

# The Museum of Fine Arts, Houston

Financial Statements as of and for the Year Ended  
June 30, 2022 (with Comparative Totals for the  
Year Ended June 30, 2021) and Independent  
Auditor's Report

# THE MUSEUM OF FINE ARTS, HOUSTON

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## **INDEPENDENT AUDITOR'S REPORT**

To the Board of Trustees of  
The Museum of Fine Arts, Houston  
Houston, Texas

### **Opinion**

We have audited the financial statements of The Museum of Fine Arts, Houston (the "Museum"), which comprise the statement of financial position as of June 30, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Museum as of June 30, 2022, and the changes in its net assets, functional expenses and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Opinion**

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Museum and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Museum's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Museum's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Museum's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

#### **Report on Summarized Comparative Information**

We have previously audited the Museum's 2021 financial statements and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 3, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2021 is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Deloitte & Touche LLP*

November 14, 2022

# THE MUSEUM OF FINE ARTS, HOUSTON

## STATEMENTS OF FINANCIAL POSITION AS OF JUNE 30, 2022 (WITH COMPARATIVE TOTALS AS OF JUNE 30, 2021) (Dollars in thousands)

|  | 2022                | 2021                |
|--|---------------------|---------------------|
| <b>ASSETS</b>                            |                     |                     |
| CASH AND CASH EQUIVALENTS                |                     |                     |
| Cash and cash equivalents                | \$ 45,949           | \$ 34,024           |
| Restricted cash and cash equivalents     | <u>25,425</u>       | <u>25,290</u>       |
| Total cash and cash equivalents          | <u>71,374</u>       | <u>59,314</u>       |
| RECEIVABLES:                             |                     |                     |
| Pledges—net                              | 26,404              | 34,521              |
| Grants                                   | 56                  | 123                 |
| Accounts                                 | 543                 | 820                 |
| Interest/dividends                       | <u>1,130</u>        | <u>925</u>          |
| Total receivables                        | <u>28,133</u>       | <u>36,389</u>       |
| INVENTORY                                | <u>817</u>          | <u>715</u>          |
| PREPAID EXPENSES                         | <u>930</u>          | <u>816</u>          |
| INVESTMENTS                              | <u>1,553,639</u>    | <u>1,617,736</u>    |
| PROPERTY—Net                             | <u>428,681</u>      | <u>441,002</u>      |
| OTHER ASSETS                             | <u>1,061</u>        | <u>1,114</u>        |
| TOTAL                                    | <u>\$ 2,084,635</u> | <u>\$ 2,157,086</u> |
| <b>LIABILITIES AND NET ASSETS</b>        |                     |                     |
| LIABILITIES:                             |                     |                     |
| Accounts payable and accrued liabilities | \$ 31,890           | \$ 40,302           |
| Deferred revenue                         | 15,589              | 16,272              |
| Long term debt—net                       | <u>99,155</u>       | <u>-</u>            |
| Total liabilities                        | <u>146,634</u>      | <u>56,574</u>       |
| COMMITMENTS (Note 4, 7, 10)              |                     |                     |
| NET ASSETS:                              |                     |                     |
| Without donor restriction                | 598,748             | 712,383             |
| With donor restriction                   | <u>1,339,253</u>    | <u>1,388,129</u>    |
| Total net assets                         | <u>1,938,001</u>    | <u>2,100,512</u>    |
| TOTAL                                    | <u>\$ 2,084,635</u> | <u>\$ 2,157,086</u> |

See notes to financial statements.

# THE MUSEUM OF FINE ARTS, HOUSTON

## STATEMENTS OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2022 (WITH COMPARATIVE TOTALS FOR JUNE 30, 2021) (Dollars in thousands)

|   | Without Donor<br>Restriction | With Donor<br>Restriction | 2022<br>Total | 2021<br>Total |
|---|------------------------------|---------------------------|---------------|---------------|
| <b>OPERATING REVENUES:</b>  |                              |                           |               |               |
| Contributions and grants  | \$ 17,828                    | \$ 2,756                  | \$ 20,584     | \$ 13,852     |
| Investment returns, net, appropriated for current use   | 42,829                       | 325                       | 43,154        | 39,739        |
| Membership revenue  | 3,309                        | -                         | 3,309         | 2,558         |
| Admission revenue   | 3,692                        | -                         | 3,692         | 2,359         |
| Tuition revenue   | 1,965                        | -                         | 1,965         | 1,207         |
| Auxiliary revenue   | 3,123                        | -                         | 3,123         | 1,875         |
| Other   | 1,986                        | -                         | 1,986         | 2,765         |
| Net assets released from restriction  | 3,338                        | (3,338)                   | -             | -             |
| Total operating support and revenue   | 78,070                       | (257)                     | 77,813        | 64,355        |
| <b>OPERATING EXPENSES:</b>  |                              |                           |               |               |
| Program services:   |                              |                           |               |               |
| Curatorial and collections  | 8,781                        | -                         | 8,781         | 7,981         |
| Exhibitions   | 6,672                        | -                         | 6,672         | 4,451         |
| Education and public programs   | 9,750                        | -                         | 9,750         | 9,121         |
| Glassell School   | 4,799                        | -                         | 4,799         | 4,503         |
| Bayou Bend  | 3,924                        | -                         | 3,924         | 3,419         |
| Rienzi  | 1,548                        | -                         | 1,548         | 1,049         |
| Membership activities   | 1,276                        | -                         | 1,276         | 1,194         |
| Buildings and grounds and security  | 16,355                       | -                         | 16,355        | 14,770        |
| Subtotal program services   | 53,105                       | -                         | 53,105        | 46,488        |
| Supporting services:  |                              |                           |               |               |
| Management and general  | 8,258                        | -                         | 8,258         | 6,675         |
| Auxiliary activities  | 3,245                        | -                         | 3,245         | 2,802         |
| Fundraising   | 4,232                        | -                         | 4,232         | 3,936         |
| Subtotal supporting services  | 15,735                       | -                         | 15,735        | 13,413        |
| Total operating expenses before depreciation,<br>amortization and interest expense                | 68,840                       | -                         | 68,840        | 59,901        |
| OPERATING SURPLUS (DEFICIT) BEFORE DEPRECIATION,<br>AMORTIZATION AND INTEREST EXPENSE             | 9,230                        | (257)                     | 8,973         | 4,454         |
| DEPRECIATION AND AMORTIZATION   | 20,507                       | -                         | 20,507        | 11,071        |
| INTEREST EXPENSE  | 941                          | -                         | 941           | -             |
| CHANGES IN NET ASSETS FROM OPERATIONS   | (12,218)                     | (257)                     | (12,475)      | (6,617)       |
| <b>NON-OPERATING ACTIVITIES:</b>  |                              |                           |               |               |
| Contributions designated for capital expenditures and long term investment                        | 926                          | 2,902                     | 3,828         | 14,121        |
| Contributions for the purchase of art   | 11,293                       | 2,327                     | 13,620        | 25,167        |
| Investment returns, net, appropriated for art acquisition   | 8,744                        | 6,376                     | 15,120        | 22,606        |
| Acquisition of art objects net of proceeds from the sale of art                                   | (33,654)                     | -                         | (33,654)      | (64,541)      |
| Investment returns, net, in excess of amounts appropriated for current use<br>and art acquisition | (111,017)                    | (38,078)                  | (149,095)     | 321,947       |
| Net assets released from restriction to fund non-operating activities                             | 22,146                       | (22,146)                  | -             | -             |
| Other—insurance   | 145                          | -                         | 145           | 12,036        |
| CHANGE IN NET ASSETS  | (113,635)                    | (48,876)                  | (162,511)     | 324,719       |
| NET ASSETS—Beginning of year  | 712,383                      | 1,388,129                 | 2,100,512     | 1,775,793     |
| NET ASSETS—End of year  | \$ 598,748                   | \$ 1,339,253              | \$ 1,938,001  | \$ 2,100,512  |

See notes to financial statements.

