



REPORT OF INDEPENDENT AUDITORS
AND CONSOLIDATED FINANCIAL STATEMENTS

GEORGIA O'KEEFFE MUSEUM AND SUBSIDIARIES

December 31, 2020 and 2019

Table of Contents

	PAGE
Report of Independent Auditors	1–2
Consolidated Financial Statements	
Consolidated Statements of Financial Position	3
Consolidated Statements of Activities and Changes in Net Assets	4–5
Consolidated Statements of Functional Expenses	6–7
Consolidated Statements of Cash Flows	8
Notes to Consolidated Financial Statements	9–24

Report of Independent Auditors

To the Board of Trustees
Georgia O’Keeffe Museum and Subsidiaries
Santa Fe, New Mexico

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Georgia O’Keeffe Museum and Subsidiaries, (Museum) a New Mexico nonprofit organization, which comprise the consolidated statements of financial position as of December 31, 2020 and 2019 and the related consolidated statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management’s Responsibility for the Consolidated Financial Statements

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

Auditor’s Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors’ judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity’s preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal controls. 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Georgia O’Keeffe Museum and Subsidiaries as of December 31, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Mess Adams LLP

Albuquerque, New Mexico
August 3, 2021

Georgia O’Keeffe Museum and Subsidiaries
Consolidated Statements of Financial Position

	December 31,	
	2020	2019
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 646,444	\$ 1,684,244
Investment securities		
Board-designated funds	78,388,029	68,591,374
Other funds	77,913,012	69,383,056
Total investment securities	156,301,041	137,974,430
Inventory, net	420,736	330,532
Unconditional promises to give, net	330,246	27,543
Other assets	350,561	381,688
Total current assets	158,049,028	140,398,437
Property and equipment, net	9,278,043	9,027,821
Unconditional promises to give, long term, net	1,438,820	978,412
Collections (see Note 1)	-	-
Total assets	\$ 168,765,891	\$ 150,404,670
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable and other liabilities	\$ 673,869	\$ 669,371
Total current liabilities	673,869	669,371
NET ASSETS		
Without donor restriction		
Undesignated	41,051,637	35,305,660
Board designated for art acquisition	71,912,114	66,271,297
Board designated for campus project	6,475,915	1,642,800
Board designated for operating	-	677,277
Total without donor restriction	119,439,666	103,897,034
With donor restriction	48,652,356	45,838,265
Total net assets	168,092,022	149,735,299
Total liabilities and net assets	\$ 168,765,891	\$ 150,404,670

See accompanying notes to these consolidated financial statements.

Georgia O’Keeffe Museum and Subsidiaries
Consolidated Statements of Activities and Changes in Net Assets

	Year Ended December 31, 2020		
	Without Donor Restriction	With Donor Restriction	Total
REVENUES, GAINS AND PUBLIC SUPPORT			
Contributions, donations and grants, net	\$ 6,946,962	\$ 1,670,803	\$ 8,617,765
Admissions	240,070	-	240,070
Retail, net of cost of sales of \$236,671	343,975	-	343,975
Tours	30,515	-	30,515
Memberships	236,720	-	236,720
Program fees	6,100	-	6,100
Other	725,263	-	725,263
	<u>8,529,605</u>	<u>1,670,803</u>	<u>10,200,408</u>
INVESTMENT RETURN			
Net realized and unrealized gain	11,931,733	2,003,512	13,935,245
Re-invested dividends and interest	2,651,546	445,233	3,096,779
Interest income	1,821	-	1,821
	<u>14,585,100</u>	<u>2,448,745</u>	<u>17,033,845</u>
Total revenues and support, net	23,114,705	4,119,548	27,234,253
Net assets released from restrictions	<u>1,305,457</u>	<u>(1,305,457)</u>	<u>-</u>
Total revenues, support and net assets released from restrictions	<u>24,420,162</u>	<u>2,814,091</u>	<u>27,234,253</u>
EXPENSES			
Program expense	5,785,976	-	5,785,976
Management and general	1,800,250	-	1,800,250
Fundraising	1,205,844	-	1,205,844
	<u>8,792,070</u>	<u>-</u>	<u>8,792,070</u>
Change in net assets before changes related to collection items not capitalized	<u>15,628,092</u>	<u>2,814,091</u>	<u>18,442,183</u>
Change in net assets related to collection items not capitalized			
Proceeds from sale of collections items	58,333	-	58,333
Purchase of collection items	<u>(143,793)</u>	<u>-</u>	<u>(143,793)</u>
Change in net assets related to collection items not capitalized	<u>(85,460)</u>	<u>-</u>	<u>(85,460)</u>
Net assets, beginning of year	<u>103,897,034</u>	<u>45,838,265</u>	<u>149,735,299</u>
Net assets, end of year	<u>\$ 119,439,666</u>	<u>\$ 48,652,356</u>	<u>\$ 168,092,022</u>

See accompanying notes to these consolidated financial statements.

