

The Gilcrease Museum Management Trust

Independent Auditor's Report and Financial Statements

June 30, 2018 and 2017



The Gilcrease Museum Management Trust
June 30, 2018 and 2017

Contents

Independent Auditor's Report 1

Financial Statements

Statements of Financial Position 3
Statements of Activities 4
Statements of Cash Flows 5
Notes to Financial Statements 6

Independent Auditor's Report

Board of Trustees
The University of Tulsa
Tulsa, Oklahoma

We have audited the accompanying financial statements of The Gilcrease Museum Management Trust, which comprise the statements of financial position as of June 30, 2018 and 2017, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 Gilcrease Museum Management Trust as of June 30, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Board of Trustees
The University of Tulsa
Page 2

Emphasis of Matter

As discussed in *Note 10* to the financial statements, the 2017 financial statements have been restated to correct a misstatement. Our opinion is not modified with respect to this matter.

BKD, LLP

Tulsa, Oklahoma
December 17, 2018

The Gilcrease Museum Management Trust
Statements of Financial Position
June 30, 2018 and 2017

Assets

| | 2018 | 2017 (Restated – Note 10) |
|---|-----------------------------|--|
| Current Assets | | |
| Equity in pooled cash | \$ 2,323,593 | \$ - |
| Inventories | 186,563 | 170,412 |
| Prepaid expenses and deferred charges | 254,944 | 110,348 |
| Contributions receivable, net – current | <u>1,553,864</u> | <u>2,518,892</u> |
| Total current assets | 4,318,964 | 2,799,652 |
| Contributions receivable, net | 7,539,399 | 6,899,337 |
| Investments | 15,595,748 | 12,835,784 |
| Beneficial interest in funds held by others | 64,135 | 61,638 |
| Equipment, net | <u>204,168</u> | <u>241,775</u> |
| Total assets | <u><u>\$ 27,722,414</u></u> | <u><u>\$ 22,838,186</u></u> |

Liabilities and Net Assets

| | | |
|---|-----------------------------|-----------------------------|
| Current Liabilities | | |
| Accounts payable | \$ 71,509 | \$ 23,644 |
| Accrued expenses | 184,558 | 283,374 |
| Deferred revenue | 20,225 | 6,250 |
| Postretirement benefit obligation – current | <u>13,618</u> | <u>13,653</u> |
| Total current liabilities | 289,910 | 326,921 |
| Postretirement Benefit Obligation | <u>206,448</u> | <u>235,799</u> |
| Total liabilities | <u>496,358</u> | <u>562,720</u> |
| Net Assets | | |
| Unrestricted | 563,585 | (2,246,928) |
| Temporarily restricted | 4,672,322 | 4,786,473 |
| Permanently restricted | <u>21,990,149</u> | <u>19,735,921</u> |
| Total net assets | <u>27,226,056</u> | <u>22,275,466</u> |
| Total liabilities and net assets | <u><u>\$ 27,722,414</u></u> | <u><u>\$ 22,838,186</u></u> |

The Gilcrease Museum Management Trust
Statement of Activities
Years Ended June 30, 2018 and 2017

| | 2018 | | | Total |
|---|--------------------|---------------------------|---------------------------|----------------------|
| | Unrestricted | Temporarily Restricted | Permanently Restricted | |
| Revenues, Gains and Other Support | | | | |
| Gifts, grants and pledges | \$ 3,785,985 | \$ 465,533 | \$ 2,146,895 | \$ 6,398,413 |
| Contribution from the University | 2,986 | - | - | 2,986 |
| Contributed services | 326,038 | - | - | 326,038 |
| Management fee from the City | 3,066,341 | - | - | 3,066,341 |
| Sales and services of educational departments and public services | 224,521 | - | - | 224,521 |
| Museum shop sales | 314,548 | - | - | 314,548 |
| Research services and sponsored projects | 41,085 | 2,980 | - | 44,065 |
| Endowment income, net of fees | 613,697 | 507,815 | - | 1,121,512 |
| Nonendowment income | - | 11 | - | 11 |
| Change in beneficial interest in funds held by others | - | - | 2,497 | 2,497 |
| Other | 138,622 | - | - | 138,622 |
| | <u>8,513,823</u> | <u>976,339</u> | <u>2,149,392</u> | <u>11,639,554</u> |
| Net assets released from restrictions | <u>985,654</u> | <u>(985,654)</u> | <u>-</u> | <u>-</u> |
| Total revenues, gains and other support | <u>9,499,477</u> | <u>(9,315)</u> | <u>2,149,392</u> | <u>11,639,554</u> |
| Expenses | | | | |
| Museum operations | 1,325,818 | - | - | 1,325,818 |
| Curatorial | 847,352 | - | - | 847,352 |
| Visitor services | 800,178 | - | - | 800,178 |
| Programs | 401,576 | - | - | 401,576 |
| Special exhibitions | 346,979 | - | - | 346,979 |
| Museum shop | 346,601 | - | - | 346,601 |
| Administrative | 953,804 | - | - | 953,804 |
| Development | 498,586 | - | - | 498,586 |
| Marketing | 535,658 | - | - | 535,658 |
| Collection management | 198,945 | - | - | 198,945 |
| Other | 424,434 | - | - | 424,434 |
| | <u>6,679,931</u> | <u>-</u> | <u>-</u> | <u>6,679,931</u> |
| Operating Income (Loss) | <u>2,819,546</u> | <u>(9,315)</u> | <u>2,149,392</u> | <u>4,959,623</u> |
| Nonoperating Activities | | | | |
| Change in donor restriction | - | (104,836) | 104,836 | - |
| Collection items purchased not capitalized | (9,033) | - | - | (9,033) |
| | <u>(9,033)</u> | <u>(104,836)</u> | <u>104,836</u> | <u>(9,033)</u> |
| Change in Net Assets | 2,810,513 | (114,151) | 2,254,228 | 4,950,590 |
| Net Assets, Beginning of Year | <u>(2,246,928)</u> | <u>4,786,473</u> | <u>19,735,921</u> | <u>22,275,466</u> |
| Net Assets, End of Year | <u>\$ 563,585</u> | <u>\$ 4,672,322</u> | <u>\$ 21,990,149</u> | <u>\$ 27,226,056</u> |

