



Report of Independent Auditors
and Consolidated Financial Statements

Georgia O’Keeffe Museum and Subsidiaries

December 31, 2022 and 2021



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Report of Independent Auditors

The Board of Trustees
Georgia O' Keeffe Museum and Subsidiaries

Report on the Audit of the Financial Statements

Opinion

We have audited the consolidated financial statements of Georgia O' Keeffe Museum and Subsidiaries, a New Mexico nonprofit organization, which comprise the consolidated statements of financial position as of December 31, 2022 and 2021, 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.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Georgia O' Keeffe Museum and Subsidiaries as of December 31, 2022 and 2021 and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Georgia O' Keeffe Museum and Subsidiaries' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Georgia O' Keeffe Museum and Subsidiaries' ability to continue as a going concern for a reasonable period of time.

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



Albuquerque, New Mexico
July 31, 2023

Consolidated Financial Statements

Georgia O’Keeffe Museum and Subsidiaries
Consolidated Statements of Financial Position
December 31, 2022 and 2021

	2022	2021
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 3,165,149	\$ 1,764,852
Investment securities		
Board designated funds	52,283,584	55,702,582
Other funds	102,592,888	93,490,288
Total investment securities	154,876,472	149,192,870
Inventory, net	318,541	286,348
Unconditional promises to give, net	1,234,055	2,328,070
Other assets	359,927	525,707
Total current assets	159,954,144	154,097,847
NON-CURRENT ASSETS		
Property and equipment, net	23,486,558	23,066,851
Unconditional promises to give, long term, net	5,295,374	2,254,094
Total non-current assets	28,781,932	25,320,945
TOTAL ASSETS	\$ 188,736,076	\$ 179,418,792
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and other liabilities	\$ 1,196,055	\$ 712,133
Total current liabilities	1,196,055	712,133
NET ASSETS		
Without donor restriction		
Undesignated	55,016,606	64,927,952
Board designated for art acquisition	41,621,641	48,857,831
Board designated for operating	1,292,403	-
Board designated for campus project	9,369,540	6,844,751
Total without donor restriction	107,300,190	120,630,534
With donor restriction	80,239,831	58,076,125
Total net assets	187,540,021	178,706,659
TOTAL LIABILITIES AND NET ASSETS	\$ 188,736,076	\$ 179,418,792

See accompanying notes.

Georgia O’Keeffe Museum and Subsidiaries
Consolidated Statements of Activities and Changes in Net Assets
Year Ended December 31, 2022

	Year Ended December 31, 2022		
	Without Donor Restriction	With Donor Restriction	Total
REVENUES, GAINS, AND PUBLIC SUPPORT			
Contributions, donations, and grants, net	\$ 4,581,074	\$ 25,396,673	\$ 29,977,747
Admissions	2,173,773	-	2,173,773
Retail, net of cost of sales of \$870,361	999,982	-	999,982
Tours	491,409	-	491,409
Memberships	302,196	-	302,196
Program fees	55,161	-	55,161
Other	259,038	-	259,038
	<u>8,862,633</u>	<u>25,396,673</u>	<u>34,259,306</u>
Total revenues, gains, and public support before investment loss			
	<u>8,862,633</u>	<u>25,396,673</u>	<u>34,259,306</u>
INVESTMENT LOSS			
Net realized and unrealized loss	(15,260,020)	(2,757,193)	(18,017,213)
Re-invested dividends and interest	2,813,233	614,185	3,427,418
Interest income	3,243	-	3,243
	<u>(12,443,544)</u>	<u>(2,143,008)</u>	<u>(14,586,552)</u>
Total investment loss			
	<u>(12,443,544)</u>	<u>(2,143,008)</u>	<u>(14,586,552)</u>
Total revenues and support, net	(3,580,911)	23,253,665	19,672,754
Net assets released from restrictions	1,089,959	(1,089,959)	-
	<u>1,089,959</u>	<u>(1,089,959)</u>	<u>-</u>
Total revenues, support, and net assets released from restrictions	(2,490,952)	22,163,706	19,672,754
	<u>(2,490,952)</u>	<u>22,163,706</u>	<u>19,672,754</u>
EXPENSES			
Program expense	7,627,080	-	7,627,080
Management and general	1,550,454	-	1,550,454
Fundraising	1,347,978	-	1,347,978
	<u>10,525,512</u>	<u>-</u>	<u>10,525,512</u>
Total expenses			
	<u>10,525,512</u>	<u>-</u>	<u>10,525,512</u>
CHANGE IN NET ASSETS BEFORE CHANGES RELATED TO COLLECTION ITEMS NOT CAPITALIZED	(13,016,464)	22,163,706	9,147,242
	<u>(13,016,464)</u>	<u>22,163,706</u>	<u>9,147,242</u>
CHANGE IN NET ASSETS RELATED TO COLLECTION ITEMS NOT CAPITALIZED			
Purchase of collection items	(313,880)	-	(313,880)
	<u>(313,880)</u>	<u>-</u>	<u>(313,880)</u>
CHANGE IN NET ASSETS RELATED TO COLLECTION ITEMS NOT CAPITALIZED	(313,880)	-	(313,880)
	<u>(313,880)</u>	<u>-</u>	<u>(313,880)</u>
NET ASSETS, beginning of year	120,630,534	58,076,125	178,706,659
	<u>120,630,534</u>	<u>58,076,125</u>	<u>178,706,659</u>
NET ASSETS, end of year	\$ 107,300,190	\$ 80,239,831	\$ 187,540,021
	<u>\$ 107,300,190</u>	<u>\$ 80,239,831</u>	<u>\$ 187,540,021</u>

