

The Gilcrease Museum Management Trust

Independent Auditor's Report and Financial Statements

June 30, 2021 and 2020

The Gilcrease Museum Management Trust
June 30, 2021 and 2020

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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 (the Trust), which comprise the statements of financial position as of June 30, 2021 and 2020, and 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.

Board of Trustees
The University of Tulsa
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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Trust as of June 30, 2021 and 2020, 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.

BKD, LLP

Tulsa, Oklahoma
November 19, 2021

The Gilcrease Museum Management Trust
Statements of Financial Position
June 30, 2021 and 2020

Assets

	2021	2020
Current Assets		
Equity in pooled cash	\$ 17,715,493	\$ 16,325,139
Inventories	98,111	197,378
Prepaid expenses and deferred charges	57,720	44,954
Contributions receivable, net – current	2,093,889	2,610,793
Total current assets	19,965,213	19,178,264
Contributions receivable, net	6,185,089	8,321,470
Investments	32,543,273	20,892,940
Beneficial interest in funds held by others	69,747	69,747
Equipment, net	173,590	225,855
Total assets	\$ 58,936,912	\$ 48,688,276

Liabilities and Net Assets

Current Liabilities		
Accounts payable	\$ 89,593	\$ 63,642
Accrued expenses	149,887	221,561
Deferred revenue	4,250	4,250
Postretirement benefit obligation – current	20,413	22,720
Total current liabilities	264,143	312,173
Postretirement benefit obligation	185,614	224,603
Total liabilities	449,757	536,776
Net Assets		
Without donor restrictions	5,166,879	401,063
With donor restrictions	53,320,276	47,750,437
Total net assets	58,487,155	48,151,500
Total liabilities and net assets	\$ 58,936,912	\$ 48,688,276

The Gilcrease Museum Management Trust
Statements of Activities
Years Ended June 30, 2021 and 2020

	2021		Total
	Without Donor Restrictions	With Donor Restrictions	
Revenues, Gains, and Other Support			
Gifts, grants, and pledges	\$ 766,077	\$ 41,495	\$ 807,572
Contribution from the University	10,677	-	10,677
Contributed services	407,870	-	407,870
Management fee from the City	3,263,593	-	3,263,593
Sales and services of educational departments and public services	95,289	-	95,289
Museum shop sales	223,504	-	223,504
Research services and sponsored projects	383,594	31,844	415,438
Endowment income, net of fees	545,219	668,159	1,213,378
Nonendowment income	66	1,608	1,674
Other	(3,013)	-	(3,013)
	<u>5,692,876</u>	<u>743,106</u>	<u>6,435,982</u>
Net assets released from restrictions	<u>1,305,933</u>	<u>(1,305,933)</u>	<u>-</u>
Total revenues, gains, and other support	<u>6,998,809</u>	<u>(562,827)</u>	<u>6,435,982</u>
Expenses			
Museum operations	789,579	-	789,579
Curatorial	660,351	-	660,351
Visitor services	526,153	-	526,153
Programs	120,382	-	120,382
Special exhibitions	639,003	-	639,003
Museum shop	297,175	-	297,175
Administrative	1,333,289	-	1,333,289
Development	408,275	-	408,275
Marketing	357,971	-	357,971
Collection management	597,886	-	597,886
Other	206,827	-	206,827
	<u>5,936,891</u>	<u>-</u>	<u>5,936,891</u>
Total expenses	<u>5,936,891</u>	<u>-</u>	<u>5,936,891</u>
Operating Income (Loss)	<u>1,061,918</u>	<u>(562,827)</u>	<u>499,091</u>
Nonoperating Activities			
Net endowment gains in excess of income designated for operations	3,704,348	4,135,720	7,840,068
Gifts for capital acquisitions and endowments	-	1,997,447	1,997,447
Collection items purchased not capitalized	(450)	(501)	(951)
	<u>3,703,898</u>	<u>6,132,666</u>	<u>9,836,564</u>
Total nonoperating activities	<u>3,703,898</u>	<u>6,132,666</u>	<u>9,836,564</u>
Change in Net Assets	4,765,816	5,569,839	10,335,655
Net Assets, Beginning of Year	<u>401,063</u>	<u>47,750,437</u>	<u>48,151,500</u>
Net Assets, End of Year	<u>\$ 5,166,879</u>	<u>\$ 53,320,276</u>	<u>\$ 58,487,155</u>