See Notes to Financial Statements

| | 2017 (Restated – Note 10) | | | |
|---|----------------------------------|-----------------------------------|-----------------------------------|----------------------|
| | Unrestricted | Temporarily Restricted | Permanently Restricted | Total |
| Revenues, Gains and Other Support | | | | |
| Gifts, grants and pledges | \$ 1,316,360 | \$ 1,495,759 | \$ 8,633,803 | \$ 11,445,922 |
| Contribution from the University | 1,490,103 | 15,256 | - | 1,505,359 |
| Contributed services | 294,126 | - | - | 294,126 |
| Management fee from the City | 3,003,272 | - | - | 3,003,272 |
| Sales and services of educational departments and public services | 226,592 | - | - | 226,592 |
| Museum shop sales | 315,434 | - | - | 315,434 |
| Research services and sponsored projects | 85,004 | - | - | 85,004 |
| Endowment income, net of fees | 504,591 | 633,688 | - | 1,138,279 |
| Change in beneficial interest in funds held by others | - | - | 2,422 | 2,422 |
| Other | 55,813 | - | - | 55,813 |
| | <u>7,291,295</u> | <u>2,144,703</u> | <u>8,636,225</u> | <u>18,072,223</u> |
| Net assets released from restrictions | <u>2,455,708</u> | <u>(2,455,708)</u> | <u>-</u> | <u>-</u> |
| Total revenues, gains and other support | <u>9,747,003</u> | <u>(311,005)</u> | <u>8,636,225</u> | <u>18,072,223</u> |
| Expenses | | | | |
| Museum operations | 1,174,776 | - | - | 1,174,776 |
| Curatorial | 1,052,085 | - | - | 1,052,085 |
| Visitor services | 820,851 | - | - | 820,851 |
| Programs | 474,711 | - | - | 474,711 |
| Special exhibitions | 260,051 | - | - | 260,051 |
| Museum shop | 344,997 | - | - | 344,997 |
| Administrative | 2,426,305 | - | - | 2,426,305 |
| Development | 595,518 | - | - | 595,518 |
| Marketing | 554,882 | - | - | 554,882 |
| Collection management | 216,027 | - | - | 216,027 |
| Funds transferred to the University | 32,592 | - | - | 32,592 |
| Other | 488,399 | - | - | 488,399 |
| | <u>8,441,194</u> | <u>-</u> | <u>-</u> | <u>8,441,194</u> |
| Operating Income (Loss) | <u>1,305,809</u> | <u>(311,005)</u> | <u>8,636,225</u> | <u>9,631,029</u> |
| Nonoperating Activities | | | | |
| Collection items purchased not capitalized | <u>(389,700)</u> | <u>-</u> | <u>-</u> | <u>(389,700)</u> |
| Change in Net Assets | <u>916,109</u> | <u>(311,005)</u> | <u>8,636,225</u> | <u>9,241,329</u> |
| Net Assets, Beginning of Year, as Previously Reported | | | | |
| | (3,163,037) | 5,103,319 | 10,172,992 | 12,113,274 |
| Adjustment applicable to prior years | <u>-</u> | <u>(5,841)</u> | <u>926,704</u> | <u>920,863</u> |
| Net Assets, Beginning of Year, as Restated | <u>(3,163,037)</u> | <u>5,097,478</u> | <u>11,099,696</u> | <u>13,034,137</u> |
| Net Assets, End of Year | <u>\$ (2,246,928)</u> | <u>\$ 4,786,473</u> | <u>\$ 19,735,921</u> | <u>\$ 22,275,466</u> |

The Gilcrease Museum Management Trust
Statements of Cash Flows
Years Ended June 30, 2018 and 2017

| | 2018 | 2017 (Restated – Note 10) |
|--|--------------|--|
| Operating Activities | | |
| Change in net assets | \$ 4,950,590 | \$ 9,241,329 |
| Items not requiring (providing) operating cash flows | | |
| Depreciation | 64,344 | 71,233 |
| Change in allowance for doubtful accounts and amortized discount | (139,075) | (879,781) |
| Loss on disposal of equipment | 8,257 | - |
| Net realized and unrealized gains on investments | (1,121,512) | (1,138,279) |
| Change in beneficial interest in funds held by others | (2,497) | (2,422) |
| Contributions and pledges received for endowment | (2,146,895) | (8,633,803) |
| Changes in operating assets and liabilities | | |
| Contributions receivable | 312,555 | 1,168,199 |
| Inventories | (16,151) | (19,468) |
| Prepaid expenses and deferred charges | (144,596) | 119,242 |
| Accounts payable | 47,865 | (41,791) |
| Accrued expenses | 13,975 | (19,050) |
| Deferred revenue | (98,816) | (15,906) |
| Postretirement benefit obligation | (29,386) | (54,997) |
| Net cash provided by (used in) operating activities | 1,698,658 | (205,494) |
| Investing Activities | | |
| Proceeds from sale of investments | 955,348 | 659,243 |
| Purchases of investments | (2,593,800) | (5,091,304) |
| Purchases of equipment | (34,994) | - |
| Collection items purchased not capitalized | (9,033) | (389,700) |
| Net cash used in investing activities | (1,682,479) | (4,821,761) |
| Financing Activities | | |
| Contributions received for endowment | 2,307,414 | 5,027,255 |
| Net cash provided by financing activities | 2,307,414 | 5,027,255 |
| Increase in Equity in Pooled Cash | 2,323,593 | - |
| Equity in Pooled Cash, Beginning of Year | - | - |
| Equity in Pooled Cash, End of Year | \$ 2,323,593 | \$ - |

The Gilcrease Museum Management Trust

Notes to Financial Statements

June 30, 2018 and 2017

Note 1: Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

The Gilcrease Museum Management Trust (the Trust) was created on February 12, 2008, for the purpose of providing a source of funds, both operating and endowment, that will ensure the continued maintenance, operation, expansion and existence of the Gilcrease Museum (the Museum). The University of Tulsa (the University) entered into a Management Agreement (the Agreement) commencing July 1, 2008, with the City of Tulsa (the City) and the Board of Trustees of the Thomas Gilcrease Institute of American History and Art to manage and operate the Museum for the benefit of the City and to center the Museum with the University's academic mission and scholarly programs. The Agreement terminates June 30, 2028, and will be automatically extended for an additional consecutive 10-year period unless it is terminated in writing by either party. The accounts of the Trust are included as part of the University's consolidated financial statements due to the University's control and economic interest in the Trust.