See accompanying notes.

Georgia O’Keeffe Museum and Subsidiaries
Consolidated Statements of Activities and Changes in Net Assets
Year Ended December 31, 2021

	Year Ended December 31, 2021		
	Without Donor Restriction	With Donor Restriction	Total
REVENUES, GAINS, AND PUBLIC SUPPORT			
Contributed buildings	\$ 13,800,000	\$ -	\$ 13,800,000
Contributions, donations, and grants, net	5,756,308	7,344,662	13,100,970
Admissions	1,408,522	-	1,408,522
Retail, net of cost of sales of \$605,086	811,588	-	811,588
Tours	125,545	-	125,545
Memberships	299,135	-	299,135
Program fees	17,935	-	17,935
Other	302,415	-	302,415
	<u>22,521,448</u>	<u>7,344,662</u>	<u>29,866,110</u>
Total revenues, gains, and public support before investment income			
INVESTMENT GAIN			
Net realized and unrealized gain	13,750,085	2,182,799	15,932,884
Re-invested dividends and interest	3,465,204	549,774	4,014,978
Interest income	2,556	-	2,556
	<u>17,217,845</u>	<u>2,732,573</u>	<u>19,950,418</u>
Total investment gain			
Total revenues and support, net	39,739,293	10,077,235	49,816,528
Net assets released from restrictions	<u>653,466</u>	<u>(653,466)</u>	<u>-</u>
Total revenues, support, and net assets released from restrictions	<u>40,392,759</u>	<u>9,423,769</u>	<u>49,816,528</u>
EXPENSES			
Program expense	6,435,116	-	6,435,116
Management and general	1,745,016	-	1,745,016
Fundraising	1,261,159	-	1,261,159
	<u>9,441,291</u>	<u>-</u>	<u>9,441,291</u>
Total expenses			
CHANGE IN NET ASSETS BEFORE CHANGES RELATED TO COLLECTION ITEMS NOT CAPITALIZED	<u>30,951,468</u>	<u>9,423,769</u>	<u>40,375,237</u>
CHANGE IN NET ASSETS RELATED TO COLLECTION ITEMS NOT CAPITALIZED			
Proceeds from sale of collections items	239,400	-	239,400
Purchase of collection items	<u>(30,000,000)</u>	<u>-</u>	<u>(30,000,000)</u>
CHANGE IN NET ASSETS RELATED TO COLLECTION ITEMS NOT CAPITALIZED	<u>(29,760,600)</u>	<u>-</u>	<u>(29,760,600)</u>
NET ASSETS, beginning of year	<u>119,439,666</u>	<u>48,652,356</u>	<u>168,092,022</u>
NET ASSETS, end of year	<u>\$ 120,630,534</u>	<u>\$ 58,076,125</u>	<u>\$ 178,706,659</u>

See accompanying notes.

