

The Museum of Fine Arts, Houston

Financial Statements as of and for the Year Ended
June 30, 2021 (with Comparative Totals for the
Year Ended June 30, 2020) and Independent
Auditors' Report

THE MUSEUM OF FINE ARTS, HOUSTON

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of The Museum of Fine Arts, Houston (the "Museum"), which comprise the statement of financial position as of June 30, 2021, and the related statements of activities, functional expenses, and cash flows for the year 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 auditors' 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 auditors consider internal control relevant to the Museum'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 Museum's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Museum as of June 30, 2021, its functional expenses, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the Museum's 2020 financial statements and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 9, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2020 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Deloitte & Touche LLP

November 3, 2021

THE MUSEUM OF FINE ARTS, HOUSTON

STATEMENTS OF FINANCIAL POSITION AS OF JUNE 30, 2021 (WITH COMPARATIVE TOTALS AS OF JUNE 30, 2020) (Dollars in thousands)

	2021	2020
ASSETS		
CASH AND CASH EQUIVALENTS		
Cash and cash equivalents	\$ 34,024	\$ 22,751
Temporarily restricted cash and cash equivalents	<u>25,290</u>	<u>43,188</u>
Total cash and cash equivalents	<u>59,314</u>	<u>65,939</u>
RECEIVABLES:		
Pledges—net	34,521	55,974
Grants	123	250
Accounts	820	302
Interest/dividends	<u>925</u>	<u>1,205</u>
Total receivables	<u>36,389</u>	<u>57,731</u>
INVENTORY	<u>715</u>	<u>836</u>
PREPAID EXPENSES	<u>816</u>	<u>589</u>
INVESTMENTS	<u>1,617,736</u>	<u>1,282,322</u>
PROPERTY—Net	<u>441,002</u>	<u>417,970</u>
OTHER ASSETS	<u>1,114</u>	<u>1,169</u>
TOTAL	<u>\$ 2,157,086</u>	<u>\$ 1,826,556</u>
LIABILITIES AND NET ASSETS		
LIABILITIES:		
Accounts payable and accrued liabilities	\$ 40,302	\$ 34,530
Deferred revenue	<u>16,272</u>	<u>16,233</u>
Total liabilities	<u>56,574</u>	<u>50,763</u>
COMMITMENTS (Note 4, 7, 10)		
NET ASSETS:		
Without donor restriction	712,383	533,841
With donor restriction	<u>1,388,129</u>	<u>1,241,952</u>
Total net assets	<u>2,100,512</u>	<u>1,775,793</u>
TOTAL	<u>\$ 2,157,086</u>	<u>\$ 1,826,556</u>

See notes to financial statements.

THE MUSEUM OF FINE ARTS, HOUSTON

STATEMENTS OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2021 (WITH COMPARATIVE TOTALS FOR JUNE 30, 2020) (Dollars in thousands)

