



SCIENCE MUSEUM OKLAHOMA, INC.

FINANCIAL STATEMENTS

JUNE 30, 2019 and 2018

WITH

INDEPENDENT AUDITOR'S REPORT

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Science Museum Oklahoma, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Science Museum Oklahoma, Inc. (the Museum) which comprise the statements of financial position as of June 30, 2019 and 2018, the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from 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 2018, and the results of its activities and its cash flows for the years 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.

A handwritten signature in black ink that reads "Hogan Taylor LLP". The signature is written in a cursive, flowing style.

Oklahoma City, Oklahoma
November 7, 2019

SCIENCE MUSEUM OKLAHOMA, INC.
STATEMENTS OF FINANCIAL POSITION

June 30, 2019 and 2018

	2019	2018
Assets		
Cash	\$ 9,610,173	\$ 8,594,661
Receivables:		
Pledges	838,013	1,043,013
Land lease contributions	329,248	371,690
Other, net	120,560	201,434
Prepaid expenses and other	231,242	180,728
Inventory	83,462	100,995
Restricted cash	4,171,925	4,627,587
Property and equipment, net	20,989,220	22,358,773
Beneficial interest in assets held by OCCF	43,205,484	42,192,308
Collections	3,892,438	3,892,438
	\$ 83,471,765	\$ 83,563,627
Total assets		
 Liabilities and Net Assets		
Liabilities:		
Accounts payable	\$ 135,699	\$ 294,807
Accrued liabilities	549,652	525,063
Deferred revenues	962,518	1,039,350
Long-term debt	2,278,887	2,450,422
	3,926,756	4,309,642
Total liabilities		
Net assets:		
Without donor restrictions	30,099,829	30,116,564
With donor restrictions	49,445,180	49,137,421
	79,545,009	79,253,985
Total net assets		
 Total liabilities and net assets	\$ 83,471,765	\$ 83,563,627

SCIENCE MUSEUM OKLAHOMA, INC.

STATEMENT OF ACTIVITIES

Year ended June 30, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, Gains and Other Support			
Admissions	\$ 3,313,762	\$ -	\$ 3,313,762
Contributions	1,260,764	265,165	1,525,929
Memberships	1,831,672	-	1,831,672
Education programs	573,443	-	573,443
Rentals	70,936	-	70,936
Museum shop sales, net of cost of sales of \$342,468	377,689	-	377,689
Café sales	83,755	-	83,755
Other income	272,847	-	272,847
Net increase in value of beneficial interest in assets held by OCCF	-	2,989,758	2,989,758
Net assets released from restrictions	2,947,164	(2,947,164)	-
Total revenues, gains and other support	10,732,032	307,759	11,039,791
Expenses			
Programming:			
Exhibit services and collections	5,262,989	-	5,262,989
Science department	1,901,915	-	1,901,915
Planetarium	390,188	-	390,188
Facility rentals	75,496	-	75,496
Admissions	713,310	-	713,310
Museum shop and café	383,232	-	383,232
Total programming	8,727,130	-	8,727,130
Supporting services:			
Development	298,341	-	298,341
Facilities	618,156	-	618,156
Management and general	1,105,140	-	1,105,140
Total supporting services	2,021,637	-	2,021,637
Total expenses	10,748,767	-	10,748,767
Change in net assets	(16,735)	307,759	291,024
Net assets, beginning of year	30,116,564	49,137,421	79,253,985
Net assets, end of year	\$ 30,099,829	\$ 49,445,180	\$ 79,545,009

SCIENCE MUSEUM OKLAHOMA, INC.

