,174,098

	2019	2018
Funds contributed by third parties and held by OCCF, with variance power retained by OCCF, and not recognized in the accompanying financial statements as beneficial interests in assets held by others are as follows at June 30:		
Oklahoma City Museum of Art Affiliated Fund	4,968,317	4,786,924
Pauline Morrison Ledbetter Fund	327,812	344,006
Oklahoma City Museum of Art Acquisitions Fund	-	65,654
Total funds	<u>5,296,129</u>	<u>5,196,584</u>
Total funds held by OCCF	<u>\$ 10,144,672</u>	<u>\$ 10,370,682</u>
Investment income distributed to the Museum by OCCF	<u>\$ 336,983</u>	<u>\$ 329,824</u>

Note 6 – Investments and 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 asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

There have been no changes in the methodologies used at June 30, 2019 and 2018. During the years ended June 30, 2019 and 2018, there were no transfers of financial instruments into or out of Level 3.

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

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

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

In certain cases where Level 1 or Level 2 inputs are not available, investments are classified within Level 3 of the hierarchy. The Museum has beneficial interests in assets held by others which are reported at fair value based on fair value of underlying investments held by OCCF (Level 3 inputs).

This table sets forth by level, within the fair value hierarchy, assets at fair value at June 30, 2019:

	Level 1	Level 2	Level 3	Total
Certificates of deposit	\$ 809,587	\$ -	\$ -	\$ 809,587
Mutual funds	538,146	-	-	538,146
Exchange traded funds	9,734,992	-	-	9,734,992
Fixed income securities	-	8,166,252	-	8,166,252
Beneficial interest in assets held by others	-	-	4,848,543	4,848,543
Total assets at fair value	<u>\$ 11,082,725</u>	<u>\$ 8,166,252</u>	<u>\$ 4,848,543</u>	<u>\$ 24,097,520</u>

This table sets forth by level, within the fair value hierarchy, assets at fair value as of June 30, 2018:

	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	\$ 69,685	\$ -	\$ -	\$ 69,685
Certificates of deposit	674,753	-	-	674,753
Mutual funds	897,346	-	-	897,346
Exchange traded funds	9,367,582	-	-	9,367,582
Fixed income securities	-	7,802,694	-	7,802,694
Beneficial interest in assets held by others	-	-	5,174,098	5,174,098
Total assets at fair value	<u>\$ 11,009,366</u>	<u>\$ 7,802,694</u>	<u>\$ 5,174,098</u>	<u>\$ 23,986,158</u>

Beneficial interest in assets held by others (Beneficial Interest) is measured at fair value using Level 3 inputs. Since OCCF maintains variance power for the Beneficial Interests it holds, there is no potential market for the Beneficial Interest or similar assets. Consequently, the valuation is determined by aggregating the valuation of the underlying investments of the Beneficial Interest as reported by OCCF. These are considered to be Level 3 measurements.

Following is a reconciliation of the beginning and ending balances of fair value measurements using significant unobservable inputs (Level 3) for the years ended June 30:

	2019	2018
Beginning balance	\$ 5,174,098	\$ 4,927,710
Net investment return	342,177	361,681
Distributions to the Museum	(667,732)	(115,293)
Ending balance	<u>\$ 4,848,543</u>	<u>\$ 5,174,098</u>
The amount of total gains for the year included in investment return attributable to the change in unrealized gains or losses relating to assets still held at the reporting date	<u>\$ 342,177</u>	<u>\$ 361,681</u>

The summary of changes in fair value of Level 3 assets has been prepared to reflect the activity in the same categories as those provided to the Museum by OCCF. Net investment performance includes realized and unrealized gains (losses) on investments, investment income and administrative fees. Distributions from OCCF decrease the Museum's beneficial interest and increase cash at the time of distribution. The change in value is included in net increase in net investment return in the statements of activities.