## THE MUSEUM OF FINE ARTS, HOUSTON

### STATEMENTS OF FUNCTIONAL EXPENSES FOR THE YEAR ENDED JUNE 30, 2022 (WITH COMPARATIVE TOTALS FOR JUNE 30, 2021) (Dollars in thousands)

| Area                    | Program Services           |             |                             |                 |            |          |                       |                                |           | Supporting Services    |                      |              |           | Total Expenses before Depreciation and Interest for the Year Ended June 30, 2022 | Total Expenses before Depreciation for the Year Ended June 30, 2021 |
|-------------------------|----------------------------|-------------|-----------------------------|-----------------|------------|----------|-----------------------|--------------------------------|-----------|------------------------|----------------------|--------------|-----------|--|---|
|                         | Curatorial and Collections | Exhibitions | Education & Public Programs | Glassell School | Bayou Bend | Rienzi   | Membership Activities | Buildings & Grounds & Security | Total     | Management and General | Auxiliary Activities | Fund-Raising | Total     |  |   |
| SALARIES                | \$ 4,896                   | \$ 401      | \$ 5,123                    | \$ 2,446        | \$ 1,996   | \$ 550   | \$ 364                | \$ 7,731                       | \$ 23,507 | \$ 4,583               | \$ 1,359             | \$ 2,126     | \$ 8,068  | \$ 31,575  | \$ 29,814   |
| EMPLOYEE BENEFITS       | 883                        | 77          | 858                         | 359             | 187        | 60       | 70                    | 1,488                          | 3,982     | 1,200                  | 216                  | 372          | 1,788     | 5,770  | 5,251   |
| PAYROLL TAXES           | 355                        | 28          | 375                         | 138             | 77         | 23       | 25                    | 694                            | 1,715     | 226                    | 99                   | 134          | 459       | 2,174  | 2,047   |
| Total                   | 6,134                      | 506         | 6,356                       | 2,943           | 2,260      | 633      | 459                   | 9,913                          | 29,204    | 6,009                  | 1,674                | 2,632        | 10,315    | 39,519   | 37,112  |
| OCCUPANCY               | 133                        | 48          | 259                         | 367             | 337        | 193      | 9                     | 3,575                          | 4,921     | 157                    | 217                  | 102          | 476       | 5,397  | 4,361   |
| CONTRACT SERVICES       | 254                        | 128         | 328                         | 484             | 603        | 248      | 30                    | 1,029                          | 3,104     | 652                    | 249                  | 655          | 1,556     | 4,660  | 3,716   |
| PROGRAMS & PREVIEWS     | 101                        | 2,944       | 74                          | 98              | 109        | 46       | -                     | -                              | 3,372     | 86                     | 5                    | 8            | 99        | 3,471  | 2,071   |
| POSTAGE AND SHIPPING    | 560                        | 2,302       | 26                          | 11              | 8          | 6        | 49                    | -                              | 2,962     | 46                     | 65                   | 58           | 169       | 3,131  | 2,388   |
| INSURANCE               | 622                        | 242         | -                           | 297             | 78         | 22       | -                     | 1,311                          | 2,572     | 410                    | 2                    | 4            | 416       | 2,988  | 2,455   |
| PROFESSIONAL FEES       | 530                        | 316         | 271                         | 236             | 89         | 14       | 44                    | 80                             | 1,580     | 960                    | 24                   | 154          | 1,138     | 2,718  | 2,291   |
| PROMOTION               | 5                          | 2           | 883                         | 38              | 45         | 11       | 546                   | -                              | 1,530     | 57                     | 9                    | 151          | 217       | 1,747  | 1,428   |
| SUPPLIES                | 93                         | 5           | 119                         | 115             | 89         | 21       | 1                     | 462                            | 905       | 36                     | 88                   | 173          | 297       | 1,202  | 756   |
| MISCELLANEOUS           | 177                        | 83          | 544                         | 141             | 80         | 302      | 39                    | (212)                          | 1,154     | (452)                  | 16                   | 148          | (288)     | 866  | 704   |
| COST OF GOODS SOLD      | -                          | -           | -                           | -               | 16         | -        | -                     | -                              | 16        | -                      | 819                  | -            | 819       | 835  | 878   |
| LIBRARY                 | -                          | -           | 610                         | -               | 11         | -        | -                     | -                              | 621       | -                      | -                    | -            | -         | 621  | 484   |
| TRAVEL                  | 138                        | 74          | 66                          | 13              | 5          | 7        | 5                     | 2                              | 310       | 183                    | 21                   | 37           | 241       | 551  | 106   |
| REPAIRS & MAINTENANCE   | 16                         | 19          | 7                           | 1               | 142        | 30       | -                     | 179                            | 394       | 15                     | 48                   | -            | 63        | 457  | 486   |
| PRINTING & PUBLICATIONS | 9                          | 3           | 134                         | 50              | 40         | 15       | 92                    | -                              | 343       | 23                     | -                    | 72           | 95        | 438  | 385   |
| DUES & SUBSCRIPTIONS    | 9                          | -           | 73                          | 5               | 12         | -        | 2                     | 16                             | 117       | 76                     | 8                    | 38           | 122       | 239  | 254   |
| TAXES                   | -                          | -           | -                           | -               | -          | -        | -                     | -                              | -         | -                      | -                    | -            | -         | -  | 26  |
| TOTAL                   | \$ 8,781                   | \$ 6,672    | \$ 9,750                    | \$ 4,799        | \$ 3,924   | \$ 1,548 | \$ 1,276              | \$ 16,355                      | \$ 53,105 | \$ 8,258               | \$ 3,245             | \$ 4,232     | \$ 15,735 | \$ 68,840  | \$ 59,901   |

See notes to financial statements.

# THE MUSEUM OF FINE ARTS, HOUSTON

## STATEMENTS OF CASH FLOWS FOR THE YEAR ENDED JUNE 30, 2022 (WITH COMPARATIVE TOTALS FOR JUNE 30, 2021) (Dollars in thousands)

|  | 2022             | 2021             |
|--|------------------|------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES:  |                  |                  |
| Change in net assets   | \$ (162,511)     | \$ 324,719       |
| Adjustments to reconcile change in net assets to net cash provided by operating activities:                                |                  |                  |
| Depreciation and amortization  | 20,507           | 11,071           |
| Gains on sale of investments   | (81,217)         | (70,589)         |
| Net unrealized depreciation (appreciation) on investments  | 193,499          | (296,252)        |
| Distributions from investing activities  | 48,595           | 24,486           |
| Contributions restricted by donors   | (7,984)          | (17,997)         |
| Change in receivables  | 8,256            | 21,342           |
| Change in inventory  | (102)            | 121              |
| Change in prepaid expenses   | (114)            | (227)            |
| Change in liabilities  | (5,152)          | 14,018           |
| Net cash provided by operating activities  | <u>13,777</u>    | <u>10,692</u>    |
| CASH FLOWS FROM INVESTING ACTIVITIES:  |                  |                  |
| Purchases of property  | (7,130)          | (47,310)         |
| Return of capital on investments   | 48,656           | 31,318           |
| Purchases of investments   | (311,357)        | (118,736)        |
| Proceeds from sale of investments  | 165,922          | 94,359           |
| Decrease in other assets   | 53               | 55               |
| Net cash used in investing activities  | <u>(103,856)</u> | <u>(40,314)</u>  |
| CASH FLOWS FROM FINANCING ACTIVITIES:  |                  |                  |
| Contributions restricted by donors   | 7,984            | 17,997           |
| Proceeds from line of credit   | -                | 5,000            |
| Repayment of line of credit  | (5,000)          | -                |
| Proceeds from long term debt, net  | 99,155           | -                |
| Net cash provided by financing activities  | <u>102,139</u>   | <u>22,997</u>    |
| NET CHANGE IN CASH AND CASH EQUIVALENTS  | 12,060           | (6,625)          |
| CASH AND CASH EQUIVALENTS—Beginning of year  | <u>59,314</u>    | <u>65,939</u>    |
| CASH AND CASH EQUIVALENTS—End of year  | <u>\$ 71,374</u> | <u>\$ 59,314</u> |
| SUPPLEMENTAL DISCLOSURE: Interest paid   | \$ 949           | \$ 6             |
| NONCASH ACTIVITIES:  |                  |                  |
| Property purchases totaling \$1,311 and \$255 are included in accounts payable as of June 30, 2022 and 2021, respectively. |                  |                  |

See notes to financial statements.