Georgia O’Keeffe Museum and Subsidiaries
Consolidated Statements of Activities and Changes in Net Assets (continued)

	Year Ended December 31, 2019		
	Without Donor Restriction	With Donor Restriction	Total
REVENUES, GAINS AND PUBLIC SUPPORT			
Contributions, donations and grants, net	\$ 4,011,574	\$ 914,502	\$ 4,926,076
Admissions	1,931,152	-	1,931,152
Retail, net of cost of sales of \$937,879	1,384,957	-	1,384,957
Tours	674,045	-	674,045
Memberships	373,016	-	373,016
Program fees	99,590	-	99,590
Other	132,476	-	132,476
	<u>8,606,810</u>	<u>914,502</u>	<u>9,521,312</u>
Total revenues, gains and public support before investment income			
	<u>8,606,810</u>	<u>914,502</u>	<u>9,521,312</u>
INVESTMENT RETURN			
Net realized and unrealized loss	16,147,489	2,080,719	18,228,208
Re-invested dividends and interest	2,914,072	367,611	3,281,683
Interest income	3,239	-	3,239
	<u>19,064,800</u>	<u>2,448,330</u>	<u>21,513,130</u>
Total investment return			
	<u>19,064,800</u>	<u>2,448,330</u>	<u>21,513,130</u>
Total revenues and support, net	27,671,610	3,362,832	31,034,442
Net assets released from restrictions	<u>1,168,375</u>	<u>(1,168,375)</u>	<u>-</u>
Total revenues, support and net assets released from restrictions	<u>28,839,985</u>	<u>2,194,457</u>	<u>31,034,442</u>
EXPENSES			
Program expense	7,009,026	-	7,009,026
Management and general	1,662,129	-	1,662,129
Fundraising	1,450,068	-	1,450,068
	<u>10,121,223</u>	<u>-</u>	<u>10,121,223</u>
Total expenses			
	<u>10,121,223</u>	<u>-</u>	<u>10,121,223</u>
Change in net assets before changes related to collection items not capitalized	<u>18,718,762</u>	<u>2,194,457</u>	<u>20,913,219</u>
Change in net assets related to collection items not capitalized			
Proceeds from sale of collections items	<u>616,833</u>	<u>-</u>	<u>616,833</u>
Change in net assets related to collection items not capitalized	<u>616,833</u>	<u>-</u>	<u>616,833</u>
Net assets, beginning of year	<u>84,561,439</u>	<u>43,643,808</u>	<u>128,205,247</u>
Net assets, end of year	<u>\$ 103,897,034</u>	<u>\$ 45,838,265</u>	<u>\$ 149,735,299</u>

See accompanying notes to these consolidated financial statements.

Georgia O’Keeffe Museum and Subsidiaries
Consolidated Statements of Functional Expenses

	Year Ended December 31, 2020			
	Program Services	Management and General	Fundraising	Total
Payroll and related expenses	\$ 3,515,556	\$ 1,039,255	\$ 899,409	\$ 5,454,220
Occupancy	876,614	155,227	49,803	1,081,644
Professional services	369,193	314,297	131,431	814,921
Depreciation	362,936	75,517	22,381	460,834
Insurance	189,070	17,478	5,180	211,728
Information technology	120,575	21,009	39,691	181,275
Supplies	98,708	10,531	6,994	116,233
Advertising and marketing	-	89,499	-	89,499
Postage and shipping	60,997	1,144	7,912	70,053
Travel and meals	44,162	13,558	7,458	65,178
Repairs and maintenance	42,795	8,218	2,436	53,449
Bank charges	39,668	47	7,814	47,529
Printing	15,832	10,475	15,560	41,867
Other program related	30,490	-	-	30,490
Dues and subscriptions	12,372	10,579	6,784	29,735
In-kind expenses	-	29,635	-	29,635
Professional development	6,138	2,955	2,194	11,287
Retail merchandise	870	826	190	1,886
Other fundraising expenses	-	-	607	607
	<u>\$ 5,785,976</u>	<u>\$ 1,800,250</u>	<u>\$ 1,205,844</u>	<u>\$ 8,792,070</u>
Total expenses	<u>\$ 5,785,976</u>	<u>\$ 1,800,250</u>	<u>\$ 1,205,844</u>	<u>\$ 8,792,070</u>

See accompanying notes to these consolidated financial statements.

Georgia O’Keeffe Museum and Subsidiaries
Consolidated Statements of Functional Expenses (continued)

	Year Ended December 31, 2019			
	Program Services	Management and General	Fundraising	Total
Payroll and related expenses	\$ 3,867,932	\$ 898,600	\$ 901,472	\$ 5,668,004
Professional services	767,448	106,804	254,815	1,129,067
Occupancy	851,726	134,665	43,930	1,030,321
Depreciation	374,565	77,937	23,097	475,599
Supplies	223,724	30,494	15,546	269,764
Travel and meals	148,331	36,182	75,006	259,519
Insurance	181,640	15,905	4,714	202,259
Advertising and marketing	-	197,658	-	197,658
Bank charges	145,644	-	11,157	156,801
Information technology	122,621	12,357	8,032	143,010
Other expenses	67,446	27,910	15,969	111,325
Repairs and maintenance	73,576	12,569	3,725	89,870
Postage and shipping	62,582	3,187	17,716	83,485
Other program related	76,831	5,432	-	82,263
Printing	13,181	25,499	43,154	81,834
In-kind expenses	-	54,834	-	54,834
Dues and subscriptions	18,781	16,567	17,664	53,012
Professional development	12,566	4,058	5,748	22,372
Other fundraising expenses	-	-	6,699	6,699
Retail merchandise	432	1,471	1,624	3,527
Total expenses	<u>\$ 7,009,026</u>	<u>\$ 1,662,129</u>	<u>\$ 1,450,068</u>	<u>\$ 10,121,223</u>

See accompanying notes to these consolidated financial statements.