Basis of Financial Statements

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Net assets are classified based on the existence or absence of donor-imposed restrictions as follows:

Unrestricted – Net assets that are not subject to donor-imposed restrictions. Unrestricted net assets may be designated for specific purposes by action of the University Board of Trustees or may otherwise be limited by contractual agreements with outside parties.

Temporarily Restricted – Net assets whose use by the Trust is subject to donor-imposed restrictions that can be fulfilled by actions of the Trust or by the passage of time.

Permanently Restricted – Net assets subject to donor-imposed restrictions that they be maintained permanently by the Trust. Generally, the donors of these assets permit the Trust to use all or part of the income earned on related investments for general or specific purposes.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenses, gains, losses and other changes in net assets during the reporting period. Actual results could differ from those estimates.

Operating Income (Loss)

The operating income (loss) reflected in the accompanying statements of activities excludes collection items purchased but not capitalized.

The Gilcrease Museum Management Trust

Notes to Financial Statements

June 30, 2018 and 2017

Collections

Pursuant to the terms of the Agreement, works of art in the Museum's collection are the property of the City, including works of art acquired during the term of the Agreement, whether by purchase, gift, bequest or donation directly to the Museum, the City or the University for the benefit of the Museum. If the University acquires artwork for the benefit of the Museum, it must transfer its title and interest in the artwork to the City. As such, collection items are not recognized as assets on the accompanying statements 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. Contributed collection items are not reflected on the accompanying financial statements. Nothing in the Agreement prevents the University from soliciting, purchasing or receiving donations of works of art for the University's own collections.

Equity in Pooled Cash

The Trust participates in a cash management pool with the University. The University's cash and cash equivalents are deposited in various financial institutions. The Trust's interest in the pool is shown as equity in pooled cash on the accompanying statements of financial position.

Inventories

The museum shop merchandise is stated at the lower of cost or net realizable value on the first-in, first-out basis.

Contributions and Contributions Receivable

Contributions are initially recorded at fair value. Unconditional promises to give are recorded net of an allowance for doubtful receivables estimated based on such factors as prior collections history, types of contributions and the nature of the fundraising activity. Amounts due in more than one year are recorded at net realizable discounted cash flow using an appropriate discount rate commensurate with the risks involved. Amortization of the discount is recorded as additional contribution revenue.

Gifts of land, buildings and equipment and other long-lived assets are recorded at their estimated fair value on the date of gift and reported as unrestricted support unless explicit donor stipulations specify how or how long the donated assets must be used, in which case the gift is reported as restricted support. Gifts and investment income that are originally restricted by the donor and for which the restriction is met in the same time period are recorded as temporarily restricted and then released from restriction.

Conditional promises to give are recorded when conditions are substantially met or the likelihood of not meeting the condition is remote.

The Gilcrease Museum Management Trust

Notes to Financial Statements

June 30, 2018 and 2017

Investments

The Trust's investments in common stocks and mutual funds with readily determinable fair values and investments in debt securities, including corporate obligations, commercial paper and U.S. Treasury obligations, are reported at fair value in the accompanying statements of financial position. Nonmarketable investments in hedge funds are recorded at net asset value (NAV), as a practical expedient, to determine fair value of the investments. The investment in pooled funds is recorded at NAV to determine the fair value of the investments. Other investments are reported at amounts that are not materially different from their fair value.

The Trust's investments are exposed to various risks, such as interest rate, credit and overall market volatility risks. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of investment securities will occur in the near term, and that such changes could materially affect the amounts reported in the accompanying statements of activities. Significant fluctuations in fair values could occur from year to year, and the amounts the Trust will ultimately realize could differ materially.

Income and gains or losses on investments are generally reported as follows:

- Increases in permanently restricted net assets, if the terms of the gift that gave rise to the investment or applicable law require income and gains or losses be added to the principal of the permanent endowment
- Increases in temporarily restricted net assets, if the terms of the gift or applicable law impose restrictions on the use of the income
- Increases in unrestricted net assets in all other cases

Generally, losses on the investments of restricted endowments reduce temporarily restricted net assets to the extent donor-imposed temporary restrictions on net appreciation of investments have not been met before the loss occurs. Any remaining losses reduce unrestricted net assets but can be restored through subsequent investment gains.

Beneficial Interest in Funds Held by Others

Beneficial interest in funds held by others represents amounts held for the beneficial interest of the Trust under irrevocable perpetual agreements between donors and third-party trustees or agents. The Trust's interest is recorded at the fair value of the net assets of the funds held by others, with net increases or decreases in net assets being reported as changes to permanently restricted net assets. The amounts the Trust will ultimately realize could differ materially, and significant fluctuations in fair values could occur from year to year.

Equipment

Equipment is stated at cost less accumulated depreciation or, if received as a gift, at fair value or appraised value on the date received less accumulated depreciation. Depreciation is recognized on a straight-line basis over the estimated useful lives of the equipment (5 to 20 years). Equipment was valued at \$625,610 and \$602,006 and accumulated depreciation was \$421,442 and \$360,231 at

The Gilcrease Museum Management Trust

Notes to Financial Statements

June 30, 2018 and 2017

June 30, 2018 and 2017, respectively. Depreciation expense was \$64,344 and \$71,233 for the years ended June 30, 2018 and 2017, respectively.

Pursuant to the Agreement, the City owns the Museum's building and property and is responsible for structural maintenance, improvements and repairs in excess of \$5,000 to the Museum's property during the contract term.

Contributed Services

Contributed services are recognized as revenue at their estimated fair value only when the services received create or enhance nonfinancial assets or require specialized skills possessed by the individuals providing the service and the service would typically need to be purchased if not donated. The Trust received contributed services from the University of \$326,038 and \$294,126 for the years ended June 30, 2018 and 2017, respectively. The contributed services are based on costs incurred by the University allocated based on budgeted expenses.