# THE MUSEUM OF FINE ARTS, HOUSTON

## NOTES TO FINANCIAL STATEMENTS

AS OF AND FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

(Dollars in thousands)

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### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**Basis of Presentation**—The financial statements of The Museum of Fine Arts, Houston (the “Museum”) have been prepared on the accrual basis of accounting.

During the year ended June 30, 2021, the outbreak of coronavirus (COVID-19) impacted the financial markets, the global and local economies, and the Museum’s operations. For a portion of the fiscal year ended June 30, 2021, admission was limited due to capacity restrictions imposed by state and local governments. Through the spring of 2021, substantially all public programs were canceled, and art school classes were limited to virtual options. As a result, operating revenues were negatively impacted. The Museum implemented expenditure controls including reduced hours to better align with guest demand and eliminating most discretionary expenditure items. Museum operations returned to more normative levels during the year ended June 30, 2022.

The significant accounting policies followed by the Museum, which is a Texas not-for-profit organization, are described below.

**Use of Estimates**—The preparation of financial statements in conformity with generally accepted accounting principles in the United States (“U.S. GAAP”) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

**Net Assets**—Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities (Topic 958)*, requires, among other things, that the Museum classify its net assets into two categories: net assets without donor restrictions and net assets with donor restrictions.

**Net Assets Without Donor Restrictions**—Net assets not restricted by donor-imposed stipulations that may be designated for specific purposes by action of the Museum’s board of trustees (the “Board of Trustees”).

**Net Assets With Donor Restrictions**—Net assets resulting from contributions and other inflows of assets whose use by the Museum is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the Museum pursuant to these stipulations, or that are subject to donor-imposed stipulations that they be maintained in perpetuity by the Museum. Generally, the donors of these assets permit the Museum to use all or part of the income earned on these assets.

**Measure of Operations**—The statements of activities report all changes in net assets, including changes in net assets from operating and nonoperating activities. Operating activities include art exhibitions, classroom and hands-on art education, conservation, curatorial and membership activities, auxiliary functions, facilities management, and security. Nonoperating activities are comprised of the acquisition of works of art, capital asset activity, investment returns in excess of those appropriated for current spending, and other activities considered to be unusual or nonrecurring.

**Pledges Receivable—net**—Pledges receivable are presented at the net present value of future cash flows discounted at the five-year Treasury bill rate. An allowance is made for uncollectible pledges based on the Museum’s analysis of past collection experience and other judgmental factors.

**Inventory**—Inventory is valued at the lower of cost (moving weighted-average method) or market.

**Investments and Income Allocation**—The Museum records investments in accordance with the Financial Accounting Standards Board (FASB) Accounting Standard Codification (ASC) Topic 958-320, *Not-for-Profit Entities—Investments—Debt and Equity Securities*. This statement establishes standards for the recognition of fair value of investments in certain equity and debt securities with gains and losses included in the statement of activities. Purchases and sales of investments are recorded on the trade date.

The Museum records investments at fair value. The estimated fair value of its investments is based on quoted market prices, except for certain investments for which quoted market prices are not available. Investments may be valued using various techniques, which may include value based upon prices supplied by pricing services, external broker quotes, and internal pricing matrices. In addition, U.S. GAAP provides guidance for estimating the fair value of investments in certain entities that calculate Net Asset Value (NAV) per share (or its equivalent). As such, the Museum utilizes net asset value as a practical expedient of fair value and other available information to determine fair value for investments meeting the prescribed requirements.

The income from investments in the endowment accounts held in perpetuity, net of realized investment gains on those investment transactions, and appreciation/depreciation in fair value of those investments, is allocated among the operating and accessions’ accounts based on their respective weighted-average number of investment units.

The Museum spending rule attempts to achieve two objectives by using a long-term spending rate of 5.0% combined with a smoothing rule that adjusts spending gradually to changes in endowment value. The amount released under the spending rule is based on a weighted average of prior spending adjusted for inflation (80% weight) and an amount determined by applying the target rate to the current endowment market value as of December 31 (20% weight), subject to collar limits of 4.75-5.75%.

**Property**—Property is recorded at cost or the estimated fair value at the date of the gift. The Museum reports gifts of land, buildings, and equipment as unrestricted support, unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as donor restricted support. Absent explicit donor stipulations about how long these long-lived assets must be maintained, the Museum reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service; if insignificant, gifts of long-lived assets are recognized when received.

Depreciation is computed using primarily the straight-line method over 30 years for buildings and capital improvements and five to 10 years for equipment, furniture, and fixtures.

**Deferred Revenue**—Deferred revenue represents primarily advance rentals related to the expansion of the Museum; those rentals are being recognized using the straight-line method over two separate lease terms through 2064.

**Statement of Cash Flows**—The statement of cash flows is presented using the indirect method. The Museum considers all highly liquid investments with original maturities of three months or less when purchased to be cash and cash equivalents.

**Art Collection**—With over 74,000 works of art at June 30, 2022, the Museum’s permanent collection of world art spans 6,000 years and six continents. The Museum acquires its art collection through purchases or by gifts. The cost of all art objects purchased, together with the value of art objects obtained by gift (for which the Museum receives a reasonable estimate), is reported as a part of acquisition of art objects net of proceeds from the sale of art. In accordance with policies followed by many art museums, no value has been assigned in the statements of financial position to the Museum’s art collection.

Purchases for the art collection were \$21,263 and \$34,498 for the years ended June 30, 2022 and 2021, respectively. The value of art objects obtained by gifts is reported as contributions and collection expense in the statements of activities and totaled \$10,620 and \$22,670 for the years ended June 30, 2022 and 2021, respectively. Deaccessions are executed in accordance with the Museum’s policy and accepted national standards. There were no deaccessions during the years 2022 and 2021.

Gifts of cash or other property restricted by donors for the purchase of items for the art collection are recognized as donor restricted revenue until acquisitions are made in accordance with the terms of the gifts. Net assets are transferred from net assets with donor restrictions to net assets without donor restrictions upon satisfaction of those donor restrictions.

**Revenue Recognition**—The Museum records contributions received, including unconditional promises to give, as revenues in the period received at their fair value.

The Museum classifies net assets, expenses, revenues, and gains/losses as either with or without donor restrictions.

**Donated Services**—Donated services that create or enhance nonfinancial assets or require specialized skills are recognized as revenues and corresponding expenses. Donated services that do not meet the above conditions are not recognized. For the years ended June 30, 2022 and 2021, the Museum received no donated services.

**Allocation of Functional Expenses**—Expenses are charged to various programs and supporting services based on the ultimate use of the product or services. Information technology costs and salaries of Buildings & Grounds, Gardens, Security and Housekeeping departments are allocated to other functions based on time and effort incurred.

**Federal Income Taxes**—The Museum is exempt from federal income taxes under the provisions of Section 501(c)(3) of the Internal Revenue Code. Accordingly, there is no provision for federal income taxes included in the financial statements.

**Contributions and Grants**—The Museum records unconditional promises to give as revenue in the period in which the promise is made and distinguishes between contributions received for each net asset category in accordance with donor-imposed restrictions. When an externally imposed restriction expires or contributions are realized, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Revenues from contributions (non-exchange transactions) may be subject to conditions, in the form of both a barrier to entitlement and a refund of amounts paid. Revenues from conditional non-exchange transactions are recognized when the barrier is satisfied. In addition, the Museum has

elected the simultaneous release option for conditional contributions that are also subject to purpose restrictions. Under this option, net assets without donor restrictions will include the donor-restricted contributions for which the purpose restrictions are met in the same reporting period as the revenue is recognized.

**Subsequent Events**—We have evaluated subsequent events through November 14, 2022, which is the date the financial statements were available for issuance. No matters were identified affecting the accompanying financial statements or related disclosures.

**New Accounting Pronouncements**—In September 2020, the FASB issued ASU No. 2020-07 (ASU 2020-07) *Not-for-Profit Entities (Topic 958)—Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, which requires not-for-profit entities to present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash and other financial assets. Management adopted ASU 2020-07 beginning July 1, 2021; implementation had no significant impact on the Museum’s financial statements.