Georgia O’Keeffe Museum and Subsidiaries
Consolidated Statements of Cash Flows

	Years Ended December 31,	
	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets before changes related to collection items not capitalized	\$ 18,442,183	\$ 20,913,219
Adjustments to reconcile change in net assets to net cash (used) provided by operating activities		
Depreciation	460,834	475,599
Gain on sale of property and equipment	(625,812)	-
Net realized and unrealized (gain)	(13,935,245)	(18,228,208)
Reinvested dividends and interest	(3,096,779)	(3,281,683)
Changes in assets and liabilities		
Inventory, net	(90,204)	(18,581)
Unconditional promises to give, net	(763,111)	70,576
Other assets	31,127	4,282
Accounts payable and other liabilities	4,498	61,603
Net cash provided (used) by operating activities	<u>427,491</u>	<u>(3,193)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from the sales of property and equipment	1,466,054	-
Purchases of property and equipment	(1,551,298)	(957,463)
Purchases of investment securities	(10,445,619)	(7,260,322)
Proceeds from sales of investment securities	9,151,032	8,209,434
Proceeds from sale of collections items	58,333	616,833
Purchase of collections items	<u>(143,793)</u>	<u>-</u>
Net cash (used) provided by investing activities	<u>(1,465,291)</u>	<u>608,482</u>
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(1,037,800)	605,289
CASH AND CASH EQUIVALENTS, beginning of year	<u>1,684,244</u>	<u>1,078,955</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 646,444</u>	<u>\$ 1,684,244</u>

See accompanying notes to these consolidated financial statements.

Georgia O’Keeffe Museum and Subsidiaries

Notes to Consolidated Financial Statements

Note 1 – Nature of Activities and Significant Accounting Policies

Nature of Activities

To inspire all current and future generations, the Georgia O’Keeffe Museum (Museum) preserves, presents, and advances the artistic legacy of Georgia O’Keeffe and Modernism through innovative public engagement, education and research. The Museum accomplishes this by presenting exhibitions nationally and internationally, caring for the permanent collection, providing excellent public programs, cutting edge conservation techniques, access to the library and archives, research by outside scholars about Modernism and serving as stewards for two of O’Keeffe’s historic homes and studios.

The Museum is located in Santa Fe, New Mexico. It was incorporated on November 29, 1995 and opened to the public on December 17, 1997.

The accompanying consolidated financial statements include the accounts of the Museum’s wholly owned not-for-profit subsidiary, the Supporting Organization for the Georgia O’Keeffe Museum (Supporting Organization). The Supporting Organization was incorporated January 5, 2016, under the Nonprofit Corporations Act of the State of New Mexico and will provide future support to the Museum when appropriate through cash or other real assets. The Supporting Organization has a wholly owned for profit subsidiary; GOKM Innovations Inc. All intercompany activity between the Museum and its subsidiaries have been eliminated in these consolidated financial statements as of and for the years ending December 31, 2020 and 2019.

Use of Estimates in Preparing Consolidated Financial Statements

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America (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 consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Significant Accounting Policies

The Museum maintains its accounts in accordance with the principles and practices of fund accounting. Fund accounting is the procedure by which resources for various purposes are classified for accounting purposes in accordance with activities or objectives specified by donors.

These consolidated financial statements, which are presented on the accrual basis of accounting, have been prepared to focus on the Museum as a whole and to present balances and transactions according to the existence or absence of donor-imposed restrictions. This has been accomplished by classification of fund balances and transactions into two classes of net assets as follows:

Net Assets without Donor Restrictions and Board Designated Net Assets

Net assets that are not subject to donor-imposed stipulations.

Undesignated – Revenues and expenses associated with the principal mission of the Museum.

Board designated – The board designated net assets have been established by the Museum’s Board of Trustees for art acquisition, campus project costs, and operating purposes. Accumulated funds are subject to conditions and policies established by the Museum’s Board of Trustees.

Georgia O’Keeffe Museum and Subsidiaries

Notes to Consolidated Financial Statements

Note 1 – Nature of Activities and Significant Accounting Policies (continued)

Net Assets with Donor Restrictions

Net assets subject to donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the Museum pursuant to those stipulations. Other donor restrictions are perpetual in nature whereby the donor has stipulated the funds be maintained in perpetuity.

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Museum considers cash on hand and in banks and highly liquid instruments with original maturities of three months or less to be cash equivalents. The Museum maintains its cash and cash equivalents in accounts at various banks and institutions. The balances in these institutions may, at times, exceed federally insured limits. However, the Museum has an agreement with its primary financial institution which provides insurance coverage up to \$1,000,000.

Investment Securities

Investment securities are carried by the Museum at fair value in accordance with GAAP. The fair value of investment securities is determined based on quoted market prices and estimates of value for non-traded securities. Investment securities are comprised of a diversified portfolio of equity, fixed income and other securities and include net assets with donor restrictions (see Note 7). Investment income, as well as unrealized gains and losses, is included in the statements of activities and changes in net assets in the accompanying consolidated financial statements based on restrictions on earnings.

Inventory

Inventory consists of retail store merchandise for resale and is stated at the lower of average cost or market on a first in first out basis. Management believes that the cost of inventory held at December 31, 2020 and 2019 exceeded the estimated market value by \$36,404 for each year, and this has been recorded by Management as an allowance for obsolescence.