STATEMENT OF ACTIVITIES

Year ended June 30, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, Gains and Other Support			
Admissions	\$ 3,545,855	\$ -	\$ 3,545,855
Contributions	1,562,446	592,480	2,154,926
Memberships	1,813,356	-	1,813,356
Education programs	477,730	-	477,730
Rentals	41,636	-	41,636
Museum shop sales, net of cost of sales of \$339,157	362,965	-	362,965
Café sales	83,801	-	83,801
Other income	287,802	-	287,802
Net increase in value of beneficial interest in assets held by OCCF	-	3,009,604	3,009,604
Net assets released from restrictions	2,605,396	(2,605,396)	-
Total revenues, gains and other support	10,780,987	996,688	11,777,675
Expenses			
Programming:			
Exhibit services and collections	5,852,961	-	5,852,961
Science department	2,305,838	-	2,305,838
Planetarium	361,479	-	361,479
Facility rentals	66,869	-	66,869
Admissions	720,583	-	720,583
Museum shop and café	385,327	-	385,327
Total programming	9,693,057	-	9,693,057
Supporting services:			
Development	243,211	-	243,211
Facilities	662,275	-	662,275
Management and general	1,046,681	-	1,046,681
Total supporting services	1,952,167	-	1,952,167
Total expenses	11,645,224	-	11,645,224
Change in net assets	(864,237)	996,688	132,451
Net assets, beginning of year	30,980,801	48,140,733	79,121,534
Net assets, end of year	\$ 30,116,564	\$ 49,137,421	\$ 79,253,985

SCIENCE MUSEUM OKLAHOMA, INC.
STATEMENT OF FUNCTIONAL EXPENSES
Year ended June 30, 2019

	Program Services							Supporting Services				Total
	Programming	Science	Planetarium	Rentals	Admissions	Museum	Program	Development	Facilities	Management	Supporting	
	Exhibits	Department				Shop	Services			and General	Services	
							Total			Total	Total	
Payroll	\$ 1,340,156	\$ 1,240,033	\$ 131,858	\$ 54,135	\$ 399,709	\$ 220,543	\$ 3,386,434	\$ 191,639	\$ 209,332	\$ 536,486	\$ 937,457	\$ 4,323,891
Payroll benefits	329,734	175,430	27,261	12,287	61,506	42,188	648,406	53,783	49,947	202,687	306,417	954,823
Cost of sales - Museum Shop sales	-	-	-	-	-	342,468	342,468	-	-	-	-	342,468
Legal and accounting fees	2,610	5,159	448	355	6,088	6,443	21,103	2,287	1,097	31,758	35,142	56,245
Contract service and other fees	234,551	54,835	1,212	1,182	45,036	40,830	377,646	2,548	57,574	76,546	136,668	514,314
Advertising	114,073	73,350	8,426	3,095	302	356	199,602	9,639	200	174	10,013	209,615
Office supplies	46,686	11,043	1,060	1,271	28,093	14,736	102,889	10,086	1,783	39,756	51,625	154,514
Credit card and bank fees	3,219	1,288	-	-	97,962	16,392	118,861	1,288	-	7,082	8,370	127,231
Travel and training	20,346	23,292	4,186	43	9,148	8,700	65,715	3,798	261	16,150	20,209	85,924
Network and website	13,403	9,748	1,218	-	-	-	24,369	-	-	-	-	24,369
Occupancy	333,322	15,716	-	-	291	100	349,429	21	253,709	148	253,878	603,307
Conferences and meetings	906	792	-	-	-	-	1,698	76	-	417	493	2,191
Insurance	34,360	10,434	1,350	385	3,721	2,628	52,878	1,120	7,687	3,171	11,978	64,856
Dues and subscriptions	31,210	6,260	411	-	18,254	3,225	59,360	6,288	53	25,433	31,774	91,134
Hospitality	13,848	5,764	45	878	2,783	656	23,974	4,957	200	25,818	30,975	54,949
Supplies	156,476	90,622	1,250	623	29,417	17,269	295,657	452	29,853	2,339	32,644	328,301
Tools and equipment	21,610	664	241	1,050	3,436	1,824	28,825	335	5,869	2,588	8,792	37,617
Interest expense	23,275	9,309	-	-	-	-	32,584	9,309	-	51,201	60,510	93,094
Depreciation expense	2,476,380	145,219	210,981	-	5,193	5,193	2,842,966	-	-	75,612	75,612	2,918,578
Miscellaneous and hiring expenses	66,824	22,957	241	192	2,371	2,149	94,734	715	591	7,774	9,080	103,814
	5,262,989	1,901,915	390,188	75,496	713,310	725,700	9,069,598	298,341	618,156	1,105,140	2,021,637	11,091,235
Less expenses included with revenues on the statement of activities: Museum shop cost of sales	-	-	-	-	-	342,468	342,468	-	-	-	-	342,468
	<u>\$ 5,262,989</u>	<u>\$ 1,901,915</u>	<u>\$ 390,188</u>	<u>\$ 75,496</u>	<u>\$ 713,310</u>	<u>\$ 383,232</u>	<u>\$ 8,727,130</u>	<u>\$ 298,341</u>	<u>\$ 618,156</u>	<u>\$ 1,105,140</u>	<u>\$ 2,021,637</u>	<u>\$ 10,748,767</u>

See notes to financial statements.