	Without Donor Restriction	With Donor Restriction	2021 Total	2020 Total
OPERATING REVENUES:				
Contributions and grants	\$ 10,772	\$ 3,080	\$ 13,852	\$ 13,254
Investment returns, net, appropriated for current use	39,425	314	39,739	38,465
Membership revenue	2,558	-	2,558	4,083
Admission revenue	2,359	-	2,359	2,583
Tuition revenue	1,207	-	1,207	1,972
Auxiliary revenue	1,875	-	1,875	2,371
Other	2,765	-	2,765	2,171
Net assets released from restriction	2,401	(2,401)	-	-
Total operating support and revenue	<u>63,362</u>	<u>993</u>	<u>64,355</u>	<u>64,899</u>
OPERATING EXPENSES:				
Program services:				
Curatorial and collections	7,981	-	7,981	10,166
Exhibitions	4,451	-	4,451	3,419
Education and public programs	9,121	-	9,121	9,466
Glassell School	4,503	-	4,503	5,010
Bayou Bend	3,419	-	3,419	4,208
Rienzi	1,049	-	1,049	1,195
Membership activities	1,194	-	1,194	1,309
Buildings and grounds and security	14,770	-	14,770	15,165
Subtotal program services	<u>46,488</u>	<u>-</u>	<u>46,488</u>	<u>49,938</u>
Supporting services:				
Management and general	6,675	-	6,675	6,382
Auxiliary activities	2,802	-	2,802	3,634
Fundraising	3,936	-	3,936	5,224
Subtotal supporting services	<u>13,413</u>	<u>-</u>	<u>13,413</u>	<u>15,240</u>
Total operating expenses before depreciation and amortization	<u>59,901</u>	<u>-</u>	<u>59,901</u>	<u>65,178</u>
OPERATING SURPLUS (DEFICIT) BEFORE DEPRECIATION AND AMORTIZATION	3,461	993	4,454	(279)
DEPRECIATION AND AMORTIZATION	<u>11,071</u>	<u>-</u>	<u>11,071</u>	<u>10,879</u>
CHANGES IN NET ASSETS FROM OPERATIONS	(7,610)	993	(6,617)	(11,158)
NON-OPERATING ACTIVITIES:				
Contributions designated for capital expenditures and long term investment	-	14,121	14,121	25,465
Contributions for the purchase of art	24,372	795	25,167	8,591
Investment returns, net, appropriated for art acquisition	25,764	(3,158)	22,606	21,850
Acquisition of art objects net of proceeds from the sale of art	(64,541)	-	(64,541)	(35,885)
Investment returns, net, in excess of amounts appropriated for current use and art acquisition	115,633	206,314	321,947	(26,345)
Net assets released from restriction to fund non-operating activities	72,888	(72,888)	-	-
Other—insurance	12,036	-	12,036	127
CHANGE IN NET ASSETS	178,542	146,177	324,719	(17,355)
NET ASSETS—Beginning of year	<u>533,841</u>	<u>1,241,952</u>	<u>1,775,793</u>	<u>1,793,148</u>
NET ASSETS—End of year	<u>\$ 712,383</u>	<u>\$ 1,388,129</u>	<u>\$ 2,100,512</u>	<u>\$ 1,775,793</u>

See notes to financial statements.

THE MUSEUM OF FINE ARTS, HOUSTON

STATEMENTS OF FUNCTIONAL EXPENSES FOR THE YEAR ENDED JUNE 30, 2021 (WITH COMPARATIVE TOTALS FOR JUNE 30, 2020)

(Dollars in thousands)

Area	Program Services									Supporting Services				Total Expenses before Depreciation for the Year Ended June 30, 2021	Total Expenses before Depreciation for the Year Ended June 30, 2020
	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	\$ 4,789	\$ 345	\$ 4,972	\$ 2,278	\$ 1,944	\$ 479	\$ 343	\$ 6,877	\$ 22,027	\$ 4,345	\$ 1,260	\$ 2,182	\$ 7,787	\$ 29,814	\$ 31,368
EMPLOYEE BENEFITS	806	63	779	334	179	49	62	1,330	3,602	1,104	201	344	1,649	5,251	5,503
PAYROLL TAXES	348	25	360	125	74	19	24	626	1,601	220	91	135	446	2,047	2,177
Total	5,943	433	6,111	2,737	2,197	547	429	8,833	27,230	5,669	1,552	2,661	9,882	37,112	39,048
OCCUPANCY	142	75	269	418	382	139	20	2,983	4,428	(294)	129	98	(67)	4,361	4,627
CONTRACT SERVICES	247	79	255	432	344	146	18	939	2,460	611	129	516	1,256	3,716	4,093
INSURANCE	607	36	-	288	88	20	-	1,307	2,346	102	2	5	109	2,455	1,981
POSTAGE AND SHIPPING	307	1,944	19	9	1	2	35	-	2,317	17	33	21	71	2,388	2,096
PROFESSIONAL FEES	412	5	652	192	26	6	39	12	1,344	854	10	83	947	2,291	3,150
PROGRAMS & PREVIEWS	90	1,671	60	131	76	11	-	-	2,039	27	5	-	32	2,071	2,130
PROMOTION	5	-	692	30	25	11	497	-	1,260	23	37	108	168	1,428	1,727
COST OF GOODS SOLD	-	-	-	-	29	-	-	-	29	-	849	-	849	878	789
SUPPLIES	100	12	95	76	54	5	1	264	607	25	11	113	149	756	1,179
MISCELLANEOUS	99	72	251	170	70	118	17	253	1,050	(563)	(14)	231	(346)	704	1,049
REPAIRS & MAINTENANCE	13	81	-	1	92	36	-	167	390	43	53	-	96	486	909
LIBRARY	-	-	478	-	6	-	-	-	484	-	-	-	-	484	172
PRINTING & PUBLICATIONS	2	1	138	16	16	8	136	-	317	10	-	58	68	385	839
DUES & SUBSCRIPTIONS	5	1	92	3	12	-	2	12	127	82	6	39	127	254	237
TRAVEL	9	41	9	-	1	-	-	-	60	43	-	3	46	106	1,130
INTEREST AND TAXES	-	-	-	-	-	-	-	-	-	26	-	-	26	26	22
TOTAL	\$ 7,981	\$ 4,451	\$ 9,121	\$ 4,503	\$ 3,419	\$ 1,049	\$ 1,194	\$ 14,770	\$ 46,488	\$ 6,675	\$ 2,802	\$ 3,936	\$ 13,413	\$ 59,901	\$ 65,178