Unconditional Promises to Give

Promises to give consist of unconditional promises to give over the expected term of the donor’s pledges, which can vary from within one year to greater than five years. The present value of promises to give, using a discount rate equivalent to the five year U.S. Treasury note rate at the date of the promise to give, for one to five years, is recognized as net assets with donor restrictions in the accompanying consolidated financial statements. Unconditional promises to give are stated at the outstanding unpaid balance, less an allowance for doubtful accounts. The Museum provides for losses on receivables using the allowance method. Such amounts are generally considered impaired if full principal payments are not received in accordance with the contractual terms. It is the Museum’s policy to charge off uncollectible receivables when management determines the receivables will not be collected.

Unconditional promises to give are recognized as revenues or gains in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

Georgia O’Keeffe Museum and Subsidiaries

Notes to Consolidated Financial Statements

Note 1 – Nature of Activities and Significant Accounting Policies (continued)

Property and Equipment

Property and equipment are stated at cost or if donated, at the estimated fair market value at the date of donation. Depreciation is recorded over the estimated useful lives of depreciable assets using the straight-line method. The estimated useful lives range from five to seven years for furniture, fixtures, and equipment, 15 years for leasehold improvements, and 39 years for buildings and building improvements. Maintenance and repair costs that do not extend the lives of the related assets are expensed as incurred. The Museum has a \$15,000 capitalization threshold.

Impairment of Long-Lived Assets and Long-Lived Assets to be Disposed of

The Museum reviews its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell. There was no impairment as of December 31, 2020 and 2019.

Artwork and Research Collection

Collection items, which have been acquired through purchases and contributions since the Museum’s inception, are not recognized as assets on the consolidated statements of financial position. Purchases of collection items are recorded as decreases in net assets without donor restrictions in the year in which the items are acquired or as net assets with donor restrictions if the assets used to purchase the items are restricted by donors.

Paycheck Protection Program

In April 2020, the Museum received a Paycheck Protection Program (PPP) forgivable loan for \$1,056,418. The forgivable loan, which was part of an economic relief package under the Coronavirus Aid, Relief, and Economic Security (CARES) Act, is guaranteed through a nonexchange financial guarantee provided by the U.S. Small Business Administration. In accordance with FASB Accounting Standards Codification (ASC) 958-605, the Museum treated the amount as a conditional contribution and initially recorded the amount as a refundable advance. In December 2020, management determined that the conditions of release were substantially met and the amount was recorded as contributions in the accompanying consolidated statement of activities. The Museum expects to receive full forgiveness in fiscal year 2021.

Under the Coronavirus Aid, Relief, and Economic Security (CARES) Act, Section 1102, Paycheck Protection Program the Small Business Administration (SBA) has five years to audit any applicant. The Museum, at the time of submitting its application, evaluated the economic uncertainty resulting from the COVID-19 pandemic and the potential impact of that uncertainty on the ongoing operations of the business. Based on the risk of the Museum having to limit or close its operations and unavailability of other sources of liquidity it was determined that the loan request was necessary.

Georgia O’Keeffe Museum and Subsidiaries

Notes to Consolidated Financial Statements

Note 1 – Nature of Activities and Significant Accounting Policies (continued)

Donated Services and Facilities

Contributions of services and facilities are recognized in the consolidated financial statements if the amounts received enhance or create non-financial assets, require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. In addition, other services are provided by volunteers who perform a variety of tasks that benefit the Museum’s programs. The Museum receives significant volunteer hours annually.

Advertising

The Museum expenses advertising costs as they are incurred. The Museum incurred advertising costs of \$89,499 and \$197,658 during 2020 and 2019, respectively.

Expense Allocation

The costs of providing various programs and other activities have been summarized on a functional basis in the consolidated statements of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The expenses that are allocated include depreciation, occupancy, and insurance which are allocated on a square-footage basis, as well as payroll and related expense, supplies, advertising and marketing, travel and meals, and other expenses which are allocated on the basis of estimates of time and effort.

Income Taxes

The Museum is a not-for-profit organization and qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code (IRC).

The Financial Accounting Standards Board (FASB) issued authoritative guidance relating to the accounting for the uncertainty in income taxes. The guidance clarifies the accounting for uncertainty in income taxes recognized in consolidated financial statements in accordance with GAAP. The guidance also requires the evaluation of tax positions taken or expected to be taken in the course of preparing the Museum's information returns to determine whether the tax positions are “more-likely-than-not” of being sustained by the applicable tax authority. Tax positions not deemed to meet the more-likely-than-not threshold would be recorded as a tax benefit or expense in the current year. In addition, guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition was also provided. As of December 31, 2020 and 2019, the Museum performed a comprehensive review of its material tax positions in accordance with recognition and measurement standards established by GAAP. As a result of this review, the Museum qualified as a tax exempt organization under Section 501(c)(3) of the IRC and had no unreported income derived from unrelated business activities and did not identify any entity level tax positions that would not meet the more-likely-than-not threshold.

Georgia O’Keeffe Museum and Subsidiaries

Notes to Consolidated Financial Statements

Note 1 – Nature of Activities and Significant Accounting Policies (continued)

Recent Accounting Pronouncements

FASB Accounting Standards Update (ASU) 2016-02, *Leases*: Changes the way lessees will recognize leases as they will recognize most leases on-balance sheet and will increase reported assets and liabilities. Lessor accounting remains substantially similar to current GAAP. Per ASU 2020-05, it is effective for annual periods beginning after December 15, 2021 with early adoption permitted. The ASU mandates a modified retrospective transition method for all entities. Management is currently evaluating the impact of this ASU, but does not anticipate a significant impact on the consolidated financial statements upon adoption.