SCIENCE MUSEUM OKLAHOMA, INC.
STATEMENT OF FUNCTIONAL EXPENSES
Year ended June 30, 2018

	Program Services							Supporting Services				Total
	Programming	Science	Planetarium	Rentals	Admissions	Museum	Program	Development	Facilities	Management	Supporting	
	Exhibits	Department				Shop	Services			and General	Services	
							Total			Total		
Payroll	\$ 1,328,975	\$ 1,176,117	\$ 107,593	\$ 46,215	\$ 410,994	\$ 228,147	\$ 3,298,041	\$ 148,535	\$ 207,114	\$ 510,805	\$ 866,454	\$ 4,164,495
Payroll benefits	357,285	175,245	20,083	10,963	66,362	44,696	674,634	47,342	55,526	216,814	319,682	994,316
Cost of sales - Museum Shop sales	-	-	-	-	-	339,157	339,157	-	-	-	-	339,157
Legal and accounting fees	3,124	6,174	536	425	6,423	6,848	23,530	2,306	1,312	31,536	35,154	58,684
Contract service and other fees	203,005	16,475	5,840	752	38,784	35,883	300,739	5,009	101,796	34,615	141,420	442,159
Advertising	177,490	84,660	8,990	1,870	57	67	273,134	7	177	33	217	273,351
Office supplies	32,577	12,169	251	1,248	33,893	14,545	94,683	6,385	1,890	40,225	48,500	143,183
Credit card and bank fees	3,600	1,440	-	-	91,890	13,773	110,703	1,440	-	7,921	9,361	120,064
Travel and training	31,772	28,325	2,411	791	10,068	4,858	78,225	5,315	1,060	33,280	39,655	117,880
Network and website	13,200	9,600	1,200	-	-	-	24,000	-	-	-	-	24,000
Occupancy	263,671	12,057	1,656	(159)	647	4,939	282,811	459	254,909	2,327	257,695	540,506
Conferences and meetings	3,924	3,850	-	-	-	-	7,774	49	-	270	319	8,093
Insurance	24,461	4,667	592	128	1,721	1,385	32,954	267	5,318	956	6,541	39,495
Dues and subscriptions	15,327	4,742	53	-	15,113	2,399	37,634	6,243	32	23,206	29,481	67,115
Hospitality	10,247	4,392	73	233	1,986	589	17,520	3,594	193	18,508	22,295	39,815
Supplies	413,225	312,336	1,098	629	37,258	19,564	784,110	255	28,092	2,423	30,770	814,880
Tools and equipment	17,214	1,320	47	683	4,615	1,918	25,797	279	4,674	1,999	6,952	32,749
Cost of sales - other	202,714	-	-	3,029	-	-	205,743	-	-	-	-	205,743
Interest expense	24,921	9,968	-	-	-	-	34,889	9,968	-	54,826	64,794	99,683
Depreciation expense	2,646,769	411,435	210,981	-	-	5,367	3,274,552	5,367	-	64,819	70,186	3,344,738
Miscellaneous and hiring expenses	79,460	30,866	75	62	772	349	111,584	391	182	2,118	2,691	114,275
	5,852,961	2,305,838	361,479	66,869	720,583	724,484	10,032,214	243,211	662,275	1,046,681	1,952,167	11,984,381
Less expenses included with revenues on the statement of activities:												
Museum shop cost of sales	-	-	-	-	-	339,157	339,157	-	-	-	-	339,157
	<u>\$ 5,852,961</u>	<u>\$ 2,305,838</u>	<u>\$ 361,479</u>	<u>\$ 66,869</u>	<u>\$ 720,583</u>	<u>\$ 385,327</u>	<u>\$ 9,693,057</u>	<u>\$ 243,211</u>	<u>\$ 662,275</u>	<u>\$ 1,046,681</u>	<u>\$ 1,952,167</u>	<u>\$ 11,645,224</u>

See notes to financial statements.

SCIENCE MUSEUM OKLAHOMA, INC.