Georgia O’Keeffe Museum and Subsidiaries
Consolidated Statements of Functional Expenses
Year Ended December 31, 2022

	Year Ended December 31, 2022			
	Program Services	Management and General	Fundraising	Total
Payroll and related expenses	\$ 4,316,230	\$ 1,031,044	\$ 883,641	\$ 6,230,915
Professional services	693,283	119,788	217,505	1,030,576
Depreciation and amortization	721,043	57,487	23,272	801,802
Occupancy	633,428	76,612	27,752	737,792
Insurance	237,641	27,252	8,112	273,005
Information technology	209,920	25,948	22,928	258,796
Supplies	193,082	24,463	15,756	233,301
Other expenses	92,303	73,911	22,792	189,006
Bank charges	152,106	357	15,344	167,807
Travel and meals	74,420	12,619	73,857	160,896
Repairs and maintenance	115,915	22,586	6,965	145,466
Advertising and marketing	56,498	24,214	-	80,712
Printing	33,875	6,262	14,275	54,412
Other program related	48,593	-	-	48,593
In-kind expenses	-	33,134	-	33,134
Dues and subscriptions	15,834	7,943	7,960	31,737
Postage and shipping	22,412	3,018	3,072	28,502
Professional development	10,497	3,816	1,557	15,870
Other fundraising expenses	-	-	3,190	3,190
Total expenses	<u>\$ 7,627,080</u>	<u>\$ 1,550,454</u>	<u>\$ 1,347,978</u>	<u>\$ 10,525,512</u>

See accompanying notes.

Georgia O’Keeffe Museum and Subsidiaries
Consolidated Statements of Functional Expenses
Year Ended December 31, 2021

	Year Ended December 31, 2021			
	Program Services	Management and General	Fundraising	Total
Payroll and related expenses	\$ 3,874,324	\$ 1,086,687	\$ 961,919	\$ 5,922,930
Professional services	761,260	149,447	139,169	1,049,876
Occupancy	569,573	67,703	28,542	665,818
Other expenses	76,104	24,391	17,199	117,694
Depreciation and amortization	409,099	160,079	15,799	584,977
Insurance	205,282	28,834	6,022	240,138
Information technology	128,554	28,535	32,169	189,258
Repairs and maintenance	45,080	112,039	2,163	159,282
Supplies	138,247	11,721	6,009	155,977
Bank charges	90,093	-	12,671	102,764
Travel and meals	36,332	5,620	18,129	60,081
Advertising and marketing	-	53,947	-	53,947
Other program related	41,468	-	-	41,468
Postage and shipping	28,444	1,024	6,582	36,050
Dues and subscriptions	13,375	3,389	4,092	20,856
Printing	9,032	1,797	9,341	20,170
Professional development	7,370	1,978	466	9,814
In-kind expenses	-	7,000	-	7,000
Retail merchandise	1,479	825	887	3,191
Total expenses	<u>\$ 6,435,116</u>	<u>\$ 1,745,016</u>	<u>\$ 1,261,159</u>	<u>\$ 9,441,291</u>

See accompanying notes.

Georgia O’Keeffe Museum and Subsidiaries
Consolidated Statements of Cash Flows
Years Ended December 31, 2022 and 2021

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets before changes related to collection items not capitalized	\$ 9,147,242	\$ 40,375,237
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation and amortization	801,802	584,977
Donated property	-	(13,800,000)
Net realized and unrealized loss (gain)	18,017,213	(15,932,884)
Reinvested dividends and interest	(3,427,418)	(4,014,978)
Changes in assets and liabilities		
Inventory, net	(32,193)	134,388
Unconditional promises to give, net	(1,947,265)	(2,813,098)
Other assets	165,780	(175,146)
Accounts payable and other liabilities	483,922	38,264
Net cash from operating activities	23,209,083	4,396,760
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(1,221,509)	(573,785)
Purchases of investment securities	(25,605,088)	(5,690,715)
Proceeds from sales of investment securities	5,331,691	32,746,748
Proceeds from sale of collections items	-	239,400
Purchase of collections items	(313,880)	(30,000,000)
Net cash from investing activities	(21,808,786)	(3,278,352)
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,400,297	1,118,408
CASH AND CASH EQUIVALENTS, beginning of year	1,764,852	646,444
CASH AND CASH EQUIVALENTS, end of year	\$ 3,165,149	\$ 1,764,852

See accompanying notes.