FASB ASU 2014-09, *Revenue from Contracts with Customers*: Moves revenue recognition towards one principles-based revenue standard to be applied across all industries with the following steps for recognition: (1) Identify the contracts with a customer; (2) Identify the performance obligations; (3) Determine the transaction price; (4) Allocate the transaction price to the performance obligation; (5) Recognize revenue when (or as) the entity satisfies the obligation. The Museum adopted this ASU as of the date of the initial application of January 1, 2019. The Museum applied the ASU using the full retrospective method. However, the adoption of the new standard did not have a significant effect on net assets or on the timing of the Museum’s most significant types of transactions. There was no adjustment to activities or net assets for the year ending December 31, 2020 and 2019.

FASB ASU 2018-08, *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*: This ASU provides clarification in evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of Topic 958, *Not-for-Profit Entities*, or as exchange (reciprocal) transactions subject to other guidance and determining whether a contribution is conditional. For transactions in which the Museum serves as the resource recipient, this ASU was adopted as of January 1, 2019 and there was no impact to the consolidated financial statements. For transactions in which the Museum serves as the resource provider, this ASU was adopted as of January 1, 2020 and there was no impact to the consolidated financial statements.

FASB ASU 2018-13, *Fair Value Measurement (Topic 820)*: Disclosure Framework - Changes to the Disclosure Requirements for Fair Value Measurement. This ASU modifies the disclosure requirements on fair value measurements in Topic 820. The amendments in ASU 2018-13 are effective for all entities for fiscal years beginning after December 15, 2019. Changes in unrealized gains and losses, the range and weighted average of significant unobservable inputs used to develop Level 3 fair value measurements and the narrative description of measurement uncertainty should be applied prospectively for only the most recent interim or annual period presented in the initial fiscal year of adoption. All other amendments should be applied retrospectively to all periods presented upon their effective date. The Museum adopted this ASU as of the date of the initial application of January 1, 2020. However, the adoption of the new standard did not have a significant effect on net assets or on the timing of the Museum’s most significant types of transactions. There was no adjustment to activities or net assets for the year ending December 31, 2020 and 2019.

Georgia O’Keeffe Museum and Subsidiaries

Notes to Consolidated Financial Statements

Note 1 – Nature of Activities and Significant Accounting Policies (continued)

FASB ASU 2019-03, *Not-for-Profit Entities (Topic 958)*: Updating the Definition of Collections. This ASU modifies the definition of the term collections and requires that a collection-holding entity disclose its policy for the use of proceeds when collection items are removed from the collection. It is effective for year ends beginning after December 15, 2019. The Museum adopted this ASU as of the date of the initial application of January 1, 2020. However, the adoption of the new standard did not have a significant effect on net assets or on the timing of the Museum’s most significant types of transactions. There was no adjustment to activities or net assets for the year ending December 31, 2020 and 2019.

Subsequent Events Evaluation

Subsequent events are events or transactions that occur after the consolidated statement of financial position date but before the consolidated financial statements are available to be issued. The Museum recognizes in the consolidated financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the consolidated statement of financial position, including the estimates inherent in the process of preparing the consolidated financial statements. The Museum’s consolidated financial statements do not recognize subsequent events that provide evidence about conditions that did not exist at the date of the consolidated statement of financial position but arose after the consolidated statement of financial position date and before consolidated financial statements are available to be issued.

The Museum has evaluated subsequent events through August 3, 2021, which is the date the consolidated financial statements were available to be issued (see Note 16).

Georgia O’Keeffe Museum and Subsidiaries

Notes to Consolidated Financial Statements

Note 2 – Fair Value Measurements

In determining fair value, the Museum uses various valuation approaches within the fair value measurement framework of accounting standards. Fair value measurements are determined based on the assumptions that market participants would use in pricing an asset or liability.

Accounting standards establish a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. The standards define levels within the hierarchy based on the reliability of inputs as follows:

Level 1 – Inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 – Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. This includes quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, or inputs that are derived principally from or corroborated by observable market data.

Level 3 – Inputs are unobservable for the asset or liability. Unobservable inputs reflect the reporting entity's own assumptions about the assumptions that market participants would use in pricing the asset or liability developed based on the best information available in the circumstances.

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement. Following is a description of the valuation methodologies used for assets measured at fair value.

Mutual funds are classified as Level 1 as they are traded in an active market for which closing prices are readily available.

Money market funds are primarily invested in direct obligations of the US Treasury, US Government agencies, repurchase agreements, and money markets with maturities of 13 months or less which have observable Level 1 pricing inputs, including quoted prices for similar assets in active or non-active markets.

Real estate and private equity funds are valued based on the fund's net asset value per share at the fund's reporting date using pricing inputs, including audited consolidated financial statements of the funds and over-the-counter transactions near year end.

The estimated share of mutual funds, real estate funds, and private equity funds where there are unfunded capital commitments are based on fund net asset value. The use of net asset value as fair value is deemed appropriate as the investments do not have finite lives, unfunded commitments, or significant restrictions on redemptions.