Expenses and Other Activity

Expenses are reported as decreases in unrestricted net assets. Temporarily restricted net assets for which donor-imposed conditions are met are reclassified to unrestricted net assets and reported as net assets released from restrictions. Net assets released from restrictions represent satisfaction of purpose restrictions or passage of the stipulated time period on expenditures made pursuant to donor specifications.

The costs of providing the various programs and supporting activities of the Trust have been summarized on a functional basis in the accompanying statements of activities. Accordingly, certain costs have been allocated based on total personnel costs or other systematic bases.

Advertising Costs

Advertising costs are expensed as incurred and are included within expenses on the accompanying statements of activities. For the years ended June 30, 2018 and 2017, advertising costs were \$203,323 and \$213,040, respectively.

Income Taxes

The Trust is an organization exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code (the Code) and has been determined not to be a private foundation under Section 509(a) of the Code. As a result, as long as the Trust maintains its tax exemption, it will not be subject to income tax.

Transfers Between Fair Value Hierarchy Levels

Transfers in and out of Level 1 (quoted market prices), Level 2 (other significant observable inputs) and Level 3 (significant unobservable inputs) are recognized on the period ending date.

The Gilcrease Museum Management Trust
Notes to Financial Statements
June 30, 2018 and 2017

Subsequent Events

Subsequent events have been evaluated through December 17, 2018, which is the date the financial statements were available to be issued.

Note 2: Contributions Receivable

Contributions receivable at June 30 consisted of the following:

| | 2018 | | | 2017 (Restated – Note 10) | | |
|---|-----------------------------|----------------------|------------------------------|----------------------------------|----------------------|------------------------------|
| | Less than 1 Year | 1–5 Years | More than 5 Years | Less than 1 Year | 1–5 Years | More than 5 Years |
| Unconditional promises | \$ 1,674,583 | \$ 7,248,333 | \$ 2,475,000 | \$ 2,687,140 | \$ 6,396,667 | \$ 2,500,000 |
| Less unamortized discount and allowance for doubtful accounts | (120,719) | (1,363,537) | (820,397) | (168,248) | (1,161,777) | (835,553) |
| | <u>\$ 1,553,864</u> | <u>\$ 5,884,796</u> | <u>\$ 1,654,603</u> | <u>\$ 2,518,892</u> | <u>\$ 5,234,890</u> | <u>\$ 1,664,447</u> |

Noncurrent contributions receivable are due in varying amounts and dates through fiscal year 2027. Contributions that are expected to be received in more than one year have been discounted to estimated present value using a rate of 5%.

Three contributions receivable made up approximately 87% of contributions receivable at June 30, 2018. Two contributions receivable made up approximately 83% of contributions receivable at June 30, 2017.

Note 3: Investments, Funds Held by Others and Endowment Net Assets

At June 30, the fair value of endowment assets, including beneficial interest in funds held by others for the Trust's benefit, consisted of the following:

| | 2018 | 2017 (Restated – Note 10) |
|---|----------------------|--|
| Investments | \$ 15,595,748 | \$ 12,835,784 |
| Contributions receivable | 7,631,561 | 7,792,080 |
| Beneficial interest in funds held by others | 64,135 | 61,638 |
| | <u>\$ 23,291,444</u> | <u>\$ 20,689,502</u> |

Endowment investments include perpetual endowments included in permanently restricted net assets and gifts, gains and term endowments included in temporarily restricted net assets.

The Gilcrease Museum Management Trust

Notes to Financial Statements

June 30, 2018 and 2017

The Trust's endowment consists of ten donor-restricted individual funds established for a variety of purposes. As required by generally accepted accounting principles (GAAP), net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions. Upon termination of the Trust, a portion of the endowment may not revert to the University.

Endowment investments not transferred to the Trust from the Gilcrease Museum Endowment Trust are comingled with the University's endowment funds. The Trust has not adopted an investment or spending policy and is currently operating under the University's policies, as described below. Endowment investments transferred from the Gilcrease Museum Endowment Trust, having a fair value of \$158,932 and \$161,111 at June 30, 2018 and 2017, respectively, are maintained separately from the University's endowment investments. The Trust receives quarterly distributions of interest and dividends from these funds.

Interpretation of Relevant Laws

The Trust interprets the *Uniform Prudent Management of Institutional Funds Act of 2006* (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds, absent explicit donor stipulations to the contrary. As a result of this interpretation, the Trust classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Trust in a manner consistent with the standard of prudence prescribed by UPMIFA.

In accordance with UPMIFA, the Trust considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- 1) The duration and preservation of the fund
- 2) The purposes of the Trust and the donor-restricted endowment fund
- 3) General economic conditions
- 4) The possible effect of inflation and deflation
- 5) The expected total return from income and the appreciation of investments
- 6) Other resources of the Trust
- 7) The investment policies of the Trust

Funds with Deficiencies

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 UPMIFA requires the Trust to retain as a fund of

The Gilcrease Museum Management Trust

Notes to Financial Statements

June 30, 2018 and 2017

perpetual duration. In accordance with GAAP, deficiencies of this nature that are reported in unrestricted net assets were \$100 as of June 30, 2018. No such deficiencies were reported as of June 30, 2017. 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 were deemed prudent by the University Board of Trustees.

In accordance with the terms of donor gift instruments, the Trust is permitted to reduce the balance of several restricted endowments below the original amount of the gift. Subsequent investment gains are then used to restore the balance up to the fair value of the original amount of the gift. Subsequent gains above that amount are recorded to temporarily restricted net assets.

Strategies Employed for Achieving Objectives

Certain of the Trust's external investment managers are authorized to use specified derivative financial instruments in managing the assets under their control, subject to restrictions and limitations adopted by the University Board of Trustees. From time to time, the managers may enter into forward currency contracts to hedge currency exchange risk on investments in foreign securities and other future contracts to adjust asset allocation for a more efficient portfolio. The managers settle these contracts on a net basis and, accordingly, the cash requirements are substantially less than the contract amounts. Changes in the fair value of the derivative contracts are included in investment income and are not significant for the years ended June 30, 2018 and 2017.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Trust's spending policy has two components. The first component uses the previous year's spending rate and adjusts it for inflation, which is defined as the previous calendar year's Consumer Price Index increase plus 1%. This component is 70% of the calculation. The second component uses the average endowment market value as of September 30 and December 31 of the preceding year and multiplies the result by a fixed percentage. This percentage was 5% for the years ended June 30, 2018 and 2017. The second component is the remaining 30% of the calculation. On December 13, 2016, the University Board of Trustees authorized an additional 2% spending rate distribution from the endowment to be disbursed in quarterly installments beginning December 31, 2016, and ending September 30, 2017.