Note 7 – Property and Equipment

Property and equipment consist of the following at June 30:

	2019	2018
Land and improvements	\$ 901,909	\$ 901,909
Buildings and improvements	20,768,764	20,768,764
Furniture and fixtures	1,628,996	1,620,019
Equipment	2,057,201	1,804,457
	25,356,870	25,095,149
Accumulated depreciation	(11,990,912)	(11,375,508)
Total	<u>\$ 13,365,958</u>	<u>\$ 13,719,641</u>

Note 8 – Net Assets with Donor Restrictions

Net assets with donor restrictions are available for the following purposes at June 30, 2019:

Purpose	For a Specific Purpose/Time	Held in Perpetuity	Total
Art acquisition	\$ 746,171	\$ 1,629,373	\$ 2,375,544
Art education	256,886	750,350	1,007,236
Building Maintenance	5,129,183	-	5,129,183
Film	201,460	740,386	941,846
Operations	102,049	6,104,104	6,206,153
Programming	1,516,444	-	1,516,444
Meade Lecture Series (OCCF)	37,508	144,625	182,133
Operations (OCCF)	2,347,967	-	2,347,967
	<u>\$ 10,337,668</u>	<u>\$ 9,368,838</u>	<u>\$ 19,706,506</u>

Net assets with donor restrictions are available for the following purposes at June 30, 2018:

Purpose	For a Specific Purpose/Time	Held in Perpetuity	Total
Art acquisition	\$ 1,401,072	\$ 1,629,373	\$ 3,030,445
Art education	250,442	750,350	1,000,792
Building Maintenance	4,883,841	-	4,883,841
Film	235,818	740,386	976,204
Operations	98,442	6,104,104	6,202,546
Programming	988,720	-	988,720
Meade Lecture Series (OCCF)	40,281	144,625	184,906
Operations (OCCF)	2,298,870	-	2,298,870
	<u>\$ 10,197,486</u>	<u>\$ 9,368,838</u>	<u>\$ 19,566,324</u>

Note 9 – Analysis of Expenses by Function and Nature

The table below presents expenses by both their nature and their function for the year ended June 30, 2019, with comparative totals for the year ended June 30, 2018:

	2019					2018
	Program Services	Fundraising	Management and General	Other	Total	Total
Personnel expenses	\$ 1,752,137	\$ 320,317	\$ 696,609	\$ -	\$ 2,769,063	\$ 3,076,425
Marketing	413,227	16,780	1,141	-	431,148	629,696
Utilities	308,291	14,915	28,857	-	352,063	315,017
Shipping/postage	243,241	484	1,610	-	245,335	267,810
Rentals	299,608	-	-	-	299,608	264,254
In-kind (advertising and other)	176,283	-	-	-	176,283	222,651
Equipment and maintenance	137,622	18,311	27,466	-	183,399	156,014
Professional services	9,311	1,000	74,503	-	84,814	227,887
Supplies and materials	185,892	4,455	11,308	-	201,655	168,869
Contract labor	36,058	-	36,246	-	72,304	99,012
Travel	31,345	1,482	404	-	33,231	75,308
Dues and subscriptions	18,404	4,414	76,268	-	99,086	118,520
Receptions and events	34,878	144,613	3,673	-	183,164	240,544
Insurance	72,547	3,224	4,836	-	80,607	78,994
Museum of Art Cafe, Inc.	-	-	-	1,775,414	1,775,414	1,536,712
Museum Parking, LLC	-	-	-	27,614	27,614	41,316
Museum Store	261,900	-	-	117,669	379,569	333,101
Art accessioned	876,763	-	-	-	876,763	-
Other	100,102	2,857	53,295	-	156,254	67,676
Depreciation and amortization	546,404	24,285	36,427	-	607,116	625,374
	5,504,013	557,137	1,052,643	1,920,697	9,034,490	8,545,180
Less eliminating entries	-	(122,930)	-	(12,600)	(135,530)	(146,821)
Total expenses	\$ 5,504,013	\$ 434,207	\$ 1,052,643	\$ 1,908,097	\$ 8,898,960	\$ 8,398,359