See notes to financial statements.

THE MUSEUM OF FINE ARTS, HOUSTON

STATEMENTS OF CASH FLOWS FOR THE YEAR ENDED JUNE 30, 2021 (WITH COMPARATIVE TOTALS FOR JUNE 30, 2020) (Dollars in thousands)

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 324,719	\$ (17,355)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	11,071	10,879
Gains on sale of investments	(70,589)	(90,870)
Net unrealized (appreciation) depreciation on investments	(296,252)	76,194
Distributions from investing activities	24,486	17,718
Contributions restricted by donors	(17,997)	(29,246)
Change in receivables	21,342	17,839
Change in inventory	121	(131)
Change in prepaid expenses	(227)	428
Change in liabilities	<u>14,018</u>	<u>(15,582)</u>
Net cash provided by (used in) operating activities	<u>10,692</u>	<u>(30,126)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property	(47,310)	(38,949)
Return of capital on investments	31,318	18,887
Purchases of investments	(118,736)	(133,772)
Proceeds from sale of investments	94,359	129,732
Decrease in other assets	<u>55</u>	<u>87</u>
Net cash used in investing activities	<u>(40,314)</u>	<u>(24,015)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Contributions restricted by donors	17,997	29,246
Proceeds from line of credit	<u>5,000</u>	<u>-</u>
Net cash provided by financing activities	<u>22,997</u>	<u>29,246</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	(6,625)	(24,895)
CASH AND CASH EQUIVALENTS—Beginning of year	<u>65,939</u>	<u>90,834</u>
CASH AND CASH EQUIVALENTS—End of year	<u>\$ 59,314</u>	<u>\$ 65,939</u>
NONCASH ACTIVITIES:		
Property purchases totaling \$255 and \$13,462 are included in accounts payable as of June 30, 2021 and 2020, 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, 2021 AND 2020

(Dollars in thousands)

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 years ended June 30, 2021 and 2020, the outbreak of coronavirus (COVID-19) impacted the financial markets, the global and local economies, and the Museum’s operations. The Museum was closed to the public for approximately two months during the spring of 2020, and upon reopening, admission was limited due to capacity restrictions imposed by state and local governments. From mid-March 2020 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 for both fiscal years. The Museum implemented expenditure controls including reduced hours to better align with guest demand and eliminating most discretionary expenditure items.

Other museums and institutions have made and continue to make similar alterations to their normal business operations, and in general, the markets continue to experience a significant level of uncertainty due to the pandemic. We may be required to take further actions that alter our business operations as the situation evolves. As a result, the ultimate impact of the COVID-19 pandemic and the effects of the alterations we have made in response to the pandemic on our operations, financial condition, liquidity, and financial results cannot be predicted at this time.

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—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 market 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 73,000 works of art at June 30, 2021, 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 \$34,498 and \$22,712 for the years ended June 30, 2021 and 2020, respectively. The value of art objects obtained by gifts is reported as contributions and collection expense in the statements of activities and totaled \$22,670 and \$4,632 for the years ended June 30, 2021 and 2020, respectively. Deaccessions made during the years 2021 and 2020 had a fair market value of \$0 and \$1, respectively, and were executed in accordance with the Museum's policy and accepted national standards.

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. In the years ended June 30, 2021 and 2020, 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 3, 2021, which is the date the financial statements were available for issuance.

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.

New Accounting Pronouncements—In May 2014, the FASB issued Accounting Standards Update No. 2014-09 (ASU 2014-09), *Revenue from Contracts with Customers*, which outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance, including industry-specific guidance. The core principle of the revenue model is that “an entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.”