STATEMENTS OF CASH FLOWS

Years ended June 30, 2019 and 2018

	2019	2018
Cash Flows from Operating Activities		
Change in net assets	\$ 291,024	\$ 132,451
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Net increase in value of beneficial interest in assets held by OCCF	(2,989,758)	(3,009,604)
Depreciation	2,918,578	3,344,738
Loss on disposal of property and equipment	-	454,278
Nonmonetary lease expense	42,442	42,441
Changes in operating assets and liabilities:		
Pledges receivable	205,000	153,000
Other receivables	80,874	16,398
Prepaid expenses and other	(50,514)	159,363
Inventory	17,533	(8,957)
Restricted cash	455,662	710,106
Accounts payable	(159,108)	57,987
Accrued liabilities	24,589	41,978
Deferred revenues	(76,832)	52,917
	759,490	2,147,096
Cash Flows from Investing Activities		
Purchases of property and equipment	(1,549,025)	(972,363)
Distributions of beneficial interest in assets held by OCCF	1,976,582	1,967,048
	427,557	994,685
Cash Flows from Financing Activities		
Principal payments on long-term debt	(171,535)	(164,946)
	1,015,512	2,976,835
Net increase in cash		
Cash, beginning of year	8,594,661	5,617,826
	\$ 9,610,173	\$ 8,594,661
	\$ 9,610,173	\$ 8,594,661
Supplemental Disclosure of Cash Flow Information		
Cash paid for interest	\$ 93,094	\$ 99,683
	\$ 93,094	\$ 99,683

SCIENCE MUSEUM OKLAHOMA, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2019 and 2018

Note 1 – Organization and Nature of Operations

The accompanying financial statements include the accounts and activities of Science Museum Oklahoma, Inc. (the Museum). The Museum provides the public with educational services and entertaining experiences through numerous aviation and space artifacts, hands-on science exhibits, cultural galleries, a planetarium, a museum shop, and a café.

Note 2 – Summary of Significant Accounting Policies

Basis of accounting and reporting

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

Without donor restrictions – Net assets without donor restrictions include all resources that are expendable at the discretion of the Board of Directors (Board) and/or management for general operations. From time to time the Board may designate a portion of these net assets for specific purposes which make them unavailable for use at management's discretion. At June 30, 2019 and 2018, there were Board designations of \$1,474,257 and \$386,834, respectively for capital project expenditures.

With donor restrictions – Net assets with donor restrictions consist of resources whose use is limited by donor-imposed time and/or purpose restrictions. Some donor restrictions are temporary in nature, such as those that will be met by the passage of time or occurrence of a future event specified by the donor. Other donor-imposed restrictions are perpetual in nature where the donor stipulates that the resources be maintained in perpetuity but permit the Museum to expend income generated in accordance with the provisions of the related agreements. See Note 5 for more information on the composition of net assets with donor restrictions.

Cash and restricted cash

The Museum maintains its cash in accounts which typically exceed federal insured amounts. However, it has not experienced any losses in such amounts and believes it is not exposed to any significant credit risk on cash accounts.

Property and equipment

Property and equipment are recorded at historical cost or estimated fair value at the date of contribution. Property and equipment, with an initial value of \$1,000 or more is capitalized and depreciated on a straight-line basis over the estimated useful lives of the respective assets.

Collections

The Museum's collections include aviation and space artifacts, historical treasures and similar assets that are held for public exhibition and education, protected, cared for, and preserved. Collections are subject to

the Museum's policy that requires the proceeds of collection items that are sold to be used to acquire other items for its collections.

Except for collections held by the Oklahoma City Community Foundation, Inc. (OCCF) relating to The Kirkpatrick Center Affiliated Fund of the Oklahoma City Community Foundation, Inc. group (the KCAF fund group) described in Note 4, the Museum has capitalized its collections since its inception. Purchased items accessioned into the collection are capitalized at cost. Donated items, if significant, are capitalized at their fair value on the accession date. Gains or losses on the deaccession of collection items are classified in the statement of activities as with or without donor restrictions depending on donor stipulations, if any, placed on the item at the time of accession. Collection items are depreciated over their estimated useful lives unless they have cultural, aesthetic, or historical value that is worth preserving perpetually, and the Museum is protecting and preserving essentially undiminished the service potential of the collection item. The collections held by the KCAF fund group are not recognized in the Museum's statements of financial position.