In February 2016, the FASB issued ASU No. 2016-02 (ASU 2016-02), *Leases*, which requires lease obligations to be recognized on the balance sheet. ASU 2020-05 extended the adoption date of ASU 2016-02 by the Museum to fiscal year beginning July 1, 2022. Management has not yet determined the impact, if any, that implementation of ASU 2016-02 will have on the Museum’s financial statements.

A variety of proposed or otherwise potential accounting standards are currently under study by standard-setting organizations. Because of the tentative and preliminary nature of such proposed standards, the Museum has not yet determined the effect, if any, that the implementation of such proposed standards would have on its financial statements.

## 2. LIQUIDITY

Financial assets available for general expenditure within one year of the balance sheet date of June 30, 2022 and 2021 are as follows:

|   | 2022               | 2021               |
|---|--------------------|--------------------|
| Financial assets:   |                    |                    |
| Cash and cash equivalents   | \$ 45,949          | \$ 34,024          |
| Restricted cash and cash equivalents  | 25,425             | 25,290             |
| Receivables:  |                    |                    |
| Pledges   | 26,404             | 34,521             |
| Grants  | 56                 | 123                |
| Accounts  | 543                | 820                |
| Interest  | 1,130              | 925                |
| Investments   | <u>1,553,639</u>   | <u>1,617,736</u>   |
| Total financial assets  | <u>1,653,146</u>   | <u>1,713,439</u>   |
| Less assets not available for expenditure                                       |                    |                    |
| Assets with donor restrictions:   |                    |                    |
| Restricted cash and cash equivalents  | (25,425)           | (25,290)           |
| Pledges receivable (less annual fund receivables)                               | (26,372)           | (34,439)           |
| Interest receivable   | (1,130)            | (925)              |
| Investments   | (1,553,639)        | (1,617,736)        |
| Approved distributions for next fiscal year                                     | 77,597             | 65,909             |
| Board designated reserve fund   | <u>(12,074)</u>    | <u>(12,078)</u>    |
| Total assets not available for expenditure                                      | <u>(1,541,043)</u> | <u>(1,624,559)</u> |
| Financial assets available to meet general expenditures over the next 12 months | <u>\$ 112,103</u>  | <u>\$ 88,880</u>   |

Income from donor restricted endowments is restricted for specific purposes and, therefore, is not available for general expenditure, except as approved for distribution during the annual budget process. The Museum does not intend to spend from its board designated reserve fund; however, amounts from the board designated reserve fund could be made available if necessary.

## 3. ENDOWMENT FUNDS AND INTERPRETATION OF RELEVANT LAW

Effective September 1, 2007, the State of Texas adopted the Uniform Prudent Management of Institutional Funds Act (UPMIFA), which governs Texas charitable institutions with respect to the management, investment, and expenditure of donor-restricted endowment funds.

The Board of Trustees has interpreted Texas's adoption of UPMIFA as requiring the Museum to adopt investment and spending policies that preserve the fair value of the original gift as of the date of gift, absent explicit donor stipulations to the contrary. Although the Museum has a long-term fiduciary duty to the donor (and to others) for a fund of perpetual duration, the preservation of the endowment's purchasing power is only one of several factors that are considered in managing and investing these funds. Furthermore, in accordance with UPMIFA, a portion of the endowment's original gift may be appropriated for expenditure in support of the restricted purposes of the endowment if this is

consistent with a spending policy that otherwise satisfies the requisite standard of prudence under UPMIFA.

As a result of this interpretation, the Museum classifies as net assets held in perpetuity (1) the original value of gifts donated to the endowment, (2) subsequent gifts to the endowment, and (3) accumulations made pursuant to the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

Net earnings (realized and unrealized) on the investment of endowment assets are classified as donor restricted until those amounts are appropriated for expenditure by the Museum in a manner consistent with the purpose or time restrictions if any, imposed by the donor. Any investment return classified as donor restricted in perpetuity represents only those amounts required to be retained in perpetuity as a result of explicit donor stipulations.

With regard to endowment losses or appropriations in excess of the fair value of the original gift, the portion of a donor-restricted endowment that is classified as with donor restrictions is reduced by losses on the investments of the fund, including losses related to specific investments that the donor requires the Museum to hold in perpetuity.

In accordance with UPMIFA, the Board of Trustees has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to the programs and operations supported by its own endowment, while also seeking to maintain the long-term purchasing of the endowment assets. Therefore, the Board of Trustees considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purposes of the Museum and the fund
- General economic conditions
- The possible effect of inflation or deflation
- The expected total return from income and the appreciation of investments
- Other resources of the Museum
- The investment policies of the Museum

Changes in endowment net assets for the years ended June 30, 2022 and 2021 are as follows:

|  | <b>2022</b>                           |                                    |                     |
|--|---------------------------------------|------------------------------------|---------------------|
|  | <b>Without Donor<br/>Restrictions</b> | <b>With Donor<br/>Restrictions</b> | <b>Total</b>        |
| Endowment net assets—beginning of year | <u>\$ 271,370</u>                     | <u>\$ 1,352,640</u>                | <u>\$ 1,624,010</u> |
| Investment return:                     |                                       |                                    |                     |
| Investment income                      | 12,243                                | 12,992                             | 25,235              |
| Net realized gains                     | 31,803                                | 49,414                             | 81,217              |
| Net unrealized losses                  | <u>(92,822)</u>                       | <u>(100,677)</u>                   | <u>(193,499)</u>    |
| Total investment return                | <u>(48,776)</u>                       | <u>(38,271)</u>                    | <u>(87,047)</u>     |
| Contributions                          | -                                     | 1,837                              | 1,837               |
| Other                                  | 114                                   | 116                                | 230                 |
| Appropriated for expenditures          | (5,397)                               | -                                  | (5,397)             |
| Transfers to other funds               | (55,569)                              | -                                  | (55,569)            |
| Net assets released from restrictions  | <u>15,394</u>                         | <u>(15,394)</u>                    | <u>-</u>            |
| Endowment net assets—end of year       | <u>\$ 177,136</u>                     | <u>\$ 1,300,928</u>                | <u>\$ 1,478,064</u> |
|  | <b>2021</b>                           |                                    |                     |
|  | <b>Without Donor<br/>Restrictions</b> | <b>With Donor<br/>Restrictions</b> | <b>Total</b>        |
| Endowment net assets—beginning of year | <u>\$ 132,113</u>                     | <u>\$ 1,162,084</u>                | <u>\$ 1,294,197</u> |
| Investment return:                     |                                       |                                    |                     |
| Investment income                      | 9,419                                 | 10,607                             | 20,026              |
| Net realized gains                     | 32,097                                | 38,492                             | 70,589              |
| Net unrealized gains                   | <u>139,101</u>                        | <u>157,151</u>                     | <u>296,252</u>      |
| Total investment return                | <u>180,617</u>                        | <u>206,250</u>                     | <u>386,867</u>      |
| Contributions                          | -                                     | 6,904                              | 6,904               |
| Other                                  | 33                                    | 36                                 | 69                  |
| Appropriated for expenditures          | (3,237)                               | -                                  | (3,237)             |
| Transfers to other funds               | (60,790)                              | -                                  | (60,790)            |
| Net assets released from restrictions  | <u>22,634</u>                         | <u>(22,634)</u>                    | <u>-</u>            |
| Endowment net assets—end of year       | <u>\$ 271,370</u>                     | <u>\$ 1,352,640</u>                | <u>\$ 1,624,010</u> |

#### 4. INVESTMENTS

Investments are stated at fair value and, if available, quoted market prices are used to value such investments. The financial statements include alternative investments valued at \$338,245 (17% of 2022 net assets) and \$309,325 (15% of 2021 net assets) as of June 30, 2022 and 2021, respectively, whose

fair values have been estimated by the Museum’s management in the absence of readily determinable fair values. Management’s estimates are based on information provided by the fund managers or the general partners. Unrealized appreciation or depreciation is recognized within the statement of activities currently. Accumulated unrealized appreciation of investments of \$429,415 and \$622,914 as of June 30, 2022 and 2021, respectively, includes both unrealized gains and losses.