See Notes to Financial Statements

	2020		
	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, Gains, and Other Support			
Gifts, grants, and pledges	\$ 1,423,101	\$ 3,756,869	\$ 5,179,970
Contribution from the University	8,747	-	8,747
Contributed services	473,738	-	473,738
Management fee from the City	3,290,218	-	3,290,218
Sales and services of educational departments and public services	149,221	-	149,221
Museum shop sales	239,953	-	239,953
Research services and sponsored projects	677,004	-	677,004
Endowment income, net of fees	702,320	379,297	1,081,617
Nonendowment income	1,278	98,514	99,792
Other	29,207	-	29,207
	<u>6,994,787</u>	<u>4,234,680</u>	<u>11,229,467</u>
Net assets released from restrictions	696,319	(696,319)	-
	<u>7,691,106</u>	<u>3,538,361</u>	<u>11,229,467</u>
Total revenues, gains, and other support			
Expenses			
Museum operations	1,143,502	-	1,143,502
Curatorial	946,159	-	946,159
Visitor services	775,001	-	775,001
Programs	445,144	-	445,144
Special exhibitions	313,001	-	313,001
Museum shop	294,595	-	294,595
Administrative	1,475,544	-	1,475,544
Development	427,877	-	427,877
Marketing	469,858	-	469,858
Collection management	280,191	-	280,191
Other	451,968	-	451,968
	<u>7,022,840</u>	<u>-</u>	<u>7,022,840</u>
Total expenses			
Operating Income	<u>668,266</u>	<u>3,538,361</u>	<u>4,206,627</u>
Nonoperating Activities			
Net endowment losses in excess of income designated for operations	(754,744)	(138,855)	(893,599)
Gifts for capital acquisitions and endowments	-	11,304,685	11,304,685
Collection items purchased not capitalized	(18,500)	-	(18,500)
Increase in fair value of beneficial interest in funds held by others	-	4,613	4,613
	<u>(773,244)</u>	<u>11,170,443</u>	<u>10,397,199</u>
Total nonoperating activities			
Change in Net Assets	(104,978)	14,708,804	14,603,826
Net Assets, Beginning of Year	<u>506,041</u>	<u>33,041,633</u>	<u>33,547,674</u>
Net Assets, End of Year	<u>\$ 401,063</u>	<u>\$ 47,750,437</u>	<u>\$ 48,151,500</u>

The Gilcrease Museum Management Trust
Statements of Functional Expenses
Years Ended June 30, 2021 and 2020