In establishing this policy, the Trust considered the long-term expected return on its endowment. Accordingly, over the long term, the Trust expects the current spending policy to allow its endowment to grow at or near the inflation rate, as represented by the Consumer Price Index, before the effect of new gifts. This is consistent with the Trust's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts.

The annual withdrawal includes amounts for operations and amounts utilized in accordance with the terms of donor-restricted and board-designated endowments.

The Gilcrease Museum Management Trust

Notes to Financial Statements

June 30, 2018 and 2017

Endowment net assets composition by type of fund as of June 30 was as follows:

| | Unrestricted | Temporarily Restricted | Permanently Restricted | Total |
|--|--------------|---------------------------|---------------------------|---------------|
| 2018 | | | | |
| Pure endowment funds | \$ (100) | \$ 1,095,665 | \$ 21,926,014 | \$ 23,021,579 |
| Quasi-endowment funds | - | 46,798 | - | 46,798 |
| Term endowment funds | - | 158,932 | - | 158,932 |
| Beneficial interest in funds held by others | - | - | 64,135 | 64,135 |
| | \$ (100) | \$ 1,301,395 | \$ 21,990,149 | \$ 23,291,444 |
| 2017 (Restated – Note 10) | | | | |
| Pure endowment funds | \$ - | \$ 746,982 | \$ 19,674,283 | \$ 20,421,265 |
| Quasi-endowment funds | - | 45,487 | - | 45,487 |
| Term endowment funds | - | 161,112 | - | 161,112 |
| Beneficial interest in funds held by others | - | - | 61,638 | 61,638 |
| | \$ - | \$ 953,581 | \$ 19,735,921 | \$ 20,689,502 |

Temporarily restricted quasi-endowment funds include donor-restricted contributions, which have been designated by the University Board of Trustees as endowment net assets.

The Gilcrease Museum Management Trust
Notes to Financial Statements
June 30, 2018 and 2017

Changes in endowment net assets for the years ended June 30, including amounts restated for the year ended June 30, 2017 (see *Note 10*), were:

| | Unrestricted | Temporarily Restricted | Permanently Restricted | Total |
|---|---------------------|-----------------------------------|-----------------------------------|---------------|
| Endowment net assets, July 1, 2016 | \$ (5,999) | \$ 425,284 | \$ 11,099,696 | \$ 11,518,981 |
| Investment return | | | | |
| Change in beneficial interest in funds held by others | - | - | 2,422 | 2,422 |
| Net realized and unrealized appreciation | 504,591 | 633,688 | - | 1,138,279 |
| Total investment return | 504,591 | 633,688 | 2,422 | 1,140,701 |
| Contributions | - | - | 8,633,803 | 8,633,803 |
| Use of endowment assets for expenditures | | | | |
| Annual transfer for operations | (498,592) | (105,391) | - | (603,983) |
| Endowment net assets, June 30, 2017 | - | 953,581 | 19,735,921 | 20,689,502 |
| Investment return | | | | |
| Change in beneficial interest in funds held by others | - | - | 2,497 | 2,497 |
| Net realized and unrealized appreciation | 613,697 | 507,815 | - | 1,121,512 |
| Total investment return | 613,697 | 507,815 | 2,497 | 1,124,009 |
| Contributions | - | - | 2,146,895 | 2,146,895 |
| Change in donor restrictions | - | - | 104,836 | 104,836 |
| Use of endowment assets for expenditures | | | | |
| Annual transfer for operations | (613,797) | (160,001) | - | (773,798) |
| Endowment net assets, June 30, 2018 | \$ (100) | \$ 1,301,395 | \$ 21,990,149 | \$ 23,291,444 |

The Gilcrease Museum Management Trust

Notes to Financial Statements

June 30, 2018 and 2017

Beneficial interest in funds held by others are resources that are neither in the possession of, nor under the control of, the Trust. They are held and administered by external fiscal trust agents with the income distributed to the Trust according to the terms of the gift instruments. Only the distributions from these funds are expendable. The Trust received no distributions during the years ended June 30, 2018 and 2017.

Note 4: Fair Value of Assets and Liabilities

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. There is a hierarchy of three levels of inputs that may be used to measure fair value:

- 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 supported by little or no market activity and significant to the fair value of the assets or liabilities

Recurring Measurements

The following tables present the Trust's assets that are measured at fair value on a recurring basis for each hierarchy level as of June 30:

| | Total | Fair Value Measurements | | | Redemption or Liquidation | Days' Notice |
|--|----------------------|-------------------------|-------------|----------------------|------------------------------|-----------------|
| | | Level 1 | Level 2 | Level 3 | | |
| 2018 | | | | | | |
| Cash and cash equivalents | \$ 4,288 | \$ 4,288 | \$ - | \$ - | N/A | N/A |
| Fixed income | 60,069 | 60,069 | - | - | N/A | N/A |
| Equities | 75,410 | 75,410 | - | - | N/A | N/A |
| Hedge funds | | | | | | |
| Multistrategy measured at NAV (A) | 19,165 | - | - | - | Monthly | 90 |
| Total investments | <u>\$ 158,932</u> | <u>\$ 139,767</u> | <u>\$ -</u> | <u>\$ -</u> | | |
| Investment in pooled funds | <u>\$ 15,436,816</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 15,436,816</u> | N/A | N/A |
| Beneficial interest in funds held by others | <u>\$ 64,135</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 64,135</u> | N/A | N/A |