The Museum has made capital commitments of \$837,643 and \$798,750 for purchases of limited partnership interests, of which the total net amount funded was \$650,531 and \$603,195 as of June 30, 2022 and 2021, respectively. Subsequent to June 30, 2022, the Museum funded an additional \$19,190 and made three additional commitments to investment managers in other asset classes.

A summary of investments as of June 30, 2022 and 2021 is as follows:

|  | <b>2022</b>         |                     |                                |
|--|---------------------|---------------------|--------------------------------|
|  | <b>Cost</b>         | <b>Fair Value</b>   | <b>Unrealized Appreciation</b> |
| At fair value:                               |                     |                     |                                |
| Equity and equity mutual funds               | \$ 573,958          | \$ 957,928          | \$ 383,970                     |
| U.S. treasuries, bonds and bond mutual funds | 53,094              | 53,252              | 158                            |
| Alternative investments                      | 297,388             | 338,245             | 40,857                         |
| Real estate and REITS                        | 15,576              | 20,006              | 4,430                          |
| Money market mutual funds                    | <u>184,208</u>      | <u>184,208</u>      | <u>-</u>                       |
| Total investments                            | <u>\$ 1,124,224</u> | <u>\$ 1,553,639</u> | <u>\$ 429,415</u>              |
|  |                     |                     |                                |
|  | <b>2021</b>         |                     |                                |
|  | <b>Cost</b>         | <b>Fair Value</b>   | <b>Unrealized Appreciation</b> |
| At fair value:                               |                     |                     |                                |
| Equity and equity mutual funds               | \$ 453,169          | \$ 1,044,640        | \$ 591,471                     |
| U.S. treasuries, bonds and bond mutual funds | 52,999              | 60,196              | 7,197                          |
| Alternative investments                      | 291,934             | 309,325             | 17,391                         |
| Real estate and REITS                        | 14,762              | 21,617              | 6,855                          |
| Money market mutual funds                    | <u>181,958</u>      | <u>181,958</u>      | <u>-</u>                       |
| Total investments                            | <u>\$ 994,822</u>   | <u>\$ 1,617,736</u> | <u>\$ 622,914</u>              |



Investment income earned by the Museum and its allocation among net asset classifications for the years ended June 30, 2022 and 2021 are as follows:

|   | <b>2022</b>            | <b>2021</b>           |
|---|------------------------|-----------------------|
| Investment income   | \$ 25,531              | \$ 20,369             |
| Direct investment expense   | (4,068)                | (2,918)               |
| Net realized gains on investments reported at fair value            | 81,217                 | 70,589                |
| Net unrealized (losses) gains on investments reported at fair value | <u>(193,499)</u>       | <u>296,252</u>        |
| <br>Total investment (loss) income                                  | <br><u>\$ (90,819)</u> | <br><u>\$ 384,292</u> |
| <br>Net asset classification of investment income:                  |                        |                       |
| Without donor restriction   | \$ (59,443)            | \$ 180,823            |
| With donor restriction  | <u>(31,376)</u>        | <u>203,469</u>        |
| <br>Total investment (loss) income                                  | <br><u>\$ (90,819)</u> | <br><u>\$ 384,292</u> |

**Fair Value Measurement**—The Museum utilizes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. Inputs are used in applying the various valuation techniques and broadly refer to the assumptions that market participants use to make valuation decisions, including assumptions about risk. Inputs may include price information, volatility statistics, specific and broad credit data, liquidity statistics, and other factors. A financial instrument’s level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

The fair value hierarchy is categorized into three levels based on the inputs as follows:

**Level 1**—Valuations based on unadjusted quoted prices in active markets for identical assets or liabilities that the Museum has the ability to access. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these securities does not entail a significant degree of judgment. As of June 30, 2022 and 2021, the Museum valued, using Level 1 inputs, \$1,215,263 and \$1,308,221, respectively, of investments, which included equity securities traded on active exchanges.

**Level 2**—Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly. As of June 30, 2022 and 2021, the Museum had no investments valued using Level 2 inputs.

**Level 3**—Valuations based on inputs that are unobservable and not corroborated by market data. As of June 30, 2022 and 2021, the Museum had no investments valued using level 3 inputs.

Alternative investments and certain mutual funds that do not have readily determinable fair value are measured at fair value using NAV per share as a practical expedient and therefore have not been categorized as investments within the fair value hierarchy.

The financial instruments carried in the statement of financial position by caption and by level within the valuation hierarchy as of June 30, 2022 and 2021 were as follows:

| <b>2022</b>                                   |                            |   |                                    |                            |
|---|----------------------------|---|------------------------------------|----------------------------|
| <b>Assets at Fair Value</b>                   |                            |   |                                    |                            |
|   | <b>Total</b>               |   |                                    |                            |
|   | <b>Level 1</b>             | <b>Investments Measured at Fair Value</b> | <b>Investments Measured at NAV</b> | <b>Total</b>               |
| Equity and equity mutual funds                | \$ 957,928                 | \$ 957,928                                | \$ -                               | \$ 957,928                 |
| U.S. treasuries, bonds, and bond mutual funds | 53,121                     | 53,121                                    | 131                                | 53,252                     |
| Alternative investments                       | -                          | -   | 338,245                            | 338,245                    |
| Real estate and REITS                         | 20,006                     | 20,006                                    | -                                  | 20,006                     |
| Money market mutual funds                     | <u>184,208</u>             | <u>184,208</u>                            | <u>-</u>                           | <u>184,208</u>             |
| <b>Total</b>                                  | <u><b>\$ 1,215,263</b></u> | <u><b>\$ 1,215,263</b></u>                | <u><b>\$ 338,376</b></u>           | <u><b>\$ 1,553,639</b></u> |

| <b>2021</b>                                   |                            |   |                                    |                            |
|---|----------------------------|---|------------------------------------|----------------------------|
| <b>Assets at Fair Value</b>                   |                            |   |                                    |                            |
|   | <b>Total</b>               |   |                                    |                            |
|   | <b>Level 1</b>             | <b>Investments Measured at Fair Value</b> | <b>Investments Measured at NAV</b> | <b>Total</b>               |
| Equity and equity mutual funds                | \$ 1,044,640               | \$ 1,044,640                              | \$ -                               | \$ 1,044,640               |
| U.S. treasuries, bonds, and bond mutual funds | 60,006                     | 60,006                                    | 190                                | 60,196                     |
| Alternative investments                       | -                          | -   | 309,325                            | 309,325                    |
| Real estate and REITS                         | 21,617                     | 21,617                                    | -                                  | 21,617                     |
| Money market mutual funds                     | <u>181,958</u>             | <u>181,958</u>                            | <u>-</u>                           | <u>181,958</u>             |
| <b>Total</b>                                  | <u><b>\$ 1,308,221</b></u> | <u><b>\$ 1,308,221</b></u>                | <u><b>\$ 309,515</b></u>           | <u><b>\$ 1,617,736</b></u> |