	Museum Operations	Curatorial	Visitor Services	Programs	Special Exhibitions	Museum Shop	Administrative	Development	Marketing	Collection Management	Other	Total
2021												
Salaries and wages	\$ 150,053	\$ 451,828	\$ 412,044	\$ 51,196	\$ 272,370	\$ 127,358	\$ 750,697	\$ 229,340	\$ 106,124	\$ 443,244	\$ 138,025	\$ 3,132,279
Other benefits	37,098	122,313	108,985	11,282	63,711	34,704	174,488	61,849	23,960	111,042	28,237	777,669
Other professional services	81,477	44,394	2,296	14,480	66,098	3,781	259,529	71,676	75,666	29,925	24,604	673,926
Depreciation	-	-	-	-	-	-	52,265	-	-	-	-	52,265
Supplies and other expenses	520,951	41,816	2,828	43,424	236,824	131,332	96,310	45,410	152,221	13,675	15,961	1,300,752
Total	<u>\$ 789,579</u>	<u>\$ 660,351</u>	<u>\$ 526,153</u>	<u>\$ 120,382</u>	<u>\$ 639,003</u>	<u>\$ 297,175</u>	<u>\$ 1,333,289</u>	<u>\$ 408,275</u>	<u>\$ 357,971</u>	<u>\$ 597,886</u>	<u>\$ 206,827</u>	<u>\$ 5,936,891</u>
2020												
Salaries and wages	\$ 302,733	\$ 616,145	\$ 581,639	\$ 256,621	\$ 92,844	\$ 119,861	\$ 825,972	\$ 230,627	\$ 116,678	\$ 194,504	\$ 169,545	\$ 3,507,169
Other benefits	82,100	218,758	174,900	84,912	24,638	36,762	325,555	82,797	41,889	57,755	47,772	1,177,838
Other professional services	290,208	20,648	697	43,797	39,250	4,321	140,353	9,117	61,848	9,279	45,045	664,563
Depreciation	-	-	-	-	-	-	50,154	-	-	-	-	50,154
Supplies and other expenses	468,461	90,608	17,765	59,814	156,269	133,651	133,510	105,336	249,443	18,653	189,606	1,623,116
Total	<u>\$ 1,143,502</u>	<u>\$ 946,159</u>	<u>\$ 775,001</u>	<u>\$ 445,144</u>	<u>\$ 313,001</u>	<u>\$ 294,595</u>	<u>\$ 1,475,544</u>	<u>\$ 427,877</u>	<u>\$ 469,858</u>	<u>\$ 280,191</u>	<u>\$ 451,968</u>	<u>\$ 7,022,840</u>

The Gilcrease Museum Management Trust
Statements of Cash Flows
Years Ended June 30, 2021 and 2020

	2021	2020
Operating Activities		
Change in net assets	\$ 10,335,655	\$ 14,603,826
Items not requiring (providing) operating cash flows		
Depreciation	52,265	50,154
Change in allowance for doubtful accounts and amortized discount	(633,438)	2,546
Net realized and unrealized gains on investments	(9,053,446)	(188,018)
Change in beneficial interest in funds held by others	-	(4,613)
Contributions received for capital acquisition	(20,000)	(10,000,000)
Contributions and pledges received for endowment	(1,977,447)	(1,304,685)
Changes in operating assets and liabilities		
Contributions receivable	1,652,638	(2,312,767)
Inventories	99,267	(8,314)
Prepaid expenses and deferred charges	(12,766)	54,478
Accounts payable	25,951	24,742
Accrued expenses	(71,674)	5,478
Deferred revenue	-	(5,500)
Postretirement benefit obligation	(41,296)	70,795
Net cash provided by operating activities	355,709	988,122
Investing Activities		
Proceeds from sale of investments	2,417,487	1,142,595
Purchases of investments	(5,014,374)	(2,732,823)
Purchases of equipment	-	(89,419)
Collection items purchased not capitalized	(951)	(18,500)
Net cash used in investing activities	(2,597,838)	(1,698,147)
Financing Activities		
Contributions received for capital acquisition	20,000	10,000,000
Contributions received for endowment	3,612,483	2,530,500
Net cash provided by financing activities	3,632,483	12,530,500
Increase in Equity in Pooled Cash	1,390,354	11,820,475
Equity in Pooled Cash, Beginning of Year	16,325,139	4,504,664
Equity in Pooled Cash, End of Year	\$ 17,715,493	\$ 16,325,139

The Gilcrease Museum Management Trust

Notes to Financial Statements

June 30, 2021 and 2020

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), as the trustee of the Trust, 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:

Without Donor Restrictions – Net assets that are not subject to donor-imposed restrictions. Net assets without donor restrictions may be designated for specific purposes by action of the Board of Trustees or may otherwise be limited by contractual agreements with outside parties.

With Donor Restrictions – Net assets with donor restrictions are subject to donor restrictions. Some restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. 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. Such net assets also include the Trust's beneficial interests in irrevocable agreements held by others.

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.

The Gilcrease Museum Management Trust

Notes to Financial Statements

June 30, 2021 and 2020

Operating Income

The operating income reflected in the accompanying statements of activities excludes collection items purchased but not capitalized, endowment gains (losses) in excess of income designated for operations, changes in the fair value of beneficial interest in funds held by others, and gifts for capital acquisitions and endowments.

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 net assets without donor restrictions in the year in which the items are acquired or in net assets with donor restrictions 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.