The Gilcrease Museum Management Trust
Notes to Financial Statements
June 30, 2018 and 2017

| | Total | Fair Value Measurements | | | Redemption or Liquidation | Days' Notice |
|--|----------------------|-------------------------|-------------|----------------------|------------------------------|-----------------|
| | | Level 1 | Level 2 | Level 3 | | |
| 2017 (Restated – Note 10) | | | | | | |
| Cash and cash equivalents | \$ 9,563 | \$ 9,563 | \$ - | \$ - | N/A | N/A |
| Fixed income | 61,805 | 61,805 | - | - | N/A | N/A |
| Equities | 70,918 | 70,918 | - | - | N/A | N/A |
| Hedge funds | | | | | | |
| Multistrategy measured at NAV (A) | 18,825 | - | - | - | Monthly | 90 |
| Total investments | <u>\$ 161,111</u> | <u>\$ 142,286</u> | <u>\$ -</u> | <u>\$ -</u> | | |
| Investment in pooled funds | <u>\$ 12,674,673</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 12,674,673</u> | N/A | N/A |
| Beneficial interest in funds held by others | <u>\$ 61,638</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 61,638</u> | N/A | N/A |

(A) Certain investments that are measured at fair value using the NAV per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy. The fair value amounts included above are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the accompanying statements of financial position.

Alternative investments measured at NAV per share include:

- **Hedge Funds – Multistrategy** – This category includes investments made primarily through private investment funds. The private investment funds invest across multiple sectors, including long/short equity, long-biased equity and credit. The private investment funds may employ leverage, sell securities short, purchase and sell options and invest in futures contracts. Investors may redeem monthly with 90 days' notice.

Following is a description of the valuation methodologies and inputs used for assets measured at fair value on a recurring basis and recognized in the accompanying statements of financial position, as well as the general classification of such assets pursuant to the valuation hierarchy. There have been no significant changes in the valuation techniques during the years ended June 30, 2018 and 2017. For assets classified within Level 3 of the fair value hierarchy, the process used to develop the reported fair value is described below.

Investments

Where quoted market prices are available in an active market, investments are classified within Level 1 of the valuation hierarchy. If quoted market prices are not available, then fair values are estimated by using quoted prices of investments with similar characteristics or independent asset-pricing services and pricing models, the inputs of which are market-based or independently sourced market parameters, including, but not limited to, yield curves, interest rates, volatilities, prepayments, defaults, cumulative loss projections and cash flows. Such investments are classified in Level 2 of the valuation hierarchy. In certain cases where Level 1 or Level 2 inputs are not available, investments are classified within Level 3 of the hierarchy.

The Gilcrease Museum Management Trust

Notes to Financial Statements

June 30, 2018 and 2017

Investment in Pooled Funds

The pooled investments that are reflected at NAV are directed by the University and consist of various equity securities, fixed income securities, private equities and hedge funds. Due to the nature of the valuation inputs, the investment in pooled funds is classified within Level 3 of the hierarchy.

Beneficial Interest in Funds Held by Others

Fair value is estimated at the present value of the future distributions expected to be received over the term of the agreement. Due to the nature of the valuation inputs, the interest is classified within Level 3 of the hierarchy.

Level 3 Valuation Process

Fair value determination for Level 3 measurements of investments is the responsibility of the University on the Trust's behalf. The University contracts with an investment manager to generate fair value estimates on a monthly or quarterly basis. The Trust challenges the reasonableness of the assumptions used and reviews the methodology to ensure the estimated fair value complies with accounting standards generally accepted in the United States.

The Gilcrease Museum Management Trust
Notes to Financial Statements
June 30, 2018 and 2017

Level 3 Reconciliation

The following is a reconciliation of the beginning and ending balances of recurring fair value measurements recognized in the accompanying statements of financial position using significant unobservable (Level 3) inputs:

| | Investment in Pooled Funds (Restated – Note 10) |
|--|--|
| Balance, July 1, 2016 | \$ 5,291,906 |
| Acquisitions | 10,242,089 |
| Dispositions | (3,564,107) |
| Net appreciation | <u>704,785</u> |
| Balance, June 30, 2017 | 12,674,673 |
| Acquisitions | 17,786,161 |
| Dispositions | (15,187,554) |
| Net appreciation | <u>163,536</u> |
| Balance, June 30, 2018 | <u><u>\$ 15,436,816</u></u> |
| | |
| The amount of total net gains for the year ended June 30, 2017, included in changes in net assets that is attributable to the change in unrealized gains or losses relating to assets still held at June 30, 2017 | <u><u>\$ 704,785</u></u> |
| | |
| The amount of total net gains for the year ended June 30, 2018, included in changes in net assets that is attributable to the change in unrealized gains or losses relating to assets still held at June 30, 2018 | <u><u>\$ 163,536</u></u> |

The Gilcrease Museum Management Trust
Notes to Financial Statements
June 30, 2018 and 2017

| | Beneficial Interest in Funds Held by Others |
|--|--|
| Balance, July 1, 2016 | \$ 59,216 |
| Net appreciation | <u>2,422</u> |
| Balance, June 30, 2017 | \$ 61,638 |
| Net appreciation | <u>2,497</u> |
| Balance, June 30, 2018 | <u><u>\$ 64,135</u></u> |
| The amount of total net gains for the year ended June 30, 2017, included in changes in net assets that is attributable to the change in unrealized gains or losses relating to assets still held at June 30, 2017 | |
| | <u><u>\$ 2,422</u></u> |
| The amount of total net gains for the year ended June 30, 2018, included in changes in net assets that is attributable to the change in unrealized gains or losses relating to assets still held at June 30, 2018 | |
| | <u><u>\$ 2,497</u></u> |

Note 5: Management Fee

During the term of the Agreement, the City will pay the University an annual amount to partially offset a portion of the operating expenses to be incurred by the University in managing and operating the Museum. The City paid the University a management fee of \$3,066,341 and \$3,003,272 for the years ended June 30, 2018 and 2017, respectively.

Note 6: Retirement Plans

Full-time staff are eligible after specified periods of employment to participate in a contributory retirement and annuity program provided through the University. The University and the Trust have no liability other than annual contributions. Annual contributions are based on a percentage of employee compensation. Individual contracts are issued under the program, and there is immediate vesting of both the Trust's and the employees' contributions. For the period October 1, 2016 through June 30, 2017, the University and the Trust suspended its contributions to the plan. Trust contributions to these programs were approximately \$112,000 and \$65,000 during the years ended June 30, 2018 and 2017, respectively.