A description of the securities measured at Net Asset Value is as follows as of June 30, 2022 and 2021:

| <b>2022</b>                                   |                 |                         |                             |                             |                                 |
|---|-----------------|-------------------------|-----------------------------|-----------------------------|---------------------------------|
|   | <b>Category</b> | <b>NAV</b>              | <b>Unfunded Commitments</b> | <b>Redemption Frequency</b> | <b>Redemption Notice Period</b> |
| Multi-Strategy hedge funds                    | (a)             | \$ 84                   | \$ -                        | Quarterly–Annually          | 30–100 days                     |
| Private equity funds                          | (b)             | 135,599                 | 114,143                     | N/A                         | N/A                             |
| Venture capital funds                         | (c)             | 7,610                   | 420                         | N/A                         | N/A                             |
| Energy and natural resources funds            | (d)             | 129,388                 | 44,057                      | N/A                         | N/A                             |
| Real estate funds                             | (f)             | 65,564                  | 28,492                      | N/A                         | N/A                             |
| U.S. treasuries, bonds, and bond mutual funds |                 | <u>131</u>              | <u>-</u>                    | N/A                         | N/A                             |
| <b>Total</b>                                  |                 | <u><b>\$338,376</b></u> | <u><b>\$187,112</b></u>     |                             |                                 |

| <b>2021</b>                                      |                          |                          |                         |                             |
|--|--------------------------|--------------------------|-------------------------|-----------------------------|
| Category   | NAV                      | Unfunded<br>Commitments  | Redemption<br>Frequency | Redemption<br>Notice Period |
| Multi-Strategy hedge funds                       | (a) \$ 209               | \$ -                     | Quarterly–Annually      | 30–100 days                 |
| Private equity funds                             | (b) 137,128              | 97,255                   | N/A                     | N/A                         |
| Venture capital funds                            | (c) 12,197               | 420                      | N/A                     | N/A                         |
| Energy and natural<br>resources funds            | (d) 108,832              | 52,449                   | N/A                     | N/A                         |
| Distressed debt funds                            | (e) 4                    | -                        | N/A                     | N/A                         |
| Real estate funds                                | (f) 50,955               | 45,431                   | N/A                     | N/A                         |
| U.S. treasuries, bonds,<br>and bond mutual funds | <u>190</u>               | <u>-</u>                 | N/A                     | N/A                         |
| <b>Total</b>                                     | <b><u>\$ 309,515</u></b> | <b><u>\$ 195,555</u></b> |                         |                             |

- (a) This category includes hedge funds that pursue multiple strategies to diversify risks and reduce volatility. The hedge funds' composite portfolio for this category includes investments in U.S. common stocks, credit instruments, and arbitrage investments. The lockup period has expired for these investments. The fair values of the investments in this category have been estimated using the net asset value per share of the investments.
- (b) This category invests in private equity transactions such as growth equity financing, leveraged buyouts, acquisitions and/or industry consolidations, recapitalizations, and restructurings. The fund seeks to earn returns substantially above those on publicly traded stocks over a long-term (seven- to 10-year) horizon. Due to the nature of investments in this category, distributions are received through the liquidation of the underlying assets for the fund and would be liquidated over five to 10 years. It is probable that all of the investments in this category will be sold at an amount different from the net asset value of the Museum's ownership interest in partners' capital.
- (c) These venture capital funds invest in early-stage, high-growth private companies, principally in the information technology and life sciences/health care fields. Due to the nature of investments in this category, distributions are received through the liquidation of the underlying assets of the fund and would be liquidated over five to 10 years. It is probable that all of the investments in this category will be sold at an amount different from the net asset value of the Museum's ownership interest in partners' capital.
- (d) This category invests in exploration and production companies, midstream companies, royalty interests, and other natural resource-focused companies. Due to the nature of investments in this category, distributions are received through the liquidation of the underlying assets of the fund. It is probable that all of the investments in this category will be sold at an amount different from the net asset value of the Museum's ownership interest in partners' capital.
- (e) This category invests in financially distressed companies or companies in Chapter 11, concentrating on senior and secured debt instruments and U.S. private subordinated debt securities with significant equity components. Due to the nature of investments in this category, distributions are received through the liquidation of the underlying assets of the fund. It is probable that all of the investments in this category will be sold at an amount different from the net asset value of the Museum's ownership interest in partners' capital.
- (f) This category invests in private equity and debt of real estate investments in the office, industrial, multifamily, hotel, and retail segments. Due to the nature of investments in this category, distributions are received through the liquidation of the underlying assets of the fund. It is probable that all of the investments in this category will be sold at an amount different from the net asset value of the Museum's ownership interest in partners' capital.

The allocation of investments held by the Museum to the various endowments, operations, accessions, and plant accounts as of June 30, 2022 is as follows:

|  | Cost       | Fair Value |
|--|------------|------------|
| Operations endowment investment accounts:  |            |            |
| Museum:  |            |            |
| The Caroline Wiess Law Operating Endowment   | \$ 399,781 | \$ 438,056 |
| Brown Foundation Maintenance Endowment   | 60,466     | 152,516    |
| Alice Pratt Brown, "Brown Wing" Endowment  | 13,409     | 37,797     |
| Alfred C. Glassell, Jr. Endowment Fund for The Museum of Fine Arts, Houston          | 18,717     | 35,575     |
| The General and Mrs. Maurice Hirsch Library Endowment                                | 14,700     | 26,818     |
| Permanent Endowment  | 7,286      | 23,192     |
| Jesse H. and Mary Gibbs Jones Exhibition Endowment                                   | 4,654      | 10,780     |
| Cornelia and Meredith Long Operating Endowment                                       | 7,578      | 8,804      |
| Robert A. Welch—Works of Art Restoration Endowment                                   | 2,720      | 6,664      |
| The Wortham Foundation Audrey Jones Beck Building Endowment                          | 5,203      | 6,048      |
| The Hossein Afshar Endowment for Islamic Department Operations                       | 5,396      | 5,439      |
| W. T. and Louise J. Moran Education Director Endowment                               | 4,314      | 5,082      |
| Gus and Lyndall Wortham Curatorial Chair Endowment                                   | 1,944      | 4,501      |
| Jeanie Kilroy Wilson Endowment for the Curator of American Painting & Sculpture      | 3,908      | 3,994      |
| Audrey Jones Beck Capital Campaign Endowment   | 3,663      | 3,467      |
| Cullinan Wing Endowment  | 1,148      | 3,419      |
| Ting Tsung and Wei Fong Chao Endowment for the Curator of Asian Art                  | 3,447      | 3,341      |
| The Isabel Brown Wilson Endowment for the Curator of Modern and Contemporary Art     | 2,918      | 2,948      |
| The Caroline Wiess Law Education Endowment   | 1,995      | 2,845      |
| The Margaret Alkek Williams Endowment for the Director of the MFAH                   | 2,741      | 2,500      |
| The Carol Crow Photography Conservator Chair Endowment                               | 1,953      | 2,428      |
| Audrey Jones Beck European Art Curator Endowment                                     | 2,442      | 2,312      |
| Sara and Bill Morgan Endowment for the Curator of Decorative Arts, Craft, and Design | 2,233      | 2,278      |
| Latin American and Latino Art Curator Endowment                                      | 1,911      | 2,207      |
| Windgate Foundation Endowment for the Curator of Craft                               | 2,148      | 1,897      |
| Fayez Shalaby Sarofim and Meredith J. Long Endowment Fund for Exhibitions            | 1,271      | 1,457      |
| Windgate Foundation Outreach Programming Endowment                                   | 1,611      | 1,423      |
| William Randolph Hearst Educational Outreach Endowment                               | 761        | 1,295      |
| Harry C. Wiess Memorial Endowment  | 399        | 1,196      |
| Peter C. Marzio Endowment for Craft  | 1,208      | 1,107      |
| National Endowment for the Humanities—Education Endowment                            | 795        | 1,039      |
| Cyvia and Melvyn Wolff Endowment for Learning Through Art                            | 932        | 880        |
| The Fondren Foundation Education Endowment   | 655        | 767        |
| B.M.C. Software, Inc. Education Endowment  | 642        | 733        |
| The Wallace Foundation Education Endowment   | 681        | 706        |
| John Blodgett Davis Endowment Fund   | 662        | 683        |
| Shell Companies Exhibition Endowment   | 174        | 402        |
| Neal Myers and Ken Black Children's Art Fund   | 267        | 398        |
| National Endowment for the Arts—Planning and Stabilization                           | 382        | 388        |
| The Margaret Cooke Skidmore Endowed Exhibition Fund                                  | 317        | 382        |
| Albert and Ethel Herzstein Judaica Art Gallery Endowment Fund                        | 418        | 375        |
| Frank and Eleanor Freed Lecture Series Endowment                                     | 192        | 321        |
| Campaign for the MFAH Campus Operating Endowment                                     | 295        | 286        |
| The Melza and Ted Barr Endowment for Conservation                                    | 294        | 281        |