Georgia O’Keeffe Museum and Subsidiaries

Notes to Consolidated Financial Statements

Note 2 – Fair Value Measurements (continued)

The following table sets forth by level, within the fair value hierarchy, the Museum’s investment securities at fair value as of December 31, 2020:

	Fair Value Measurements Using			Total
	Level 1	Level 2	Level 3	
Mutual funds				
Emerging markets	\$ 2,905,049	\$ -	\$ -	\$ 2,905,049
International small cap	3,896,536	-	-	3,896,536
Domestic small-mid cap	5,523,009	-	-	5,523,009
Domestic mid cap	5,834,206	-	-	5,834,206
Domestic fixed income	65,723,374	-	-	65,723,374
International all cap	20,804,195	-	-	20,804,195
Domestic large cap	29,229,014	-	-	29,229,014
Real estate	-	-	-	-
Money market funds	165,969	-	-	165,969
Total assets in the fair value hierarchy	<u>\$ 134,081,352</u>	<u>\$ -</u>	<u>\$ -</u>	134,081,352
Investments measured at NAV - practical expedient				<u>22,219,689</u>
Investments at fair value				<u>\$ 156,301,041</u>

The following table sets forth by level, within the fair value hierarchy, the Museum’s investment securities at fair value as of December 31, 2019:

	Fair Value Measurements Using			Total
	Level 1	Level 2	Level 3	
Mutual funds				
Emerging markets	\$ 5,460,091	\$ -	\$ -	\$ 5,460,091
International small cap	5,640,066	-	-	5,640,066
Domestic small-mid cap	7,005,351	-	-	7,005,351
Domestic mid cap	6,929,056	-	-	6,929,056
Domestic fixed income	33,842,648	-	-	33,842,648
International all cap	25,232,238	-	-	25,232,238
Domestic large cap	35,313,373	-	-	35,313,373
Real estate	1,720,168	-	-	1,720,168
Money market funds	103,354	-	-	103,354
Total assets in the fair value hierarchy	<u>\$ 121,246,345</u>	<u>\$ -</u>	<u>\$ -</u>	121,246,345
Investments measured at NAV - practical expedient				<u>16,728,085</u>
Investments at fair value				<u>\$ 137,974,430</u>

Georgia O’Keeffe Museum and Subsidiaries
Notes to Consolidated Financial Statements

Note 3 – Unconditional Promises to Give

Unconditional promises to give at December 31 consisted of the following:

	<u>2020</u>	<u>2019</u>
With donor restriction for endowment	\$ 1,105,000	\$ 1,130,000
With donor restriction for purpose	967,747	182,468
Without restriction	-	75
Reserve for change in value	<u>(183,101)</u>	<u>(185,889)</u>
	1,889,646	1,126,654
Less estimated discount to present value	<u>(120,580)</u>	<u>(120,699)</u>
Unconditional promises to give	<u>\$ 1,769,066</u>	<u>\$ 1,005,955</u>
Amounts due in		
Less than one year	\$ 330,246	\$ 27,543
One to five years	1,438,820	254,643
Greater than five years	<u>-</u>	<u>723,769</u>
Total	<u>\$ 1,769,066</u>	<u>\$ 1,005,955</u>

Management reviews all pledges for collectability or other changes in valuation annually and provides, if necessary, a reserve to reflect the fair value of the asset. As of December 31, 2020 and 2019, the reserve was \$183,101 and \$185,889, respectively.

Note 4 – Property and Equipment

Property and equipment consisted of the following at December 31:

	<u>2020</u>	<u>2019</u>
Building and building improvements	\$ 10,527,698	\$ 10,312,612
Leasehold improvements	4,581,130	4,581,130
Furniture, fixtures and equipment	<u>732,230</u>	<u>639,763</u>
	15,841,058	15,533,505
Less accumulated depreciation and amortization	<u>(7,667,815)</u>	<u>(7,910,484)</u>
Total depreciable assets, net	8,173,243	7,623,021
Land	<u>1,104,800</u>	<u>1,404,800</u>
Property and equipment, net	<u>\$ 9,278,043</u>	<u>\$ 9,027,821</u>

Depreciation expense for the years ended December 31, 2020 and 2019 was \$460,834 and \$475,599, respectively.

Georgia O’Keeffe Museum and Subsidiaries

Notes to Consolidated Financial Statements

Note 5 – Collections

The Museum’s collections are made up of artwork and research collections that are held for public exhibition, educational, and research in furtherance of public service rather than financial gain. The value of the art objects in the permanent collection is excluded from the accompanying consolidated statements of financial position. All works of art and collections are protected, kept unencumbered, cared for, and preserved; and are subject to strict organizational policies governing their use. All collection objects were insured with blanket insurance coverage.

The collection is subject to a Museum policy established by the Museum’s Board of Trustees. The policy currently requires any proceeds for the sale of deaccessioned items from the collection be designated to acquire other items for the collection or for the direct care of works in the collections. Direct care includes costs associated with the conservation, preservation, registration, maintenance, storage, and safeguarding of collections, including analysis, treatment, inventory, research, framing, documentation, the related information technology to assure full documentation, and the provision of safe and secure, climate controlled storage and museum spaces. The amount of direct care for the years ended December 31, 2020 and 2019 was \$423,354 and \$0, respectively. An addition of a work of art to the permanent collection is made either by donation from a benefactor or through a purchase funded by the Museum’s art acquisition fund. The art acquisition fund is a board-designated fund for acquisitions, where both the principal and earned income may be used for art acquisitions. Proceeds from deaccessions of collection items are reflected as increases to the board designated art acquisitions fund. During 2020 and 2019, the Museum deaccessioned artwork which was subsequently sold for \$58,333 and \$616,833, respectively. The Museum purchased artwork for \$143,793 during 2020. No artwork was purchased during 2019.