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 (the 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 controlled not-for-profit subsidiary, The O’Keeffe Museum Foundation (the Foundation), formerly the Supporting Organization for the Georgia O’Keeffe Museum. The Foundation was incorporated January 5, 2016, under the Nonprofit Corporations Act of the State of New Mexico supports the Museum. The Foundation 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, 2022 and 2021.

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 accompanying consolidated financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Net assets without donor restrictions are assets not subject to stipulations imposed by the donor and are currently available for expenditures. Revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by explicit donor restrictions. Contributions are reported as without donor restriction where donor-imposed restrictions are met in the same reporting period as they are received. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulations or law.

These consolidated financial statements 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 account 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.

Georgia O’Keeffe Museum and Subsidiaries

Notes to Consolidated Financial Statements

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 and campus project costs. Accumulated funds are subject to conditions and policies established by the Museum’s Board of Trustees.

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 consolidated 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. Financial instruments that potentially expose the Museum to concentrations of credit risk consist principally of cash and cash equivalents on deposit with financial institutions, the balances of which frequently exceed federally insured limits. On March 10, 2023, Silicon Valley Bank (SVB) was closed by the California Department of Financial Protection and Innovation, which appointed the FDIC as receiver. If any of the financial institutions with whom the Museum does business were to be placed into receivership, they may be unable to access to the cash they have on deposit with such institutions. If the Museum is unable to access their cash and cash equivalents as needed, the financial position and ability to operate their business could be adversely affected.

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 (see Note 2). 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, 2022 and 2021 exceeded the estimated market value by \$46,527 and \$36,980, respectively, 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.

Georgia O’Keeffe Museum and Subsidiaries

Notes to Consolidated Financial Statements

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.

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, 2022 and 2021.

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 Financial Accounting Standards Board (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 statements of activities and changes in net assets. In February 2021, the Museum received a second PPP loan in the amount of \$1,056,417. The Museum received full forgiveness in February 2021 for both loans for a total of \$2,112,835 forgiven. This amount was recorded as revenue in 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

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.

Donated assets – Donated marketable securities and other noncash donations are recorded as contributions at the estimated fair values at the date of donation.

Advertising – The Museum expenses advertising costs as they are incurred. The Museum incurred advertising costs of \$80,712 and \$53,947 during 2022 and 2021, 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 and usage 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©(3) of the Internal Revenue Code (IRC).

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, 2022 and 2021, 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 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.

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 the consolidated balance sheets and will increase reported assets and liabilities. Lessor accounting remains substantially similar to current GAAP. Management has adopted this ASU for the year ending December 31, 2022 and has determined no material impact on the consolidated financial statements.

Georgia O’Keeffe Museum and Subsidiaries

Notes to Consolidated Financial Statements

Subsequent events evaluation – Subsequent events are events or transactions that occur after the consolidated statements 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 statements of financial position, including the estimates inherent in the process of preparing 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 statements of financial position but arose after the consolidated statements of financial position date and before consolidated financial statements are available to be issued.

The Museum has evaluated subsequent events through July 31, 2023, which is the date the consolidated financial statements were available to be issued.

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 U.S. Treasury, U.S. 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.

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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.

The following table sets forth by level, within the fair value hierarchy, the Museum's investment securities at fair value as of December 31, 2022:

	Fair Value Measurements Using			Total
	Level 1	Level 2	Level 3	
Mutual funds				
Emerging markets	\$ 8,147,350	\$ -	\$ -	\$ 8,147,350
Domestic small-mid cap	2,513,843	-	-	2,513,843
Domestic mid cap	2,371,533	-	-	2,371,533
Domestic fixed income	33,419,044	-	-	33,419,044
International large cap	16,798,821	-	-	16,798,821
Domestic large cap	18,461,394	-	-	18,461,394
Money market funds	26,640,966	-	-	26,640,966
Domestic Equities	8,844	-	-	8,844
Total assets in the fair value hierarchy	<u>\$ 108,361,795</u>	<u>\$ -</u>	<u>\$ -</u>	108,361,795
Investments measured at NAV - practical expedient				<u>46,514,677</u>
Investments at fair value				<u>\$ 154,876,472</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, 2021:

	Fair Value Measurements Using			Total
	Level 1	Level 2	Level 3	
Mutual funds				
Emerging markets	\$ 11,294,165	\$ -	\$ -	\$ 11,294,165
Domestic small-mid cap	4,068,399	-	-	4,068,399
Domestic mid cap	4,129,112	-	-	4,129,112
Domestic fixed income	40,784,752	-	-	40,784,752
International all cap	21,444,034	-	-	21,444,034
Domestic large cap	25,853,547	-	-	25,853,547
Money market funds	2,406,653	-	-	2,406,653
Domestic Equities	200,931	-	-	200,931
Total assets in the fair value hierarchy	<u>\$ 110,181,593</u>	<u>\$ -</u>	<u>\$ -</u>	110,181,593
Investments measured at NAV - practical expedient				<u>39,011,277</u>
Investments at fair value				<u>\$ 149,192,870</u>

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Investments measured at NAV – Assets measured at net asset value per share consist of an alternative investment various partnerships.

The following are the commitment and redemption provisions for investments held at NAV:

	Fair Value at December 31, 2022	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Hedge Funds				
Private Equity	\$ 22,320,871	\$ 3,200,000	None	N/A
Private Real Estate	22,901,400	-	None	N/A
Private partnership	<u>1,292,406</u>	<u>-</u>	None	N/A
Ending balance, December 31, 2022	<u>\$ 46,514,677</u>	<u>\$ 3,200,000</u>		

Investments held by the limited partnership generally are carried at fair value as determined by the respective general partners and may be based on various pricing models.

Note 3 – Unconditional Promises to Give

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

	2022	2021
With donor restriction for endowment	\$ 1,100,000	\$ 1,100,000
With donor restriction for purpose	5,888,769	3,675,937
Reserve for change in value	<u>(236,969)</u>	<u>(90,272)</u>
	6,751,800	4,685,665
Less estimated discount to present value	<u>(222,371)</u>	<u>(103,501)</u>
Unconditional promises to give	<u>\$ 6,529,429</u>	<u>\$ 4,582,164</u>
Amounts due in		
Less than one year	\$ 1,234,055	\$ 2,328,070
One to five years	<u>5,295,374</u>	<u>2,254,094</u>
Total	<u>\$ 6,529,429</u>	<u>\$ 4,582,164</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, 2022 and 2021, the reserve was \$236,969 and \$90,272, respectively.

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Note 4 – Property and Equipment

Property and equipment consisted of the following at December 31:

	<u>2022</u>	<u>2021</u>
Building and building improvements	\$ 26,481,524	\$ 26,049,909
Construction in process	3,352,601	2,774,456
Furniture, fixtures and equipment	<u>1,017,880</u>	<u>806,131</u>
	30,852,005	29,630,496
Less accumulated depreciation and amortization	<u>(9,120,247)</u>	<u>(8,318,445)</u>
Total depreciable assets, net	21,731,758	21,312,051
Land	<u>1,754,800</u>	<u>1,754,800</u>
Property and equipment, net	<u><u>\$ 23,486,558</u></u>	<u><u>\$ 23,066,851</u></u>

Depreciation and amortization expense for the years ended December 31, 2022 and 2021 was \$801,803 and \$584,977, respectively. The Leasehold improvements were transferred to Building and Building Improvements in May 2021 at the time the associated buildings were donated to the Museum (see Note 12).

The Museum announced in 2021 the bold and inclusive vision to create a reimagined world-class museum facility and community green space. The new planned Museum building is 54,000 square feet on the one-acre lot. The site is located on the 100 block of Grant Avenue which is currently occupied by the Museum’s Education Annex and related properties. The construction in process expenses is related to the capitalizable soft costs associated with new campus plan.

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.

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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, 2022 and 2021 was \$1,136,274 and \$721,502, 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 2022 and 2021, the Museum deaccessioned artwork, which was subsequently sold for \$0 and \$239,400, respectively. During 2022 and 2021, the Museum purchased artwork for \$313,800 and \$30,000,000, respectively.

Note 6 – Accounts Payable and Other Liabilities

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

	2022	2021
Accounts payable	\$ 801,352	\$ 376,811
Payroll liabilities	394,703	335,322
Total	\$ 1,196,055	\$ 712,133

Note 7 – Endowments and Designated Funds

The Board of the Museum’s objective is to maintain the long-term purchasing power of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. 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.