|  | Cost           | Fair Value     |
|--|----------------|----------------|
| The Medha and Shashank Karve Endowment Fund  | \$ 275         | \$ 273         |
| The Cyvia and Melvyn Wolff Endowment for Exhibitions   | 270            | 272            |
| The Virginia and Ira Jackson Lecture on Prints and Drawings Endowment                                  | 233            | 256            |
| The Jesse H. Jones II Endowment for African-American Art Initiatives                                   | 264            | 250            |
| Cyvia and Melvyn Wolff Endowment for Bus Scholarships  | 242            | 221            |
| CFP Foundation Endowment for Education   | 220            | 214            |
| Joan and Stanford Alexander Dissertation Award Endowment   | 211            | 201            |
| Armando Garza-Sada Sr. Endowment for the Arts  | 215            | 190            |
| Houston Antiques Dealers Association Endowment   | 150            | 188            |
| Alice Pratt Brown Garden Endowment   | 73             | 144            |
| Favrot Education Endowment Fund  | 124            | 127            |
| Michael W. Dale Exhibition Endowment for Decorative Arts, Craft and Design Garden Endowment            | 104            | 101            |
|  | 35             | 81             |
| The John C. Wynne Memorial Lecture Series for Arts Education   | 55             | 57             |
| Neiman Marcus Youth Arts Education Endowment   | 57             | 56             |
| The Anne Lamkin Kinder Endowment for Research and Publications in Decorative Arts, Craft and Design    | 53             | 46             |
| Ralph S. O'Connor Statue Maintenance Endowment   | 40             | 45             |
| Peter Lotz Memorial Fund   | 31             | 26             |
| Beth B. Schneider Endowed Summer Internship Fund   | 27             | 26             |
| Samuel F. Gorman Endowment Fund for Exhibitions  | 1              | 1              |
| Total Museum   | <u>591,311</u> | <u>811,802</u> |
|  |                |                |
| Bayou Bend Collection and Gardens:   |                |                |
| Bayou Bend Trust Endowment   | 6,512          | 16,793         |
| Bayou Bend Endowments  | 5,820          | 12,425         |
| David B. Warren Symposium Endowment  | 342            | 405            |
| The Carol and Les Ballard Endowed Lecture Series   | 322            | 350            |
| Underwood Bayou Bend Annual Gift Endowment   | 106            | 212            |
| The Judy and Charles Tate Education Endowment  | 130            | 142            |
| Bayou Bend 50th Anniversary Endowment  | 136            | 132            |
| In Memory of James William Glanville and Nancy Hart Glanville Education Endowment                      | 105            | 92             |
| O.B. Dyer Endowment at Bayou Bend  | 62             | 63             |
| The Twinkle Fund in support of operations for Bayou Bend Collection and Gardens                        | 26             | 27             |
| The Sparkle Fund in support of education programs for the docents at Bayou Bend Collection and Gardens | 6              | 7              |
| Total Bayou Bend Collection and Gardens  | <u>13,567</u>  | <u>30,648</u>  |
|  |                |                |
| Glassell School of Art:  |                |                |
| Alfred C. Glassell, Jr. Endowment Fund   | 13,351         | 26,560         |
| Glassell School Endowments   | 3,161          | 7,037          |
| Glassell Scholarship Endowments  | 4,292          | 5,487          |
| Laura Lee Blanton Endowment for the Core Program at the Glassell School of Art                         | 1,291          | 1,263          |
| Glassell School Special Endowment  | 2              | 2              |
| Total Glassell School of Art   | <u>22,097</u>  | <u>40,349</u>  |
|  |                |                |
| Rienzi:  |                |                |
| The Carroll Sterling and Harris Masterson III Endowment  | 9,705          | 16,319         |
| The Caroline Wiess Law Endowment   | 7,684          | 12,523         |
| Fredricka H. Crain Endowment for Director of Rienzi  | 2,259          | 2,262          |
| Rienzi Garden Endowment Fund   | 952            | 889            |
| Nancy Pollok Guinee Endowment for Rienzi Operations  | 271            | 252            |
| Total Rienzi   | <u>20,871</u>  | <u>32,245</u>  |
|  |                |                |
| Total Operations Endowment Investment Accounts   | <u>647,846</u> | <u>915,044</u> |

(Continued)

|   | Cost                | Fair Value          |
|---|---------------------|---------------------|
| Accessions Endowment Investment Accounts:   |                     |                     |
| Caroline Wiess Law Accessions Endowment   | \$ 263,211          | \$ 283,646          |
| Alfred C. Glassell, Jr. Endowment Fund for Accessions   | 44,104              | 88,639              |
| Brown Foundation Accessions Endowment   | 23,410              | 60,797              |
| Alice Pratt Brown Museum Endowment  | 19,665              | 56,211              |
| Agnes Cullen Arnold Endowment   | 12,534              | 31,312              |
| Director's Accessions Endowment   | 5,364               | 17,769              |
| Audrey Jones Beck Accessions Endowment  | 11,419              | 13,721              |
| Alvin S. Romansky Print Accessions Endowment  | 1,630               | 3,227               |
| Long American Art Endowment   | 488                 | 1,418               |
| Lora Jean Kilroy Accessions Endowment   | 1,346               | 1,348               |
| Shahla and Hushang Ansary Endowment   | 1,221               | 1,148               |
| S. I. and Susie Morris Photography Endowment  | 540                 | 1,113               |
| The Cyvia and Melvyn Wolff Endowment for American Art   | 1,084               | 1,087               |
| Windgate Foundation Accessions Endowment for Living Contemporary Craft Artists                | 1,052               | 922                 |
| The Marjorie G. and Evan C. Horning Print Fund  | 512                 | 742                 |
| The Stuart Endowment Fund   | 644                 | 595                 |
| W. H. Keenan Family Endowment Fund  | 502                 | 564                 |
| Rienzi Collections Endowment Fund   | 562                 | 555                 |
| The Myron B. and Linnet F. Deily Endowment for Latin American Art                             | 423                 | 431                 |
| Jack R. McGregor Endowment Fund for Glass   | 340                 | 372                 |
| Elizabeth S. and Marjorie G. Horning Asian Art Accessions Endowment Fund                      | 352                 | 361                 |
| Alice C. Simkins Drawing Endowment Fund   | 228                 | 256                 |
| Marjorie & Evan Horning Endowment for Decorative Arts   | 265                 | 250                 |
| The Ann Gordon Trammell American Art Endowment Fund   | 226                 | 249                 |
| Mundy Photography Department Endowment  | 214                 | 220                 |
| The Pamela and David Ott American Art Endowment   | 210                 | 219                 |
| Marian and Speros Martel Early Americana Accessions Endowment Fund Honoring William S. Kilroy | 188                 | 198                 |
| Bayou Bend Dozent Organization Endowment Fund   | 170                 | 183                 |
| Michael K. Brown Metals Endowment Fund  | 154                 | 167                 |
| Houston Junior Woman's Club Charitable Fund—An Endowment Fund for Bayou Bend Accessions       | 157                 | 159                 |
| The Ira and Virginia Jackson Endowment Fund   | 151                 | 157                 |
| The Gloria Garic Anderson Endowment Fund For Accessions for Bayou Bend                        | 137                 | 153                 |
| The Anne Tucker and Clint Willour Young Photographers Endowment                               | 140                 | 134                 |
| Theta Charity Antiques Show Accessions Endowment  | 116                 | 113                 |
| Decorative Arts Accessions Endowment Fund   | 86                  | 107                 |
| The Carol Jean and Michael Moehlman Bayou Bend Accessions Endowment Fund                      | 67                  | 75                  |
| The Alice C. Simkins Endowment for Southern Art for Bayou Bend                                | 66                  | 68                  |
| Lynn and Marcel Mason Photography Endowment Fund  | 66                  | 65                  |
| The Toni and Ralph Wallingford Accessions Endowment for Bayou Bend                            | 63                  | 60                  |
| Richard J. Meisinger, Jr. Accession Endowment in honor of Anne Wilkes Tucker                  | 44                  | 42                  |
| Duncan W. Corbett Endowment for Southwestern American Art                                     | 35                  | 35                  |
| Anne Wilkes Tucker Endowment  | 29                  | 33                  |
| Linda and Ronny Finger Endowment Fund   | 20                  | 25                  |
| Samuel F. Gorman Endowment Fund for Accessions  | 1                   | 1                   |
| Total Accessions Endowment Investment Accounts  | <u>393,236</u>      | <u>568,947</u>      |
| Total investments within operations, accessions, and plant accounts                           | <u>(9,768)</u>      | <u>(9,768)</u>      |
| Board designated funds functioning as endowment - 2021 Trustee Fund                           | <u>92,910</u>       | <u>79,416</u>       |
| Total investments   | <u>\$ 1,124,224</u> | <u>\$ 1,553,639</u> |

(Concluded)

An endowment is considered to be underwater if the fair value of the endowment fund is less than the original endowment gift amount. The total amount of underwater endowments is immaterial to the financial statements as of June 30, 2022 and 2021.