Cash and Cash Equivalents

The Trust considers all liquid investments with original maturities of three months or less to be cash equivalents. Uninvested cash and cash equivalents included in investment accounts, including endowment accounts, are not considered to be cash and cash equivalents.

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 and investment income that are originally restricted by the donor and

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June 30, 2021 and 2020

for which the restriction is met in the same time period are recorded as revenue with donor restrictions and then released from restriction.

Gifts of land, buildings, equipment, and other long-lived assets are recorded at their estimated fair value on the date of gift and reported as support without donor restrictions unless explicit donor stipulations specify how or how long the donated assets must be used, in which case the gift is reported as donor-restricted support.

Conditional promises to give are recorded when the gift becomes unconditional, *i.e.*, the donor-imposed barrier is met.

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 fluctuating interest rates, credit quality, and overall market volatility and uncertainty regarding the time required to realize returns from alternative investments that are not traded in public markets. 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 net assets with donor restrictions 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 a permanent endowment
- Increases in net assets with donor restrictions if the terms of the gift or applicable law impose restrictions on the use of the income
- Increases in net assets without donor restrictions in all other cases

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 net assets with donor

The Gilcrease Museum Management Trust

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restrictions. 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 \$770,423 and \$770,423 and accumulated depreciation was \$596,833 and \$544,568 at June 30, 2021 and 2020, respectively. Depreciation expense was \$52,265 and \$50,154 for the years ended June 30, 2021 and 2020, 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 \$407,870 and \$473,738 for the years ended June 30, 2021 and 2020, respectively. The contributed services are based on costs incurred by the University that are allocated based on budgeted expenses.

Expenses and Other Activity

Expenses are reported as decreases in net assets without donor restrictions. Net assets with donor restrictions for which donor-imposed conditions are met are reclassified to net assets without donor restrictions 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. The accompanying statements of functional expenses present the natural classification detail of expenses by function. 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, 2021 and 2020, advertising costs were \$131,578 and \$181,254, respectively.

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Notes to Financial Statements
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Income Taxes

The Trust is 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.

Subsequent Events

Subsequent events have been evaluated through November 19, 2021, 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:

	2021			2020		
	Less than 1 Year	1-5 Years	More than 5 Years	Less than 1 Year	1-5 Years	More than 5 Years
Unconditional promises	\$ 2,282,660	\$ 7,469,320	\$ 8,000	\$ 2,815,820	\$ 9,693,883	\$ 537,000
Less unamortized discount and allowance for doubtful accounts	<u>(188,771)</u>	<u>(1,289,634)</u>	<u>(2,597)</u>	<u>(205,027)</u>	<u>(1,743,531)</u>	<u>(165,882)</u>
	<u>\$ 2,093,889</u>	<u>\$ 6,179,686</u>	<u>\$ 5,403</u>	<u>\$ 2,610,793</u>	<u>\$ 7,950,352</u>	<u>\$ 371,118</u>

Noncurrent contributions receivable are due in varying amounts and dates through fiscal year 2029. Contributions that are expected to be received in more than one year have been discounted to estimated present value using a rate of 5%.

Contributions receivable from four donors made up approximately 77% of contributions receivable at June 30, 2021, and from three donors made up approximately 65% of contributions receivable at June 30, 2020.

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:

	2021	2020
Investments	\$ 32,543,273	\$ 20,892,940
Contributions receivable	5,308,748	6,943,783
Beneficial interest in funds held by others	<u>69,747</u>	<u>69,747</u>
	<u>\$ 37,921,768</u>	<u>\$ 27,906,470</u>

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Endowment investments include perpetual endowments and gifts, gains, and term endowments included in net assets with donor restrictions.

The Trust's endowment consists of 10 donor-restricted individual funds established for a variety of purposes. As required by generally accepted accounting principles, 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 commingled 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 \$168,984 and \$129,517 at June 30, 2021 and 2020, 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 amounts in its donor-restricted endowment funds as net assets with donor restrictions because those net assets are time-restricted until the governing body appropriates such amounts for expenditures. Most of these net assets are also subject to purpose restrictions that must be met before being reclassified as net assets without donor restrictions.