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

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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 consist of those with donor-imposed restrictions. Board-designated funds include an art acquisition fund and the campus project, among others.

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% (reduced to 4.5% for 2022) 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.

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

	2022	2021
Donor-designated endowment funds	\$ 80,239,831	\$ 58,076,125
Board-designated funds		
Art acquisition	41,621,641	48,857,831
Campus project	9,369,540	6,844,751
Operating	1,292,403	-
Total	\$ 132,523,415	\$ 113,778,707

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Changes in endowment and designated fund net assets for the year ended December 31, 2022, are as follows:

	Board Designated	Donor Designated
Endowment and designated fund net assets at December 31, 2021	\$ 55,702,582	\$ 58,076,125
Board designated building fund	2,461,928	-
Contributions	1,673,256	25,396,673
Investment loss	(5,335,748)	(2,143,008)
Purchase of Art	(313,880)	-
Appropriation of endowment assets for expenditure/release from restriction per spending policy	(1,904,554)	(410,186)
Release from restriction from other program support	-	(679,773)
Endowment and designated fund net assets at December 31, 2022	\$ 52,283,584	\$ 80,239,831

Changes in endowment and designated fund net assets for the year ended December 31, 2021, are as follows:

	Board Designated	Donor Designated
Endowment and designated fund net assets at December 31, 2020	\$ 78,388,029	\$ 48,652,356
Contributions	-	8,845,160
Investment income	7,813,910	2,732,573
Proceeds from the sale of collection items and directors' residence	239,400	-
Purchase of Art	(30,000,000)	-
Appropriation of endowment assets for expenditure/release from restriction	(738,757)	(2,153,964)
Endowment and designated fund net assets at December 31, 2021	\$ 55,702,582	\$ 58,076,125

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.

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.

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Note 9 – Net Assets

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

	2022	2021
Subject to expenditure for specific purpose or passage of time		
Capital campaign building	\$ 35,031,946	\$ 10,443,855
Other programs	7,487,885	9,912,270
	42,519,831	20,356,125
Subject to restriction in perpetuity		
Operations	28,494,500	28,494,500
Historic properties	6,000,000	6,000,000
Exhibitions	1,625,000	1,625,000
Research center	1,600,500	1,600,500
	37,720,000	37,720,000
Total net assets with donor restrictions	\$ 80,239,831	\$ 58,076,125

Note 10 – 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 4% of the employee’s salary to the plan. Employer matching accounts are 100% vested upon participation in the plan. During 2022 and 2021, the Museum made \$101,210 and \$103,729, respectively, in contributions to the 403(b) retirement plan.

Note 11 – Donated Services, Materials, and Facilities

The Museum receives donated services from a variety of unpaid volunteers assisting the Museum. During 2020, no amounts were recognized in the accompanying consolidated statements of activities and changes in net assets 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 allowed the Museum to occupy the buildings rent free until they were donated to the Museum in May 2021. The fair value of the buildings is estimated at approximately \$13.8 million, which was recognized as contribution revenue in 2021.

Note 12 – Related Party Transactions

Members of the Board of Trustees (the Trustees) make contributions to the Museum. Two Trustees of the Museum are trustees of a private foundation that contributed approximately 10% and 55% of the Museum’s total revenue and public support before investment income or loss during 2022 and 2021, respectively. The 2021 contribution amount includes the buildings donated in Note 12.

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Note 13 – 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 consolidated statements of financial position date, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the consolidated balance sheets 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 statements of financial position date have not been subtracted as unavailable at December 31.

	2022	2021
Financial assets		
Cash and cash equivalents	\$ 3,165,149	\$ 1,764,852
Investment securities	154,876,472	149,192,870
Total financial assets	158,041,621	150,957,722
Less assets unavailable for general expenditures within one year due to:		
Restricted by donor with time or purpose restrictions	37,347,443	16,438,949
Subject to appropriation and satisfaction of donor restrictions	37,720,000	37,720,000
Board-designated endowments	52,283,583	55,702,582
Financial assets available to meet cash needs for general expenditures within one year	\$ 30,690,595	\$ 41,096,191

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.