## 5. PLEDGES RECEIVABLE

Pledges receivable—net represents the present value of future cash flows, discounted at the average five-year Treasury bill rate (3.19% and 0.84% as of June 30, 2022 and 2021, respectively), and are as follows:

|  | <b>2022</b>      | <b>2021</b>      |
|--|------------------|------------------|
| Due within one year                      | \$ 8,591         | \$ 11,938        |
| Due within two to five years             | 18,795           | 23,527           |
| Due after five years                     | <u>1,100</u>     | <u>1,600</u>     |
| Total                                    | 28,486           | 37,065           |
| Less present value discount              | (863)            | (1,325)          |
| Less allowance for uncollectible pledges | <u>(1,219)</u>   | <u>(1,219)</u>   |
| Pledges receivable—net                   | <u>\$ 26,404</u> | <u>\$ 34,521</u> |

## 6. PROPERTY

Property as of June 30, 2022 and 2021 is as follows:

|                                    | <b>2022</b>       | <b>2021</b>       |
|------------------------------------|-------------------|-------------------|
| Land                               | \$ 27,877         | \$ 27,877         |
| Construction in progress           | 5,940             | 1,901             |
| Buildings and capital improvements | 526,634           | 525,111           |
| Equipment, furniture, and fixtures | <u>32,431</u>     | <u>29,807</u>     |
| Total                              | 592,882           | 584,696           |
| Less accumulated depreciation      | <u>(164,201)</u>  | <u>(143,694)</u>  |
| Total                              | <u>\$ 428,681</u> | <u>\$ 441,002</u> |

## 7. LONG TERM DEBT AND LINE OF CREDIT

**Long Term Debt—net**—The Museum issued \$100 million of 2021 Taxable Bonds, Series A on October 5, 2021. The bonds mature in 2051; no principal is due until maturity. Interest at 2.85% is due and payable semi-annually. A portion of the proceeds of the bonds was used to pay down and terminate the existing line of credit; remaining proceeds will be used by the Museum for any lawful purpose. Interest of \$941 was paid during the year ended June 30, 2022.

Long term debt—net as of June 30, 2022 is as follows:

|                              |                  |
|------------------------------|------------------|
| 2021 Taxable Bonds, Series A | \$ 100,000       |
| Bond underwriters discount   | (453)            |
| Deferred financing costs     | <u>(392)</u>     |
| Total                        | <u>\$ 99,155</u> |

**Line of Credit**—During the year ended June 30, 2019, the Museum entered into a \$50 million line of credit agreement with a bank to be used for anticipated cash flow needs of the campus construction project. The only draw on the line was made during the year ended June 30, 2021. As of June 30, 2021, \$5 million was outstanding on the line; this amount is included in Accounts Payable and Accrued Liabilities in the Statements of Financial Position. During the year ended June 30, 2022, the line was paid off and terminated.

Interest on the outstanding line of credit amounts accrued at LIBOR plus 0.35%. Interest of \$8 and \$6 was paid during the years ended June 30, 2022 and 2021, respectively.

## 8. PENSION PLAN

The Museum has a money-purchase defined contribution pension plan (the “Plan”) covering substantially all of its regular full- and part-time employees. The Plan provides for employee contributions of up to 100% of compensation, up to the maximum dollar limit, which is set by the Internal Revenue Service, and employer contributions of up to 5% of the employee’s compensation. Museum contributions are fully vested immediately upon the employee’s participation. The Museum’s policy is to currently fund accrued pension cost. The total expense for the employer contributions to the Plan for the years ended June 30, 2022 and 2021 was \$1,119 and \$1,079, respectively, which is included as part of employee benefits expense. The Museum maintains a deferred compensation agreement with the Director of the Museum. The deferral term of the agreement is through January 2027, with ten 12-month deferral periods accruing on a straight-line basis on each anniversary of the agreement. No deferred compensation was paid during the years ended June 30, 2022 and 2021. The deferred compensation liability as of June 30, 2022 and 2021 totaled \$906 and \$613, respectively. The liability is included in Accounts Payable and Accrued Liabilities in the Statements of Financial Position.

## 9. RELATED-PARTY TRANSACTIONS

The Museum bylaws incorporate a conflict of interest policy. The purpose of this policy is to protect the Museum’s interest when it is contemplating a transaction or arrangement that might benefit the private interest of a member of its Board of Trustees, officer, director, or associate director of the Museum or a voting member of a committee with board-delegated powers. A person who has a financial interest may have a conflict of interest only if the Board of Trustees or appropriate committee decides that a conflict of interest exists. All members of the Board of Trustees, professional staff, and committee consultants complete a conflict of interest document when joining the institution and/or annually and/or when changes occur.

The outstanding balances of pledges receivable from members of the Museum’s Board of Trustees total \$14,650 and \$16,185 as of June 30, 2022 and 2021, respectively. Contribution revenue from members of the Museum’s Board of Trustees total \$3,806 and \$3,163 for the years ended June 30, 2022 and 2021, respectively.



## 10. CAPITAL AND OPERATING LEASE COMMITMENTS

The Museum has various noncancelable operating lease commitments as of June 30, 2022 payable as follows:

### Years Ending June 30

|                         |              |
|-------------------------|--------------|
| 2023                    | \$ 32        |
| 2024                    | 32           |
| 2025                    | 30           |
| 2026                    | <u>4</u>     |
| Total lease commitments | <u>\$ 98</u> |

Rental expense under these leases for the years ended June 30, 2022 and 2021 was \$32.

## 11. NET ASSETS

Net assets with donor restrictions as of June 30, 2022 and 2021 were restricted for the following uses:

|  | <b>2022</b>                                |                                     |                     |
|--|--|-------------------------------------|---------------------|
|  | <b>Restricted for<br/>Time and Purpose</b> | <b>Restricted<br/>In Perpetuity</b> | <b>Total</b>        |
| Operations and operations<br>endowment | \$ 287,839                                 | \$ 462,951                          | \$ 750,790          |
| Accessions and accessions<br>endowment | 308,992                                    | 273,233                             | 582,225             |
| Plant                                  | <u>6,238</u>                               | <u>-</u>                            | <u>6,238</u>        |
| Total                                  | <u>\$ 603,069</u>                          | <u>\$ 736,184</u>                   | <u>\$ 1,339,253</u> |
|  | <b>2021</b>                                |                                     |                     |
|  | <b>Restricted for<br/>Time and Purpose</b> | <b>Restricted<br/>In Perpetuity</b> | <b>Total</b>        |
| Operations and operations<br>endowment | \$ 289,532                                 | \$ 462,492                          | \$ 752,024          |
| Accessions and accessions<br>endowment | 357,542                                    | 271,855                             | 629,397             |
| Plant                                  | <u>6,708</u>                               | <u>-</u>                            | <u>6,708</u>        |
| Total                                  | <u>\$ 653,782</u>                          | <u>\$ 734,347</u>                   | <u>\$ 1,388,129</u> |

Included in operations and accession endowments are contributions and other inflows of assets that are maintained in donor accounts, which are restricted by donor-imposed stipulations to be used, or income from such assets to be used, for various operating and art accession activities of the Museum, including activities of Bayou Bend Collection and Gardens, Glassell School of Art, and Rienzi. Included in plant accounts are pledges and contributions received that are restricted to be used by the Museum for various capital activities.

\* \* \* \* \*