The Gilcrease Museum Management Trust
Notes to Financial Statements
June 30, 2018 and 2017

Note 7: Postretirement Benefits

Museum employees participate in the University's postretirement benefit plan, which allows employees meeting age and service requirements to receive postretirement benefits in the form of insurance coverage for themselves and their dependents until they reach the age of 70. The postretirement benefit accrual of \$220,066 and \$249,452 represents an allocation based on museum employees' compensation to the University's total employees' compensation postretirement benefit cost as of June 30, 2018 and 2017, respectively. The following table sets forth the funded status of the postretirement benefit plan at June 30 based on the Museum's allocation of the University's total funded status:

| | <u>2018</u> | <u>2017</u> |
|--|-------------------|-------------------|
| Accumulated postretirement benefit obligation | | |
| Retirees | \$ 37,032 | \$ 41,602 |
| Fully eligible plan participants | 49,375 | 59,152 |
| Other active plan participants | <u>133,659</u> | <u>148,698</u> |
| Accumulated postretirement benefits | 220,066 | 249,452 |
| Plan assets at fair value | <u>-</u> | <u>-</u> |
| Accumulated postretirement benefit obligation in excess of plan assets | 220,066 | 249,452 |
| Current portion of postretirement benefit accrual | <u>(13,618)</u> | <u>(13,653)</u> |
| Total long-term portion of postretirement benefit accrual | <u>\$ 206,448</u> | <u>\$ 235,799</u> |

Postretirement benefit expense for the year ended June 30, 2018, was \$16,018 and included \$14,312 service cost, \$8,508 interest cost and \$6,802 amortization of prior service costs. Postretirement benefit expense for the year ended June 30, 2017, was \$29,054 and included \$19,795 service cost, \$10,406 interest cost and \$1,147 amortization of prior service costs.

For measurement purposes, a 7.0% annual rate of increase in the per capita cost of covered medical care benefits was assumed for the year ended June 30, 2018; the rate was assumed to decrease 0.5% per year to 4.5% for 2023 and remain at that level thereafter. The medical care cost trend rate assumption has an effect on the amounts reported. To illustrate, increasing the assumed medical care cost trend by 1.0% in each year would increase the accumulated postretirement benefit obligation as of June 30, 2018, by \$19,540 and the aggregate of the service and interest cost components of the net periodic postretirement benefit cost for the year ended June 30, 2019, by \$2,945; decreasing the assumed medical cost trends by 1.0% in each year would decrease the accumulated postretirement benefit obligation as of June 30, 2018, by \$16,454 and the aggregate of the service and interest cost components of the net periodic postretirement benefit cost for the year ended June 30, 2019, by \$2,416.

The weighted discount rate used in determining the accumulated postretirement benefit obligation was 4.07% and 3.50% for the years ended June 30, 2018 and 2017, respectively.

The Gilcrease Museum Management Trust
Notes to Financial Statements
June 30, 2018 and 2017

Gross benefit payments, based on the Trust's allocation of the University's total expected future service, are expected to be paid as follows:

| | Postretirement Benefits |
|-----------|------------------------------------|
| 2019 | \$ 13,893 |
| 2020 | \$ 18,138 |
| 2021 | \$ 19,167 |
| 2022 | \$ 19,504 |
| 2023 | \$ 20,221 |
| 2024–2028 | \$ 105,836 |

Contributions expected to be paid to the plan are consistent with the benefits above.

Note 8: Net Assets

Temporarily restricted and permanently restricted net assets are restricted for specific purposes, uses or time restrictions at June 30 as follows:

| | 2018 | 2017 (Restated – Note 10) |
|--|----------------------|--|
| Temporarily restricted | | |
| Program restriction | | |
| Program, including investment gains on endowment; 2018 – \$542,565, 2017 – \$752,470 | \$ 2,715,614 | \$ 2,898,360 |
| Term endowment, including investment gains; 2018 – \$0, 2017 – \$1,481 | 159,631 | 161,112 |
| Time restriction | <u>1,797,077</u> | <u>1,727,001</u> |
| Total temporarily restricted | <u>\$ 4,672,322</u> | <u>\$ 4,786,473</u> |
| Permanently restricted | | |
| Perpetual endowment, including contributions receivable; 2018 – \$7,631,561, 2017 – \$7,792,080 | \$ 21,926,014 | \$ 19,674,283 |
| Beneficial interest in funds held by others | <u>64,135</u> | <u>61,638</u> |
| Total permanently restricted | <u>\$ 21,990,149</u> | <u>\$ 19,735,921</u> |

The Gilcrease Museum Management Trust
Notes to Financial Statements
June 30, 2018 and 2017

Note 9: Significant Estimates and Concentrations

Credit Risk

The Trust participates in a cash management pool with the University. The University has certain concentrations of credit risk with financial institutions in the form of uninsured cash, time deposits and other short-term investments that typically may exceed limits from the Federal Deposit Insurance Corporation.

For purposes of evaluating credit risk, the stability of financial institutions conducting business with the University is periodically reviewed, and management of the University believes that credit risk related to these balances is minimal.

Contribution Revenue

Approximately 31% of all contributions were received from two donors in 2018. Approximately 33% of all contributions were received from two donors in 2017.

Note 10: Restatement of Prior Year Financial Statements

Fiscal year 2017 has been restated for an endowment receivable that was incorrectly attributed to the University instead of the Trust. This endowment receivable was pledged prior to fiscal year 2017 and has been collected in installments. This restatement increased the previously reported 2017 total change in net assets by \$40,367.