Contributions

The Museum reports gifts of cash and other assets as increases in net assets with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires (a stipulated time restriction ends, or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and are reported in the statements of activities as net assets released from restrictions. Contributions with donor restrictions that are fulfilled in the same reporting period as their receipts are recorded as increases in net assets without donor restrictions in the statements of activities.

The Museum reports gifts of property and equipment 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 net assets with donor restrictions. The Museum reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service, unless donor stipulations specify how long-lived assets must be maintained.

The Museum records contributions made by donors on its behalf to other not-for-profit organizations or charitable trusts as an asset unless the donor has explicitly granted the recipient organization variance power. However, the Museum records contributions made to other not-for-profit organizations or charitable trusts as an asset regardless if variance power exists, if the Museum has designated itself as beneficiary. Variance power is defined as the unilateral power to redirect the use of the assets to another beneficiary.

Unconditional promises to give that extend for periods longer than one year are reported as contributed income of the museum when made at the net present value of the estimated future cash flows.

Conditional promises to give are recognized when the conditions on which the gift depends are substantially met. Promises with the condition that the Museum incur certain qualifying costs become unconditional in stages and are recognized as contributions to the extent that costs are incurred as each stage is met.

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 the program 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.

Income tax status

The Museum is a nonprofit organization and is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. However, the Museum is subject to federal income tax on any unrelated business taxable income.

Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the Museum to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Concentrations of credit risk

Financial instruments, which potentially subject the Museum to credit risk, consist of receivables and beneficial interest in assets held by OCCF.

One donor accounted for 24% of total contribution revenues for the year ended June 30, 2019, and two donors accounted for 56% of total contribution revenues for the year ended June 30, 2018.

Recently adopted 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: (1) the standard replaces the former 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) the standard expands 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) the standard requires expenses to be presented by nature and function, as well as an analysis of the allocation of these expenses, (4) the standard requires 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 requires 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 presentation of its net asset classes, presented statements of functional expenses, and expanded the footnote disclosures as required by the standard. The Museum elected not to disclose liquidity and availability information for 2018 as permitted under the new standard in the year of adoption.

New accounting pronouncements yet to be adopted

In May 2014, FASB issued ASU 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 2015-14, the update is effective for the fiscal year ending June 30, 2020, for the Museum. The standard permits the use of either the retrospective or cumulative effect transition method. The Museum is currently evaluating the impact this standard will have on its financial statements and related disclosures.

In June 2018, 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 ASU clarifies and improves current guidance about whether a transfer of assets, or the reduction, settlement, or cancellation of liabilities, is a contribution or an exchange transaction. It will also provide a more robust framework for determining whether a contribution is conditional or unconditional, and for distinguishing donor-imposed conditions from donor-imposed restrictions. The ASU will be effective for the Museum for its fiscal year ending June 30, 2020. The Museum is currently evaluating the impact this standard will have on its financial statements and related disclosures.

In November 2016, FASB issued ASU No. 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash*. ASU No. 2016-18 requires that a statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. Therefore, amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. The ASU must be adopted on a retrospective basis and early adoption is permitted. It will be effective for the Museum for its fiscal year ending June 30, 2020. 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, 2020. 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 require 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 its fiscal year ending June 30, 2020, 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.

Reclassifications

Certain reclassifications have been made in the June 30, 2018, financial statements to conform to the classifications used at June 30, 2019. These reclassifications had no impact on the previously reported change in net assets.

Subsequent events

Management has evaluated subsequent events through November 7, 2019, the date the financial statements were available to be issued.

Note 3 – Liquidity

The Museum seeks to acquire all funds needed for its operations in each fiscal year. In addition to funds raised annually, the Museum maintains a reserve to cover six months of operating expenses. The Museum holds these funds in its operating accounts.