Subsequent to the issuance of ASU 2014-09, various ASU amendments to the revenue guidance have been issued. These updates address 1) Principal versus Agent Considerations (Reporting Revenue Gross versus Net); 2) Identifying Performance Obligations and Licensing; 3) Rescission of Certain SEC Staff Observer Comments upon Adoption of Topic 606; and 4) Narrow-Scope Improvements and Practical Expedients. ASU 2014-09 and subsequent amendments are referred to herein as the “Revenue Standard”. Management adopted the Revenue Standard beginning July 1, 2020. The implementation of these ASUs 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.

In August 2018, the FASB issued ASU No. 2018-13 (ASU 2018-13), *Disclosure Framework—Changes to the Disclosure Requirements for Fair Value Measurement*, which modifies the disclosure requirements on fair value measurements in Topic 820, *Fair Value Measurement*, to improve the effectiveness of the footnote disclosures. Management adopted ASU 2018-13 beginning July 1, 2020; implementation had no significant impact on the Museum’s financial statements.

In March 2019, the FASB issued ASU No. 2019-03, *Not-for-Profit Entities (Topic 958): Updating the Definition of Collections*, which specifically addresses the use of proceeds from sales of collections and related disclosures. Under the clarified definition, proceeds from the sale of collection items can be used either to acquire new items or directly care for existing items already in possession. Previous guidance required proceeds to be used only for the acquisition of additional collections. This change aligns the definition of “collections” with that currently used by the American Alliance of Museums. ASU 2019-03 further requires an entity to disclose if collection sale proceeds can in fact be used to acquire new items and/or for the direct care of existing collections; and, if using those proceeds for direct care is allowed, the entity’s definition of “direct care.” Management adopted ASU 2019-03 beginning July 1, 2020; implementation had no significant impact on the Museum’s financial statements.

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. ASU 2020-07 is effective for the Museum beginning July 1, 2021, with early adoption permitted. Management has not yet determined the impact, if any, that implementation of ASU 2020-07 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, 2021 and 2020 are as follows:

	2021	2020
Financial assets:		
Cash and cash equivalents	\$ 34,024	\$ 22,751
Temporarily restricted cash and cash equivalents	25,290	43,188
Receivables:		
Pledges	34,521	55,974
Grants	123	250
Accounts	820	302
Interest	925	1,205
Investments	<u>1,617,736</u>	<u>1,282,322</u>
Total financial assets	<u>1,713,439</u>	<u>1,405,992</u>
Less: assets not available for expenditure		
Assets with donor restrictions:		
Temporarily restricted cash and cash equivalents	(25,290)	(43,188)
Pledges receivable (less annual fund receivables)	(34,439)	(55,858)
Interest receivable	(925)	(1,205)
Investments	(1,617,736)	(1,282,322)
Approved distributions for next fiscal year	65,909	62,117
Board designated reserve fund	<u>(12,078)</u>	<u>(14,091)</u>
Total assets not available for expenditure	<u>(1,624,559)</u>	<u>(1,334,547)</u>
Financial assets available to meet general expenditures over the next 12 months	<u>\$ 88,880</u>	<u>\$ 71,445</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, 2021 and 2020 are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
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>

	2020		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets—beginning of year	<u>\$ 170,139</u>	<u>\$ 1,146,747</u>	<u>\$ 1,316,886</u>
Investment return:			
Investment income	10,251	11,359	21,610
Net realized gains	30,521	60,349	90,870
Net unrealized losses	<u>(38,226)</u>	<u>(37,968)</u>	<u>(76,194)</u>
Total investment return	<u>2,546</u>	<u>33,740</u>	<u>36,286</u>
Contributions	-	3,311	3,311
Other	52	55	107
Appropriated for expenditures	(3,654)	-	(3,654)
Transfers to other funds	(58,739)	-	(58,739)
Net assets released from restrictions	<u>21,769</u>	<u>(21,769)</u>	<u>-</u>
Endowment net assets—end of year	<u>\$ 132,113</u>	<u>\$ 1,162,084</u>	<u>\$ 1,294,197</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 \$309,325 (15% of 2021 net assets) and \$249,567 (14% of 2020 net assets) as of June 30, 2021 and 2020, 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 \$622,914 and \$326,661 as of June 30, 2021 and 2020, respectively, includes both unrealized gains and losses.