The following financial statement line items for fiscal year 2017 were affected by the correction:

| | As Restated | As Previously Reported | Effect of Change |
|---|--------------------|-------------------------------|-------------------------|
| Statement of Financial Position | | | |
| Contributions receivable, net – current | \$ 2,518,892 | \$ 2,323,712 | \$ 195,180 |
| Total current assets | \$ 2,799,652 | \$ 2,604,472 | \$ 195,180 |
| Contributions receivable, net | \$ 6,899,337 | \$ 6,536,417 | \$ 362,920 |
| Investments | \$ 12,835,784 | \$ 12,432,654 | \$ 403,130 |
| Total assets | \$ 22,838,186 | \$ 21,876,956 | \$ 961,230 |
| Temporarily restricted net assets | \$ 4,786,473 | \$ 4,783,343 | \$ 3,130 |
| Permanently restricted net assets | \$ 19,735,921 | \$ 18,777,821 | \$ 958,100 |
| Total net assets | \$ 22,275,466 | \$ 21,314,236 | \$ 961,230 |
| Total liabilities and net assets | \$ 22,838,186 | \$ 21,876,956 | \$ 961,230 |

The Gilcrease Museum Management Trust
Notes to Financial Statements
June 30, 2018 and 2017

| | As Restated | As Previously Reported | Effect of Change |
|--|--------------------|---------------------------------------|-----------------------------|
| Statement of Activities | | | |
| Permanently restricted gifts, grants and pledges | \$ 8,633,803 | \$ 8,602,407 | \$ 31,396 |
| Total gifts, grants and pledges | \$ 11,445,922 | \$ 11,414,526 | \$ 31,396 |
| Temporarily restricted endowment income, net of fees | \$ 633,688 | \$ 593,495 | \$ 40,193 |
| Total endowment income, net of fees | \$ 1,138,279 | \$ 1,098,086 | \$ 40,193 |
| Unrestricted net assets released from restrictions | \$ 2,455,708 | \$ 2,424,486 | \$ 31,222 |
| Temporarily restricted net assets released from restrictions | \$ (2,455,708) | \$ (2,424,486) | \$ (31,222) |
| Total unrestricted revenues, gains and other support | \$ 9,747,003 | \$ 9,715,581 | \$ 31,422 |
| Total temporarily restricted revenues, gains and other support | \$ (311,005) | \$ (319,976) | \$ 8,971 |
| Total permanently restricted revenues, gains and other support | \$ 8,636,225 | \$ 8,604,829 | \$ 31,396 |
| Total revenues, gains and other support | \$ 18,072,223 | \$ 18,000,634 | \$ 71,589 |
| Administrative expenses | \$ 2,426,305 | \$ 2,395,083 | \$ 31,222 |
| Total expenses | \$ 8,441,194 | \$ 8,409,972 | \$ 31,222 |
| Temporarily restricted operating loss | \$ (311,005) | \$ (319,976) | \$ 8,971 |
| Permanently restricted operating income | \$ 8,636,225 | \$ 8,604,829 | \$ 31,396 |
| Total operating income | \$ 9,631,029 | \$ 9,590,662 | \$ 40,367 |
| Temporarily restricted change in net assets | \$ (311,005) | \$ (319,976) | \$ 8,971 |
| Permanently restricted change in net assets | \$ 8,636,225 | \$ 8,604,829 | \$ 31,396 |
| Total change in net assets | \$ 9,241,329 | \$ 9,200,962 | \$ 40,367 |
| Statement of Cash Flows | | | |
| Change in net assets | \$ 9,241,329 | \$ 9,200,962 | \$ 40,367 |
| Change in allowance for doubtful accounts and amortized discount | \$ (879,781) | \$ (911,177) | \$ 31,396 |
| Net realized and unrealized gains on investments | \$ (1,138,279) | \$ (1,098,086) | \$ (40,193) |
| Contributions and pledges received for endowment | \$ (8,633,803) | \$ (8,602,407) | \$ (31,396) |
| Change in contributions receivable | \$ 1,168,199 | \$ 1,190,805 | \$ (22,606) |
| Net cash used in operating activities | \$ (205,494) | \$ (183,062) | \$ (22,432) |
| Proceeds from sale of investments | \$ 659,243 | \$ 634,685 | \$ 24,558 |
| Purchases of investments | \$ (5,091,304) | \$ (4,889,178) | \$ (202,126) |
| Net cash used in investing activities | \$ (4,821,761) | \$ (4,644,193) | \$ (177,568) |
| Contributions received for endowment | \$ 5,027,255 | \$ 4,827,255 | \$ 200,000 |
| Net cash provided by financing activities | \$ 5,027,255 | \$ 4,827,255 | \$ 200,000 |

The Gilcrease Museum Management Trust
Notes to Financial Statements
June 30, 2018 and 2017

Note 11: Future Changes in Accounting Principles

Revenue Recognition

The Financial Accounting Standards Board (FASB) amended its standards related to revenue recognition. This amendment replaces all existing revenue recognition guidance and provides a single, comprehensive revenue recognition model for all contracts with customers. The guidance provides a five-step analysis of transactions to determine when and how revenue is recognized.

Other major provisions include capitalization of certain contract costs and consideration of the time value of money in the transaction price. The amendment also requires additional disclosure about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in those judgments and assets recognized from costs incurred to fulfill a contract. The standard allows either full or modified retrospective adoption effective for nonpublic entities for annual periods beginning after December 15, 2018 (the Trust's year ending June 30, 2020) and any interim periods within annual reporting periods that begin after December 15, 2019. The Trust is evaluating the impact the amendment will have on the financial statements.

Presentation of Financial Statements of Not-for-Profit Entities

FASB recently issued Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*, which requires material changes to the presentation of not-for-profit financial statements and related note disclosures. The Trust expects to apply ASU 2016-14 during its fiscal year ending June 30, 2019, through retrospective application to previous years' statements for comparative purposes. The impact of applying ASU 2016-14 has not yet been determined.

Contributions Received and Made

FASB recently issued ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, which requires all entities – both donors and recipients – to evaluate whether the resource provider is receiving commensurate value in a transfer of assets transaction and whether contributions are conditional or unconditional. No additional disclosures are required under this standard, although additional disclosures may occur as the result of additional conditional contributions to which there are existing disclosure requirements. The standard is effective for nonpublic entities for annual reporting periods beginning after December 15, 2018. The Trust expects to first apply ASU 2018-08 during its fiscal year ending June 30, 2019 (to align with adoption by the University), on a modified prospective basis in the first set of financial statements following the effective date to agreements that are either not completed as of the effective date or entered into after the effective date. The impact of applying ASU 2018-08 has not yet been determined.