Note 6 – Accounts Payable and Other Liabilities

Accounts payable and other liabilities consisted of the following at December 31:

	<u>2020</u>	<u>2019</u>
Accounts payable	\$ 419,211	\$ 290,810
Payroll liabilities	<u>254,658</u>	<u>378,561</u>
Total	<u>\$ 673,869</u>	<u>\$ 669,371</u>

Note 7 – Endowments and Designated Funds

Interpretation of Relevant Law

The Board of the Museum has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the maintenance of the long-term purchasing power of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. Consequently, the Museum classifies net assets with donor restrictions as:

- The original value of gifts donated to the endowment, and
 - The original value of subsequent gifts to the endowment.
-

Georgia O’Keeffe Museum and Subsidiaries

Notes to Consolidated Financial Statements

Note 7 – Endowments and Designated Funds (continued)

The remaining portion of the donor-restricted endowment fund net assets are restricted until those amounts are appropriated for expenditure by the Museum’s Board. The Museum’s investment objective is to diversify investments to maximize long-term growth of assets within prudent risk constraints. In accordance with UPMIFA, the Museum considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

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

The Museum’s endowment consists of several funds established for a variety of purposes. Donor-designated endowment funds consisted of those with the existence of donor-imposed restrictions. Net assets associated funds designated by the governing board as endowments are reported as Board-designated funds include an art acquisition fund that is restricted for the acquisition of art.

Investment Return Objectives and Risk Parameters

The Museum has adopted investment and spending policies for endowment assets including those assets of donor-restricted funds that the Museum must hold in perpetuity or the donor specified period(s) as well as board-designated funds.

To satisfy its long-term rate-of-return objectives, the Museum relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends).

Spending Appropriations

The Museum’s appropriations for distribution each year are determined by specific endowment and are equal to Board approved budgeted amounts but not in excess of 5% of the prior three-year average fair value of that endowment’s assets.

In establishing this appropriation, the Museum considered long-term expected return on the endowment assets and the accumulated earnings in the endowment accounts. This is consistent with the Museum’s objective to maintain purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide real growth through new gifts and investment return.

Georgia O’Keeffe Museum and Subsidiaries
Notes to Consolidated Financial Statements

Note 7 – Endowments and Designated Funds (continued)

Endowments and designated fund's net assets composition by type of fund consists of the following as of December 31:

	<u>2020</u>	<u>2019</u>
Donor-designated endowment funds	\$ 48,652,356	\$ 45,838,265
Board-designated funds		
Art acquisition	71,912,114	66,271,297
Campus project	6,475,915	1,642,800
Operating	-	677,277
	<u> </u>	<u> </u>
Total	<u>\$ 127,040,385</u>	<u>\$ 114,429,639</u>

Changes in endowment and designated fund net assets for the year ended December 31, 2020 are as follows:

	<u>Board Designated</u>	<u>Donor Designated</u>
Endowment and designated fund net assets at December 31, 2019	\$ 68,591,374	\$ 45,838,265
Contributions	625,812	1,670,803
Investment income	6,257,390	2,448,745
Proceeds from the sale of collection items and directors' residence	840,243	-
Appropriation of endowment assets for expenditure/release from restriction	<u>2,073,210</u>	<u>(1,305,457)</u>
	<u> </u>	<u> </u>
Endowment and designated fund net assets at December 31, 2020	<u>\$ 78,388,029</u>	<u>\$ 48,652,356</u>

Changes in endowment and designated fund net assets for the year ended December 31, 2019 are as follows:

	<u>Board Designated</u>	<u>Donor Designated</u>
Endowment and designated fund net assets at December 31, 2018	\$ 56,016,219	\$ 43,643,808
Contributions	1,642,800	914,502
Investment income	10,315,522	2,448,330
Proceeds from the sale of collection items	616,833	-
Appropriation of endowment assets for expenditure/release from restriction	<u> </u>	<u>(1,168,375)</u>
	<u> </u>	<u> </u>
Endowment and designated fund net assets at December 31, 2019	<u>\$ 68,591,374</u>	<u>\$ 45,838,265</u>

Georgia O’Keeffe Museum and Subsidiaries

Notes to Consolidated Financial Statements

Note 8 – Underwater Endowments

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor, or the Uniform Prudent Management of Institutional Funds Act (UPMIFA) requires the Museum to retain as a fund of perpetual duration. There were no deficiencies of this nature as of December 31, 2020 and 2019.

The Museum has a policy that permits spending from underwater endowment funds depending on the degree to which the fund is underwater, unless otherwise precluded by donor intent or relevant laws and regulations.

Note 9 – Net Assets

Net assets with donor restrictions consisted of the following components as of December 31:

	2020	2019
Subject to expenditure for specific purpose or passage of time		
Endowment	\$ 9,133,837	\$ 6,426,102
Other Programs	502,119	421,159
	9,635,956	6,847,261
Subject to restriction in perpetuity		
Operations	29,790,900	29,765,504
Historic Properties	6,000,000	6,000,000
Exhibitions	1,625,000	1,625,000
Research Center	1,600,500	1,600,500
	39,016,400	38,991,004
Total net assets with donor restrictions	\$ 48,652,356	\$ 45,838,265

Note 10 – Lease Commitments

The Museum leases copiers under operating leases that were renewed during 2019 with the leases expiring in 2022, 2023, and 2024. In 2017, the Museum entered into a twenty-year lease for the Abiquiu welcome center. Rent expense was \$156,390 and \$568,189 for the years ending December 31, 2020 and 2019, respectively.