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

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Notes to Financial Statements

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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 perpetual duration. There were no deficiencies of this nature at June 30, 2021 and 2020.

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.

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's 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, 2021 and 2020.

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, 2021 and 2020. The second component is the remaining 30% of the calculation.

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 endowments.

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

	Without Donor Restrictions	With Donor Restrictions	Total
2021			
Pure endowment funds	\$ -	\$ 37,618,993	\$ 37,618,993
Quasi-endowment funds	-	64,044	64,044
Term endowment funds	-	168,984	168,984
Beneficial interest in funds held by others	-	69,747	69,747
	<u>\$ -</u>	<u>\$ 37,921,768</u>	<u>\$ 37,921,768</u>
2020			
Pure endowment funds	\$ -	\$ 27,659,351	\$ 27,659,351
Quasi-endowment funds	-	47,855	47,855
Term endowment funds	-	129,517	129,517
Beneficial interest in funds held by others	-	69,747	69,747
	<u>\$ -</u>	<u>\$ 27,906,470</u>	<u>\$ 27,906,470</u>

Quasi-endowment funds include donor-restricted contributions that have been designated by the Board of Trustees as endowment net assets.

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Changes in endowment net assets for the years ended June 30, 2021 and 2020, were:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, July 1, 2019	\$ -	\$ 27,349,428	\$ 27,349,428
Investment return			
Change in beneficial interest in funds held by others	-	4,613	4,613
Net realized and unrealized appreciation (depreciation) and other investment return	(52,423)	240,441	188,018
Total investment return	(52,423)	245,054	192,631
Contributions	-	1,304,685	1,304,685
Change in donor restrictions	-	58,178	58,178
Use of endowment assets for expenditures			
Annual transfer for operations	52,423	(1,050,875)	(998,452)
Endowment net assets, June 30, 2020	-	27,906,470	27,906,470
Investment return			
Net realized and unrealized appreciation and other investment return	4,249,567	4,803,704	9,053,271
Total investment return	4,249,567	4,803,704	9,053,271
Contributions	-	1,977,446	1,977,446
Change in donor restrictions	-	197,782	197,782
Use of endowment assets for expenditures			
Annual transfer for operations	(4,249,567)	3,036,366	(1,213,201)
Endowment net assets, June 30, 2021	\$ -	\$ 37,921,768	\$ 37,921,768

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, 2021 and 2020.

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Note 4: Fair Value of Assets

Fair value is the price that would be received to sell an asset 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
- Level 2** Observable inputs other than Level 1 prices, such as quoted prices for similar assets, 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
- Level 3** Unobservable inputs supported by little or no market activity and significant to the fair value of the assets

Recurring Measurements

The following table presents 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		
2021						
Cash and cash equivalents	\$ 8,043	\$ 8,043	\$ -	\$ -	N/A	N/A
Fixed income	42,343	42,343	-	-	N/A	N/A
Equities	103,435	103,435	-	-	N/A	N/A
Multistrategy hedge funds measured at NAV (A)	15,163	-	-	-	Monthly	90
Investment in pooled funds	<u>32,374,289</u>	<u>-</u>	<u>-</u>	<u>32,374,289</u>	N/A	N/A
Total investments	<u>\$ 32,543,273</u>	<u>\$ 153,821</u>	<u>\$ -</u>	<u>\$ 32,374,289</u>		
Beneficial interest in funds held by others	<u>\$ 69,747</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 69,747</u>	N/A	N/A
2020						
Cash and cash equivalents	\$ 5,869	\$ 5,869	\$ -	\$ -	N/A	N/A
Fixed income	40,887	40,887	-	-	N/A	N/A
Equities	69,668	69,668	-	-	N/A	N/A
Multistrategy hedge funds measured at NAV (A)	13,094	-	-	-	Monthly	90
Investment in pooled funds	<u>20,763,422</u>	<u>-</u>	<u>-</u>	<u>20,763,422</u>	N/A	N/A
Total investments	<u>\$ 20,892,940</u>	<u>\$ 116,424</u>	<u>\$ -</u>	<u>\$ 20,763,422</u>		
Beneficial interest in funds held by others	<u>\$ 69,747</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 69,747</u>	N/A	N/A

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- (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, 2021 and 2020.