The Museum's financial assets available for general expenditures, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, are as follows as of June 30, 2019:

Cash	\$ 9,610,173
Pledge receivables	838,013
Other receivables	120,560
Restricted cash	<u>4,171,925</u>
Total financial assets	\$ 14,740,671
Less those unavailable for general expenditures within one year due to:	
Contractual or donor-imposed restrictions:	
Sales tax retained to pay bond obligation	(264,628)
Subject to appropriation and satisfaction of donor restrictions	(6,239,696)
Board designations:	
Capital project expenditures	<u>(1,474,257)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 6,762,090</u>

Of the financial assets available, approximately \$3.76 million is not board-designated; however, it is expected that these funds will be required within the next three to five years for several major projects. These projects include refurbishing the Museum's main science floor as a result of moving the planetarium from its existing location and enhancing the Museum's current gardens to create a more interactive science park. The Museum also maintains a degree of liquidity to pursue unfunded exhibit and program options which it feels would serve the community's interest but may require significant initial investment.

Note 4 – Contributions to OCCF

Separate funds, Air Space Museum Affiliated Fund group (ASMAF fund group), The Science Museum Oklahoma Fund of the Oklahoma City Community Foundation, Inc. group (OAF fund group) and KCAF fund group (collectively, the Science Museum Oklahoma Affiliated Fund group) have been established at OCCF. The Science Museum Oklahoma Affiliated Fund group represents contributions received by OCCF, from either third parties or the Museum, which are designated to be invested to benefit the Museum. The Science Museum Oklahoma Affiliated Fund group is a restricted endowment in perpetuity, the income from which is designated to benefit the Museum's exhibits and programs, improve and maintain Museum facilities, and general operations. Earnings and market activity are recorded net in the statement of activities and are recorded as with donor restrictions.

Investment decisions for the Science Museum Oklahoma Affiliated Fund group are made by OCCF. Income earned on the donated funds is paid to the Museum on a basis determined by OCCF. That amount is calculated and agreed to by the Board of Trustees for the Science Museum Oklahoma Affiliated Fund group. When this amount is paid to the Museum, a transfer is made to net assets without donor restrictions. The principal amount of the Science Museum Oklahoma Affiliated Fund group cannot be distributed without the unanimous approval of OCCF's Board of Directors. As a result, OCCF has variance power over contributions it has received from third parties on behalf of the Museum, and the Museum has not recorded these funds as an asset in its financial statements. During the years ended June 30, 2019 and 2018, OCCF distributed \$607,060 and \$575,568, respectively, of the income generated from the portion of the

Science Museum Oklahoma Affiliated Fund group comprised of third-party donations, which is included as a component of contributions without donor restrictions in the statements of activities.

The Science Museum Oklahoma Affiliated Fund group also contains funds transferred to it by the Museum, which designated itself as beneficiary. The Museum's Board of Trustees authorized OCCF to manage these funds in the same manner as the Science Museum Oklahoma Affiliated Fund group assets donated by third parties, which effectively grants variance power to OCCF. However, as the Museum designated itself as beneficiary, the Museum has recognized a beneficial interest in assets held by OCCF in its statements of financial position.

The following schedule summarizes the fair value of the Science Museum Oklahoma Affiliated Fund group at June 30:

	Beneficial Interest in Assets Held by OCCF	Received by OCCF from Third-Party Donors	Total
2019			
KCAF fund group (A)	\$ 39,660,188	\$ -	\$ 39,660,188
OAF fund group (A)	3,489,585	5,863,178	9,352,763
ASMAF fund group (A)	55,711	7,478,401	7,534,112
	<u>\$ 43,205,484</u>	<u>\$ 13,341,579</u>	<u>\$ 56,547,063</u>
2018			
KCAF fund group (A)	\$ 38,730,159	\$ -	\$ 38,730,159
OAF fund group (A)	3,407,746	5,721,868	9,129,614
ASMAF fund group (A)	54,403	7,303,031	7,357,434
	<u>\$ 42,192,308</u>	<u>\$ 13,024,899</u>	<u>\$ 55,217,207</u>

(A) The Museum does not include, in the amounts listed above, the cost or fair value of collections held by OCCF.