SUPPLEMENTAL INFORMATION

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

CONSOLIDATING STATEMENT OF FINANCIAL POSITION

June 30, 2019

	Museum	Cafe	Parking	Eliminating Entries	Total
Assets					
Cash	\$ 951,552	\$ 61,447	\$ 66,771	\$ -	\$ 1,079,770
Grants and accounts receivable	1,194,151	20,952	19,154	(285,834)	948,423
Inventory, net	396,302	52,510	-	-	448,812
Prepaid expenses	555,567	-	-	-	555,567
Investments	18,396,162	-	809,587	43,228	19,248,977
Beneficial interest in assets held by others	4,848,543	-	-	-	4,848,543
Property and equipment, net	12,294,783	190,513	880,662	-	13,365,958
Total assets	\$ 38,637,060	\$ 325,422	\$ 1,776,174	\$ (242,606)	\$ 40,496,050
Liabilities and Net Assets					
Liabilities:					
Accounts payable	\$ 144,411	\$ 336,550	\$ -	\$ (285,834)	\$ 195,127
Accrued liabilities	209,510	32,100	5,256	-	246,866
Long-term debt	-	-	540,209	-	540,209
Total liabilities	353,921	368,650	545,465	(285,834)	982,202
Net assets:					
Without donor restrictions:					
Undesignated	872,166	(233,741)	350,047	43,228	1,031,700
Board designated	5,409,684	-	-	-	5,409,684
Invested in property and equipment, net	12,294,783	190,513	880,662	-	13,365,958
Total net assets without donor restrictions	18,576,633	(43,228)	1,230,709	43,228	19,807,342
With donor restrictions	19,706,506	-	-	-	19,706,506
Total net assets	38,283,139	(43,228)	1,230,709	43,228	39,513,848
Total liabilities and net assets	\$ 38,637,060	\$ 325,422	\$ 1,776,174	\$ (242,606)	\$ 40,496,050

See independent auditor's report.

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

CONSOLIDATING STATEMENT OF ACTIVITIES

Year ended June 30, 2019

	Museum	Cafe	Parking	Eliminating Entries	Total
Revenues, Gains and Other Support					
Contributions	\$ 3,087,911	\$ -	\$ -	\$ -	\$ 3,087,911
Fundraising events	632,807	-	-	-	632,807
Memberships	656,196	-	-	-	656,196
Admissions	547,273	-	-	-	547,273
Museum store sales	398,943	-	-	-	398,943
Museum of Art Cafe, Inc. sales	-	1,495,480	-	(122,930)	1,372,550
Museum Parking, LLC income	-	-	191,763	-	191,763
In-kind donations	176,283	-	-	-	176,283
Miscellaneous	61,375	-	-	(12,600)	48,775
Net investment return	1,616,141	-	-	-	1,616,141
Net loss on investment in Cafe	(279,933)	-	-	279,933	-
Total revenues, gains and other support	6,896,996	1,495,480	191,763	144,403	8,728,642
Expenses					
Program services	5,504,013	-	-	-	5,504,013
Fundraising	557,137	-	-	(122,930)	434,207
Management and general	1,052,643	-	-	-	1,052,643
Other	117,669	1,775,414	27,614	(12,600)	1,908,097
Total expenses	7,231,462	1,775,414	27,614	(135,530)	8,898,960
Change in net assets	(334,466)	(279,934)	164,149	279,933	(170,318)
Capital contribution	-	164,300	-	(164,300)	-
Net assets, beginning of year	38,617,605	72,406	1,066,560	(72,405)	39,684,166
Net assets, end of year	\$ 38,283,139	\$ (43,228)	\$ 1,230,709	\$ 43,228	\$ 39,513,848