Georgia O’Keeffe Museum and Subsidiaries

Notes to Consolidated Financial Statements

Note 10 – Lease Commitments (continued)

Future minimum lease payments are as follows for the years ending December 31:

2021	\$	109,870
2022		107,750
2023		104,416
2024		99,361
2025		-
		<hr/>
Total	\$	<u>421,397</u>

Note 11 – Retirement Plan

The Museum has established a 403(b) retirement plan, covering full-time employees who have completed one full year of service. Employees may elect to defer a portion of their wages and the Museum contributes up to four percent of the employee’s salary to the plan. Employer matching accounts are 100% vested upon participation in the plan. During 2020 and 2019, the Museum made \$116,834 and \$121,491, respectively, in contributions to the 403(b) retirement plan.

Note 12 – Donated Services, Materials and Facilities

The Museum receives donated services from a variety of unpaid volunteers assisting the Museum. No amounts have been recognized in the accompanying consolidated statements of activities because the criteria for recognition of such volunteer effort have not been satisfied.

The Museum occupied and utilized portions of buildings located in Santa Fe, New Mexico, under various lease agreements. These lease agreements allow the Museum to occupy the buildings rent free (see Note 13). The Museum recognized approximately \$424,330 of donated facilities revenue and expense in 2020 and 2019.

Note 13 – Related Party Transactions

Members of the Board of Trustees (Trustees) make contributions to the Museum. Two Trustees of the Museum are trustees of a private foundation that contributed approximately 44% and 31% of the Museum’s total revenue and public support before investment income or loss during 2020 and 2019, respectively. The Museum also occupies buildings rent free under various lease agreements with this donor (see Note 12).

Georgia O’Keeffe Museum and Subsidiaries

Notes to Consolidated Financial Statements

Note 14 – Liquidity and Availability of Financial Assets

As part of the Museum’s liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. This policy includes investment of cash in excess of daily requirements in short-term instruments.

The following reflects the Museum financial assets as of the statement of financial position date, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the balance sheet date. Amounts not available include amounts set aside for long-term investing of the Board-designated endowments that could be drawn upon if the governing board approves that action. Amounts already appropriated from either the donor-restricted endowment or quasi-endowment for general expenditure within one year of the consolidated statement of financial position date have not been subtracted as unavailable at December 31.

	2020	2019
Financial assets		
Cash and cash equivalents	\$ 646,444	\$ 1,684,244
Investment securities	156,301,041	137,974,430
Total financial assets	156,947,485	139,658,674
Less assets unavailable for general expenditures within one year due to:		
Restricted by donor with time or purpose restrictions	9,635,956	6,847,261
Subject to appropriation and satisfaction of donor restrictions	39,016,400	38,991,004
Board-designated endowments	78,388,029	68,591,374
Financial assets available to meet cash needs for general expenditures within one year	\$ 29,907,100	\$ 25,229,035

The Museum is supported, in part, by restricted contributions. Because a donor’s restriction requires resources to be used in a particular manner or in a future period. The Museum must maintain sufficient resources to meet those responsibilities to its donors. Thus, financial assets may not be available for general expenditure within one year and, accordingly, are reflected in the above as a reduction of available amounts available for general use.

Note 15 – Uncertainties

In January 2020, an outbreak of a novel coronavirus (COVID-19) occurred in the United States, along with various other countries globally. On March 11, 2020, the World Health Organization assessed the novel coronavirus outbreak and characterized it as a pandemic. Subsequent to the declaration of a pandemic, a variety of federal, state, and local governments have taken actions in response to the pandemic, which have ranged by jurisdiction, but are generally resulting in a variety of negative economic consequences, the scope of which are not currently known or quantifiable. The duration and intensity of the impact of the pandemic and resulting impact to the Museum is unknown. The Museum is currently open on a limited capacity basis.

In October 2020, the Museum temporarily approved the use of the Art Acquisition Endowment to cover deficits for 2020 in accordance with the guidelines from the Association of Art Museum Directors (AAMD). The amount used to cover operating deficit and general expenses in 2020 was \$991,916.

Georgia O’Keeffe Museum and Subsidiaries

Notes to Consolidated Financial Statements

Note 16 – Subsequent Events

In February 2021, the Museum was granted a second PPP loan of approximately \$1.0 million. The Museum intends to use the proceeds for purposes consistent with the PPP. The unforgiven portion of the loan is payable over two years at an interest rate of 1%, with a deferral of payments for the first ten months. The Museum currently believes that its use of the loan proceeds will meet the conditions for forgiveness of the loan under the Small Business Administration’s (SBA) safe harbor provisions for borrowers of less than \$2 million. A safe harbor will apply to SBA’s review of PPP loans for borrowers who, along with their affiliates, received PPP loans with an original principal amount of less than \$2 million. The SBA will presume the borrower’s required certification concerning the necessity of the loan was made in good faith.

In February 2021, the Museum liquidated \$30 million from its art acquisition endowment fund for the purpose of increasing the Museum’s art collection. The art acquisition fund is specifically designated for the purchase of works of art to the permanent collection.

In May 2021, the Museum was gifted the buildings that have been occupied rent free as described in Note 12 and Note 13. The fair value of the buildings are estimated at approximately \$13.8 million, which will be recognized as contribution revenue in 2021.