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.

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.

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Note 5: Revenue from Contracts with Customers

Management Fee from the City

The Trust earns management fees from its contract with the City to manage the operations of the Museum. These fees are primarily earned ratably over time as the Trust provides the contracted monthly services. 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 \$3,263,593 and \$3,290,218 for the years ended June 30, 2021 and 2020, respectively.

Sales and Services of Educational Departments and Public Services

Performance obligations are determined based on the nature of the goods or services provided by the Trust in accordance with the contract. Sales and services of educational departments and public services revenues relate mostly to admissions and other miscellaneous sales from the Museum. These revenues are recognized as sales occur or services are performed as these goods or services were transferred at a point in time and the Trust does not believe it is required to provide additional goods or services related to that sale. Any other revenue for performance obligations satisfied over time is recognized ratably over the period based on time elapsed. The Trust believes this method provides a faithful depiction of the transfer of services over the term of the performance obligation based on the inputs needed to satisfy the obligation.

Museum Shop Sales

Museum shop sales relate to point-in-time sales from the museum gift shop. These revenues are recognized as sales occur as these goods were transferred at a point in time and the Trust does not believe it is required to provide additional goods or services related to that sale.

Research Services and Sponsored Projects

The Trust receives sponsored research funding from various corporate and other private sources. The funding may represent a reciprocal transaction in exchange for an equivalent benefit in return, or it may be a nonreciprocal transaction in which the resources provided are for the benefit of the Trust, the funding organization's mission, or the public at large.

Revenues from exchange (reciprocal) transactions are recognized as performance obligations are satisfied, which in most cases are as related costs are incurred.

Revenues from nonexchange transactions (contributions) may be subject to conditions in the form of a barrier to entitlement or a refund of amounts paid (or a release from obligation to make future payments). Revenues from conditional nonexchange transactions are recognized when the barrier is satisfied. In addition, the Trust has elected the accounting policy that conditional contributions having donor stipulations that are satisfied in the period the gift is received are recorded as revenue with donor restrictions and then released from restriction.

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Transaction Price and Recognition

The Trust determines the transaction price based on standard charges for goods and services provided, reduced by discounts provided in accordance with the Trust's policy. The Trust determines its estimates of explicit price concessions based on its discount policies.

From time to time, the Trust will receive overpayments of customer balances resulting in amounts owed back to either the customers or third parties. These amounts are excluded from revenues and are recorded as liabilities until they are refunded. The Trust had no refund liabilities at June 30, 2021 and 2020.

Subsequent changes to the estimate of the transaction price are generally recorded as adjustments to revenue in the period of the change. Subsequent changes that are determined to be the result of an adverse change in the customer's ability to pay are recorded as bad debt expense.

The Trust has determined that the nature, amount, timing, and uncertainty of revenue and cash flows are affected by the Trust's line of business that provided the service.

For the years ended June 30, 2021 and 2020, the Trust recognized revenue of \$3,679,031 and \$3,967,222, respectively, from goods and services that transfer to the customer over time and \$318,793 and \$389,174, respectively, from goods and services that transfer to the customer at a point in time.

Financing Component

The Trust has elected the practical expedient allowed under Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 606-10-32-18 and does not adjust the promised amount of consideration from customers and third parties for the effects of a significant financing component due to the Trust's expectation that the period between the time the service is provided to a customer and the time the customer or a third-party payer pays for that service will be one year or less.

However, the Trust does, in certain instances, enter into payment agreements with customers that allow payments in excess of one year. For those cases, the financing component is not deemed to be significant to the contract.

Contract Costs

The Trust has applied the practical expedient provided by FASB ASC 340-40-25-4, and all incremental customer contract acquisition costs are expensed as they are incurred, as the amortization period of the asset that the Trust otherwise would have recognized is one year or less in duration.