The Museum has made capital commitments of \$798,750 and \$774,632 for purchases of limited partnership interests, of which the total net amount funded was \$603,195 and \$575,656 as of June 30, 2021 and 2020, respectively. Subsequent to June 30, 2021, the Museum funded an additional \$12,359 and made one additional commitment to investment managers in other asset classes.

A summary of investments as of June 30, 2021 and 2020 is as follows:

	2021		
	Cost	Fair Value	Unrealized Appreciation
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>
	2020		
	Cost	Fair Value	Unrealized Appreciation (Depreciation)
At fair value:			
Equity and equity mutual funds	\$ 426,659	\$ 785,663	\$ 359,004
U.S. treasuries, bonds and bond mutual funds	69,961	78,691	8,730
Alternative investments	291,781	249,567	(42,214)
Real estate and REITS	15,471	16,612	1,141
Money market mutual funds	<u>151,789</u>	<u>151,789</u>	<u>-</u>
Total investments	<u>\$ 955,661</u>	<u>\$ 1,282,322</u>	<u>\$ 326,661</u>

Investment income earned by the Museum and its allocation among net asset classifications for the years ended June 30, 2021 and 2020 are as follows:

	2021	2020
Investment income	\$ 20,369	\$ 22,547
Direct investment expense	(2,918)	(3,253)
Net realized gains on investments reported at fair value	70,589	90,870
Net unrealized gains (losses) on investments reported at fair value	<u>296,252</u>	<u>(76,194)</u>
 Total investment income	 <u>\$384,292</u>	 <u>\$ 33,970</u>
 Net asset classification of investment income:		
Without donor restriction	\$180,823	\$ (7,253)
With donor restriction	<u>203,469</u>	<u>41,223</u>
 Total investment income	 <u>\$384,292</u>	 <u>\$ 33,970</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, 2021 and 2020, the Museum valued, using Level 1 inputs, \$1,308,221 and \$1,015,427, 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, 2021 and 2020, 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, 2021 and 2020, 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, 2021 and 2020 were as follows:

	2021			
	Assets at Fair Value			
	Total			
	Level 1	Investments Measured at Fair Value	Investments Measured at NAV	Total
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>
Total	<u>\$ 1,308,221</u>	<u>\$ 1,308,221</u>	<u>\$ 309,515</u>	<u>\$ 1,617,736</u>

	2020			
	Assets at Fair Value			
	Total			
	Level 1	Investments Measured at Fair Value	Investments Measured at NAV	Total
Equity and equity mutual funds	\$ 785,663	\$ 785,663	\$ -	\$ 785,663
U.S. treasuries, bonds, and bond mutual funds	61,363	61,363	17,328	78,691
Alternative investments	-	-	249,567	249,567
Real estate and REITS	16,613	16,613	-	16,613
Money market mutual funds	<u>151,788</u>	<u>151,788</u>	<u>-</u>	<u>151,788</u>
Total	<u>\$ 1,015,427</u>	<u>\$ 1,015,427</u>	<u>\$ 266,895</u>	<u>\$ 1,282,322</u>

A description of the securities measured at Net Asset Value is as follows as of June 30, 2021 and 2020:

2021					
	Category	NAV	Unfunded Commitments	Redemption Frequency	Redemption 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 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, and bond mutual funds	<u>190</u>	<u>-</u>	N/A	N/A
	Total	<u>\$309,515</u>	<u>\$195,555</u>		

2020					
	Category	NAV	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
	Multi-Strategy hedge funds (a)	\$ 1,367	\$ -	Quarterly–Annually	30–100 days
	Private equity funds (b)	103,730	87,152	N/A	N/A
	Venture capital funds (c)	10,449	420	N/A	N/A
	Energy and natural resources funds (d)	81,312	62,879	N/A	N/A
	Distressed debt funds (e)	5	-	N/A	N/A
	Real estate funds (f)	52,704	48,524	N/A	N/A
	U.S. treasuries, bonds, and bond mutual funds	<u>17,328</u>	<u>-</u>	N/A	N/A
	Total	<u>\$266,895</u>	<u>\$198,975</u>		

- (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, 2021 is as follows:

	Cost	Fair Value
Operations endowment investment accounts:		
Museum:		
The Caroline Wiess Law Operating Endowment	\$ 390,463	\$ 476,459
Brown Foundation Maintenance Endowment	57,222	165,887
Alice Pratt Brown, "Brown Wing" Endowment	12,605	41,111
Alfred C. Glassell, Jr. Endowment Fund for The Museum of Fine Arts, Houston	17,486	40,643
The General and Mrs. Maurice Hirsch Library Endowment Permanent Endowment	13,979	29,025
Jesse H. and Mary Gibbs Jones Exhibition Endowment	6,792	25,225
Cornelia and Meredith Long Operating Endowment	4,425	11,724
Robert A. Welch—Works of Art Restoration Endowment	7,390	9,575
The Wortham Foundation Audrey Jones Beck Building Endowment	2,579	7,248
The Hossein Afshar Endowment for Islamic Department Operations	5,074	6,578
W. T. and Louise J. Moran Education Director Endowment	5,280	5,915
Gus and Lyndall Wortham Curatorial Chair Endowment	4,206	5,528
Jeanie Kilroy Wilson Endowment for the Curator of American Painting & Sculpture	1,848	4,896
Audrey Jones Beck Capital Campaign Endowment	3,823	4,344
Cullinan Wing Endowment	3,589	3,771
Ting Tsung and Wei Fong Chao Endowment for the Curator of Asian Art	1,075	3,719
The Isabel Brown Wilson Endowment for the Curator of Modern and Contemporary Art	3,376	3,634
The Caroline Wiess Law Education Endowment	2,855	3,206
The Carol Crow Photography Conservator Chair Endowment	1,934	3,095
Audrey Jones Beck European Art Curator Endowment	1,902	2,641
Sara and Bill Morgan Endowment for the Curator of Decorative Arts, Craft, and Design	2,393	2,514
Latin American and Latino Art Curator Endowment	2,184	2,477
Windgate Foundation Endowment for the Curator of Craft	1,864	2,400
Fayez Shalaby Sarofim and Meredith J. Long Endowment Fund for Exhibitions	2,018	2,064
The Margaret Alkek Williams Endowment for the Director of the MFAH	1,240	1,585
Windgate Foundation Outreach Programming Endowment	1,463	1,573
William Randolph Hearst Educational Outreach Endowment	1,513	1,548
Harry C. Wiess Memorial Endowment	734	1,408
Peter C. Marzio Endowment for Craft	373	1,301
National Endowment for the Humanities—Education Endowment	1,184	1,203
Cyvia and Melvyn Wolff Endowment for Learning Through Art	773	1,130
The Fondren Foundation Education Endowment	914	957
B.M.C. Software, Inc. Education Endowment	639	834
The Wallace Foundation Education Endowment	627	797
John Blodgett Davis Endowment Fund	666	768
Shell Companies Exhibition Endowment	647	743
Neal Myers and Ken Black Children's Art Fund	165	438
National Endowment for the Arts—Planning and Stabilization	258	432
The Margaret Cooke Skidmore Endowed Exhibition Fund	374	422
Frank and Eleanor Freed Lecture Series Endowment	309	416
Campaign for the MFAH Campus Operating Endowment	186	349
The Melza and Ted Barr Endowment for Conservation	289	311
	288	306

(Continued)