Note 5 – Net Assets With Donor Imposed Restrictions

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

Program	For a Specific Purpose/Time	Held in Perpetuity	Total
Exhibit acquisitions and maintenance	\$ 4,488,482	\$ -	\$ 4,488,482
Oklahoma Museum Network	1,421,964	-	1,421,964
Land lease expenses	329,250	-	329,250
Endowments for programs and general operations	24,493,701	18,711,783	43,205,484
	<u>\$ 30,733,397</u>	<u>\$ 18,711,783</u>	<u>\$ 49,445,180</u>

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

Program	For a Specific Purpose/Time	Held in Perpetuity	Total
Exhibit acquisitions and maintenance	\$ 4,816,203	\$ -	\$ 4,816,203
Oklahoma Museum Network	1,757,219	-	1,757,219
Land lease expenses	371,691	-	371,691
Endowments for programs and general operations	23,480,525	18,711,783	42,192,308
	<u>\$ 30,425,638</u>	<u>\$ 18,711,783</u>	<u>\$ 49,137,421</u>

Note 6 – Donor Restricted Endowments

Board interpretation

The endowment of the Museum consists of funds established for a variety of purposes. Net assets associated with these endowment funds are classified and reported based on the existence or absence of specific restrictions placed upon such funds by donors as contemplated by the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA).

The Board interprets UPMIFA as requiring preservation of the fair value of the original gift as of the gift date if there is specific intent expressed by the donor that prevents appropriation for expenditure of such amount. As a result of this interpretation, the Museum classifies as net assets with donor restriction in perpetuity (a) the original value of gifts properly allocated to the permanent endowment, (b) the original value of subsequent gifts properly allocated to the permanent endowment, and (c) accumulations to the existing permanent endowment if such accumulations are donor restricted from appropriation for expenditure. All remaining portions of the Museum's endowment funds are classified as net assets with donor restrictions for time and/or purpose until those amounts are appropriated for expenditure by the Museum in a manner consistent with the standard of prudence prescribed by UPMIFA. UPMIFA does not prohibit appropriation for expenditure of all donor-restricted endowment funds.

In accordance with UPMIFA, the Museum considers the following factors in making a determination to appropriate for expenditure or to accumulate returns from endowment funds:

1. Duration and preservation of the fund
2. Purposes of the Museum and the fund
3. General economic conditions
4. Possible effect of inflation and deflation
5. Expected total return from investment income and appreciation or depreciation of investments
6. Other resources of the Museum
7. Investment policies of the Museum

Return objectives, risk parameters, strategies and spending policy

The endowment funds of the Museum are managed and invested by OCCF. OCCF is charged with managing and investing these funds in accordance with the intent of the donors as expressed in the gifting instruments and the charitable purposes of the Museum. OCCF makes distributions in accordance with OCCF's spending policies. OCCF may incur only those costs which are appropriate and reasonable in relation to these funds, the purposes of the Museum, and the skills available to OCCF. The Museum monitors OCCF's performance and compliance with the scope of OCCF's duties to the Museum; however,

the Museum does not have any control over the investment or distribution policies of OCCF. As stated in Note 4, distributions from earnings on endowed funds are determined by the Board of Trustees of the Science Museum Oklahoma Affiliated Fund group.

Changes in endowment fund net assets for the year ended June 30, 2019, consist of the following:

	<u>With Donor Restrictions</u>
Endowment fund net assets, beginning of year	\$ 42,192,308
Adjusted endowment fund net assets investment return:	
Investment income	3,075,439
Net depreciation in value	<u>(85,681)</u>
	2,989,758
Transfers to operating funds	<u>(1,976,582)</u>
Endowment fund net assets, end of year	<u><u>\$ 43,205,484</u></u>

Changes in endowment fund net assets for the year ended June 30, 2018, consist of the following:

	<u>With Donor Restrictions</u>
Endowment fund net assets, beginning of year	\$ 41,149,752
Adjusted endowment fund net assets investment return:	
Investment income	3,095,690
Net depreciation in value	<u>(86,086)</u>
	3,009,604
Transfers to operating funds	<u>(1,967,048)</u>
Endowment fund net assets, end of year	<u><u>\$ 42,192,308</u></u>

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. At June 30, 2019 and 2018, there were no deficiencies of this nature.

Note 7 – Fair Value Measurements

The FASB 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.

There were no transfers into or out of Level 3 for the years ended June 30, 2019 or 2018.

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.