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

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Notes to Financial Statements

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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. Effective September 2020, the Trust suspended its contributions to the plan. Trust contributions to these programs were approximately \$34,000 and \$166,000 during the years ended June 30, 2021 and 2020, respectively.

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 \$206,027 and \$247,323 represents an allocation based on museum employees' compensation to the University's total employees' compensation postretirement benefit cost as of June 30, 2021 and 2020, 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:

	2021	2020
Accumulated postretirement benefit obligation		
Retirees	\$ 90,115	\$ 83,098
Fully eligible plan participants	23,011	36,314
Other active plan participants	92,901	127,911
Accumulated postretirement benefit obligation	206,027	247,323
Plan assets, at fair value	-	-
Accumulated postretirement benefit obligation in excess of plan assets	206,027	247,323
Current portion of postretirement benefit accrual	(20,413)	(22,720)
Total long-term portion of postretirement benefit accrual	\$ 185,614	\$ 224,603

Postretirement benefit expense for the year ended June 30, 2021, was \$13,276 and included \$10,320 service cost, \$4,092 interest cost, and \$(1,136) amortization of prior service costs. Postretirement benefit expense for the year ended June 30, 2020, was \$10,851 and included \$12,082 service cost, \$6,191 interest cost, and \$(7,422) amortization of prior service costs.

For measurement purposes, a 6.25% annual rate of increase in the per capita cost of covered medical care benefits was assumed for the year ended June 30, 2021; the rate was assumed to decrease 0.25% per year to 4.5% for 2028 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, 2021, by \$16,405 and the aggregate of the service and interest cost components of the net periodic postretirement benefit cost for the year ended June 30, 2021, by \$1,952; decreasing the assumed medical care cost trend by 1.0% in each year

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would decrease the accumulated postretirement benefit obligation as of June 30, 2021, by \$14,493 and the aggregate of the service and interest cost components of the net periodic postretirement benefit cost for the year ended June 30, 2021, by \$1,668.

The weighted discount rate used in determining the accumulated postretirement benefit obligation was 2.5% and 2.36% for the years ended June 30, 2021 and 2020, respectively.

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
2022	\$ 20,655
2023	\$ 19,843
2024	\$ 17,916
2025	\$ 17,606
2026	\$ 22,008
2027–2031	\$ 90,932

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

Note 8: Net Assets

Net Assets with Donor Restrictions

Net assets with donor restrictions at June 30 are restricted for the following purposes or periods:

	2021	2020
Restricted for time or purpose		
Capital construction	\$ 10,127,245	\$ 10,109,822
Operating	5,574,038	9,981,264
Perpetual	37,618,993	27,659,351
	<u>\$ 53,320,276</u>	<u>\$ 47,750,437</u>

Net Assets Without Donor Restrictions

Net assets without donor restrictions were \$5,166,879 and \$401,063 at June 30, 2021 and 2020, respectively. There were no board-designated net assets at June 30, 2021 and 2020.

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Note 9: Liquidity and Availability

Financial assets available for general expenditure, without donor or other restrictions limiting their use, within one year of June 30, 2021 and 2020, comprise the following:

	<u>2021</u>	<u>2020</u>
Total financial assets	\$ 58,607,491	\$ 48,220,089
Externally imposed restrictions		
Beneficial interest in funds held by others	69,747	69,747
Endowment investments	32,543,273	20,892,940
Restricted for operating or capital expenditures	15,398,508	19,843,967
Contributions receivable	<u>5,308,748</u>	<u>6,943,783</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 5,287,215</u>	<u>\$ 469,652</u>

The Trust does not have a formal liquidity policy. However, the Trust forecasts and monitors its future cash flows on a monthly basis in order to ensure continued prudent levels of liquidity.

Note 10: 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 FDIC limits.

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 was received from two donors in 2021. Approximately 66% of all contributions was received from one donor in 2020.

COVID-19 Pandemic

As a result of the outbreak of the SARS-CoV-2 virus and the incidence of COVID-19, economic uncertainties have arisen that may negatively affect the financial position, results of operations, and cash flows of the Trust. The duration of these uncertainties and the ultimate financial effects cannot be reasonably estimated at this time.