	Cost	Fair Value
The Medha and Shashank Karve Endowment Fund	\$ 269	\$ 297
The Cyvia and Melvyn Wolff Endowment for Exhibitions	264	296
The Virginia and Ira Jackson Lecture on Prints and Drawings Endowment	228	279
Cyvia and Melvyn Wolff Endowment for Bus Scholarships	237	241
Albert and Ethel Herzstein Judaica Art Gallery Endowment Fund	207	219
Joan and Stanford Alexander Dissertation Award Endowment	207	219
Armando Garza-Sada Sr. Endowment for the Arts	202	206
Houston Antiques Dealers Association Endowment	147	205
The Jesse H. Jones II Endowment for African-American Art Initiatives	176	193
CFP Foundation Endowment for Education	164	183
Alice Pratt Brown Garden Endowment	71	157
Favrot Education Endowment Fund	121	138
Garden Endowment	33	88
Michael W. Dale Decorative Arts Exhibition Endowment	77	86
Neiman Marcus Youth Arts Education Endowment	56	61
The John C. Wynne Memorial Lecture Series for Arts Education	52	60
Ralph S. O'Connor Statue Maintenance Endowment	39	49
Beth B. Schneider Endowed Summer Internship Fund	26	28
Samuel F. Gorman Endowment Fund for Exhibitions	<u>1</u>	<u>1</u>
 Total Museum	 <u>571,581</u>	 <u>883,206</u>
 Bayou Bend Collection and Gardens:		
Bayou Bend Trust Endowment	6,154	18,265
Bayou Bend Endowments	5,550	13,509
David B. Warren Symposium Endowment	333	441
The Carol and Les Ballard Endowed Lecture Series	314	381
Underwood Bayou Bend Annual Gift Endowment	102	231
The Judy and Charles Tate Education Endowment	127	155
Bayou Bend 50th Anniversary Endowment	133	144
O.B. Dyer Endowment at Bayou Bend	61	68
The Twinkle Fund in support of operations for Bayou Bend Collection and Gardens	26	29
The Sparkle Fund in support of education programs for the docents at Bayou Bend Collection and Gardens	<u>6</u>	<u>7</u>
 Total Bayou Bend Collection and Gardens	 <u>12,806</u>	 <u>33,230</u>
 Glassell School of Art:		
Alfred C. Glassell, Jr. Endowment Fund	12,482	30,140
Glassell School Endowments	3,011	7,654
Glassell Scholarship Endowments	4,175	5,968
Laura Lee Blanton Endowment for the Core Program at the Glassell School of Art	1,265	1,373
Glassell School Special Endowment	<u>2</u>	<u>2</u>
 Total Glassell School of Art	 <u>20,935</u>	 <u>45,137</u>
 Rienzi:		
The Carroll Sterling and Harris Masterson III Endowment	9,307	17,700
The Caroline Wiess Law Endowment	7,417	13,621
Fredricka H. Crain Endowment for Director of Rienzi	2,211	2,460
Rienzi Garden Endowment Fund	891	926
Nancy Pollok Guinee Endowment for Rienzi Operations	<u>165</u>	<u>176</u>
 Total Rienzi	 <u>19,991</u>	 <u>34,883</u>
 Total Operations Endowment Investment Accounts	 <u>625,313</u>	 <u>996,456</u>

	Cost	Fair Value
Accessions Endowment Investment Accounts:		
Caroline Wiess Law Accessions Endowment	\$ 250,673	\$ 308,512
Alfred C. Glassell, Jr. Endowment Fund for Accessions	41,240	100,421
Brown Foundation Accessions Endowment	22,117	66,127
Alice Pratt Brown Museum Endowment	18,470	61,138
Agnes Cullen Arnold Endowment	9,368	34,057
Director's Accessions Endowment	4,986	19,327
Audrey Jones Beck Accessions Endowment	11,127	14,924
Alvin S. Romansky Print Accessions Endowment	1,561	3,510
Long American Art Endowment	458	1,543
Lora Jean Kilroy Accessions Endowment	1,216	1,372
Shahla and Hushang Ansary Endowment	1,196	1,248
S. I. and Susie Morris Photography Endowment	516	1,211
The Cyvia and Melvyn Wolff Endowment for American Art	1,060	1,183
The Marjorie G. and Evan C. Horning Print Fund	483	807
W. H. Keenan Family Endowment Fund	490	614
Rienzi Collections Endowment Fund	550	603
The Myron B. and Linnet F. Deily Endowment for Latin American Art	414	469
Jack R. McGregor Endowment Fund for Glass	332	405
The Stuart Endowment Fund	375	403
Elizabeth S. and Marjorie G. Horning Asian Art Accessions Endowment Fund	335	392
Alice C. Simkins Drawing Endowment Fund	222	279
Marjorie & Evan Horning Endowment for Decorative Arts	251	272
The Ann Gordon Trammell American Art Endowment Fund	221	270
Mundy Photography Department Endowment	210	239
The Pamela and David Ott American Art Endowment	196	228
Marian and Speros Martel Early Americana Accessions Endowment Fund Honoring William S. Kilroy	184	215
Bayou Bend Docent Organization Endowment Fund	162	193
Michael K. Brown Metals Endowment Fund	150	182
Houston Junior Woman's Club Charitable Fund—An Endowment Fund for Bayou Bend Accessions	154	173
The Ira and Virginia Jackson Endowment Fund	147	170
The Gloria Garic Anderson Endowment Fund For Accessions for Bayou Bend	134	167
The Anne Tucker and Clint Willour Young Photographers Endowment	135	145
Theta Charity Antiques Show Accessions Endowment	110	123
Decorative Arts Accessions Endowment Fund	84	116
The Carol Jean and Michael Moehlman Bayou Bend Accessions Endowment Fund	65	82
The Alice C. Simkins Endowment for Southern Art for Bayou Bend	65	74
Lynn and Marcel Mason Photography Endowment Fund	62	69
The Toni and Ralph Wallingford Accessions Endowment for Bayou Bend	61	66
Duncan W. Corbett Endowment for Southwestern American Art	34	38
Richard J. Meisinger, Jr. Accession Endowment in honor of Anne Wilkes Tucker	33	35
Anne Wilkes Tucker Endowment	27	35
Linda and Ronny Finger Endowment Fund	19	27
Samuel F. Gorman Endowment Fund for Accessions	1	1
	<u>369,694</u>	<u>621,465</u>
Total Accessions Endowment Investment Accounts		
Total investments within operations, accessions, and plant accounts	<u>(185)</u>	<u>(185)</u>
Total investments	<u>\$ 994,822</u>	<u>\$ 1,617,736</u>