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 that are measured at fair value on a recurring basis as of June 30, 2019:

	Level 1	Level 2	Level 3	Total
Beneficial interest in assets held by OCCF	\$ -	\$ -	\$ 43,205,484	\$ 43,205,484

The following table sets forth by level, within the fair value hierarchy, the Museum's assets that are measured at fair value on a recurring basis as of June 30, 2018:

	Level 1	Level 2	Level 3	Total
Beneficial interest in assets held by OCCF	\$ -	\$ -	\$ 42,192,308	\$ 42,192,308

The following table summarizes the changes in the fair value of the Museum's Level 3 financial assets for the years ended June 30:

	Beneficial Interest in Assets Held by OCCF	
	2019	2018
Balance, beginning of year	\$ 42,192,308	\$ 41,149,752
Net investment performance	2,989,758	3,009,604
Distributions to the Museum	(1,976,582)	(1,967,048)
Balance, end of year	\$ 43,205,484	\$ 42,192,308

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 value of beneficial interest in assets held by OCCF in the statements of activities.

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 those changes could materially affect net assets.

Note 8 – Property and Equipment

Property and equipment consists of the following at June 30:

	Years	2019	2018
Equipment	3 to 10	\$ 1,704,768	\$ 1,335,397
Furniture and fixtures	5 to 10	687,594	669,529
Building and improvements	5 to 40	24,668,520	24,442,370
Dome Theater	10 to 20	8,380,285	8,380,285
Computer equipment	3 to 5	392,128	368,049
Exhibits	5 to 10	14,153,968	14,139,035
Vehicles	5	66,833	25,920
Oklahoma Museum Network property and equipment	3 to 5	6,337,412	6,335,851
Exhibits in process		1,334,728	486,753
		57,726,236	56,183,189
Accumulated depreciation		(36,737,016)	(33,824,416)
Property and equipment, net		<u>\$ 20,989,220</u>	<u>\$ 22,358,773</u>

Note 9 – Long-Term Debt

Long-term debt consists of the following at June 30:

	2019	2018
Bonds payable, due in monthly installments of \$22,052, including interest at 3.87%, until December 10, 2029 (A)	<u>\$ 2,278,887</u>	<u>\$ 2,450,422</u>

(A) Payments on the bonds are made through retention of sales taxes on the Museum's admissions revenue as allowed by the state of Oklahoma. The bonds are collateralized by up to \$1,000,000 of annual admissions revenue. The Museum's loan agreement contains various affirmative and negative covenants which, among other things, restrict future borrowings and limit the use of loan proceeds to qualified project costs relating to the Children's Discovery Initiative. At June 30, 2019, the Museum was in compliance with all loan covenants.

Maturities of long-term debt at June 30, 2019, are as follows:

<u>Fiscal Year</u>	<u>Amount</u>
2020	\$ 179,599
2021	186,674
2022	194,028
2023	201,672
2024	209,616
2025 and thereafter	<u>1,307,298</u>
	<u>\$ 2,278,887</u>

Note 10 – Donald W. Reynolds Foundation Grants

In June 2014, the Donald W. Reynolds Foundation (the Foundation) awarded the Museum a five-year grant to support the Oklahoma Museum Network. The total grant awarded and paid by the Foundation was \$4,097,162, of which, approximately \$1,425,000 and \$1,760,000 is classified as restricted cash at June 30, 2019 and 2018, respectively.

In September 2015, the Foundation awarded the Museum an additional grant to establish the Restricted Fund for Maintenance. The total grant awarded and paid by the Foundation was \$600,000, which is classified as restricted cash at June 30, 2019 and 2018.

Note 11 – In-Kind Donations

Historically, the Museum has received in-kind donations from a variety of sources. During the years ended June 30, 2019 and 2018, the Museum received no in-kind donations. Donated services are also received from a variety of unpaid volunteers assisting the Museum in carrying out its various programs, for which no value is assigned as the criteria for recognition of such volunteer efforts under generally accepted accounting principles has not been satisfied.

Note 12 – Nonmonetary Lease Transactions

The Museum's building and parking lot are located on land leased from the City of Oklahoma City (the City). The annual payment under the building land lease is \$1.00, while the lease for the parking lot land requires no payment. The lease for the building land expires on October 4, 2026, while the lease for the parking lot land expires on February 29, 2028. Because the City has explicitly and unconditionally promised the use of these parcels of land for a specified period of time, the fair value of these leases, discounted to present value, have been recognized as unconditional promises to give in the accompanying statements of financial position as receivables-land lease contributions. During the years ended June 30, 2019 and 2018, amortized lease expenses of approximately \$42,000 for each year were recognized in the accompanying statements of activities related specifically to these leases.