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, 2021 and 2020.

5. PLEDGES RECEIVABLE

As of June 30, 2021 and 2020, the Museum had unconditional pledges receivable of \$37,065 and \$59,347, respectively. Pledges receivable—net represents the present value of future cash flows, discounted at the average five-year Treasury bill rate (0.84% and 0.34% as of June 30, 2021 and 2020, respectively), and are as follows:

	2021	2020
Due within one year	\$ 11,938	\$ 23,588
Due within two to five years	23,527	33,709
Due after five years	<u>1,600</u>	<u>2,050</u>
 Total	 37,065	 59,347
 Less present value discount	 (1,325)	 (2,154)
Less allowance for uncollectible pledges	<u>(1,219)</u>	<u>(1,219)</u>
 Pledges receivable—net	 <u>\$ 34,521</u>	 <u>\$ 55,974</u>

6. PROPERTY

Property as of June 30, 2021 and 2020 is as follows:

	2021	2020
Land	\$ 27,877	\$ 27,877
Construction in progress	1,901	196,619
Buildings and capital improvements	525,111	301,194
Equipment, furniture, and fixtures	<u>29,807</u>	<u>24,903</u>
 Total	 584,696	 550,593
 Less accumulated depreciation	 <u>(143,694)</u>	 <u>(132,623)</u>
 Total	 <u>\$ 441,002</u>	 <u>\$ 417,970</u>

7. 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 agreement expires March 5, 2023. The first 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. Subsequent to year end, the line was paid off and terminated.

Interest on outstanding amounts accrues at LIBOR plus 0.35%. Interest of \$6 and \$0 was paid during the years ended June 30, 2021 and 2020, 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, 2021 and 2020, was \$1,079 and \$1,073, 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, 2021 and 2020. The deferred compensation liability as of June 30, 2021 and 2020 totaled \$613 and \$481, respectively.

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, 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 \$16,185 and \$31,401 as of June 30, 2021 and 2020, respectively. Contribution revenue from members of the Museum’s Board of Trustees total \$3,163 and \$2,757 for the years ended June 30, 2021 and 2020, respectively.

10. CAPITAL AND OPERATING LEASE COMMITMENTS

The Museum has various noncancelable operating lease commitments as of June 30, 2021 payable as follows:

Years Ending June 30

2022	\$ 32
2023	16
2024	16
2025	16
2026	4
	<hr/>
Total lease commitments	\$ 84

Rental expense under these leases for the years ended June 30, 2021 and 2020 was \$32 and \$41, respectively.

11. NET ASSETS

Net assets with donor restrictions as of June 30, 2021 and 2020 were restricted for the following uses:

	2021		
	Restricted for Time and Purpose	Restricted In Perpetuity	Total
Operations and operations endowment	\$ 289,532	\$ 462,492	\$ 752,024
Accessions and accessions 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>
	2020		
	Restricted for Time and Purpose	Restricted In Perpetuity	Total
Operations and operations endowment	\$ 227,430	\$ 456,648	\$ 684,078
Accessions and accessions endowment	245,570	270,795	516,365
Plant	<u>41,509</u>	<u>-</u>	<u>41,509</u>
Total	<u>\$ 514,509</u>	<u>\$ 727,443</u>	<u>\$ 1,241,952</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 temporarily restricted to be used by the Museum for various capital activities.

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