



REPORT OF INDEPENDENT AUDITORS  
AND CONSOLIDATED FINANCIAL STATEMENTS

**GEORGIA O'KEEFFE MUSEUM AND SUBSIDIARIES**

December 31, 2021 and 2020



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## **Report of Independent Auditors**

The Board of Trustees of  
Georgia O' Keeffe Museum and Subsidiaries  
Santa Fe, New Mexico

### **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 balance sheets as of December 31, 2021 and 2020, 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 its subsidiaries as of December 31, 2021 and 2020, 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 its 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 its 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 financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Georgia O'Keeffe Museum and its 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 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 its 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.

*Mess Adams LLP*

Albuquerque, New Mexico  
July 29, 2022

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

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ASSETS	December 31,	
	2021	2020
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 1,764,852	\$ 646,444
Investment securities		
Board-designated funds	55,702,582	78,388,029
Other funds	93,490,288	77,913,012
Total investment securities	149,192,870	156,301,041
Inventory, net	286,348	420,736
Unconditional promises to give, net	2,328,070	330,246
Other assets	525,707	350,561
Total current assets	154,097,847	158,049,028
<b>NON-CURRENT ASSETS</b>		
Property and equipment, net	23,066,851	9,278,043
Unconditional promises to give, long term, net	2,254,094	1,438,820
Total non-current assets	25,320,945	10,716,863
<b>TOTAL ASSETS</b>	<b>\$ 179,418,792</b>	<b>\$ 168,765,891</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable and other liabilities	\$ 712,133	\$ 673,869
Total current liabilities	712,133	673,869
<b>NET ASSETS</b>		
Without donor restriction		
Undesignated	64,927,952	41,051,637
Board designated for art acquisition	48,857,831	71,912,114
Board designated for campus project	6,844,751	6,475,915
Total without donor restriction	120,630,534	119,439,666
With donor restriction	58,076,125	48,652,356
Total net assets	178,706,659	168,092,022
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 179,418,792</b>	<b>\$ 168,765,891</b>

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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, 2021		
	Without Donor Restriction	With Donor Restriction	Total
<b>REVENUES, GAINS, AND PUBLIC SUPPORT</b>			
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			
<b>INVESTMENT RETURN</b>			
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 return			
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>
<b>EXPENSES</b>			
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 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, 2020		
	Without Donor Restriction	With Donor Restriction	Total
<b>REVENUES, GAINS, AND PUBLIC SUPPORT</b>			
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>
Total revenues, gains, and public support before investment income			
	<u>8,529,605</u>	<u>1,670,803</u>	<u>10,200,408</u>
<b>INVESTMENT RETURN</b>			
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 investment return			
	<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>
<b>EXPENSES</b>			
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>
Total expenses			
	<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 Functional Expenses**

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	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
	<u>\$ 6,435,116</u>	<u>\$ 1,745,016</u>	<u>\$ 1,261,159</u>	<u>\$ 9,441,291</u>
Total expenses	<u>\$ 6,435,116</u>	<u>\$ 1,745,016</u>	<u>\$ 1,261,159</u>	<u>\$ 9,441,291</u>

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See accompanying notes to these consolidated financial statements.



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

	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 and amortization	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
<b>Total expenses</b>	<b><u>\$ 5,785,976</u></b>	<b><u>\$ 1,800,250</u></b>	<b><u>\$ 1,205,844</u></b>	<b><u>\$ 8,792,070</u></b>

See accompanying notes to these consolidated financial statements.

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

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	Years Ended December 31,	
	2021	2020
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets before changes related to collection items not capitalized	\$ 40,375,237	\$ 18,442,183
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation and amortization	584,977	460,834
Donated property	(13,800,000)	-
Gain on sale of property and equipment	-	(625,812)
Net realized and unrealized gain	(15,932,884)	(13,935,245)
Reinvested dividends and interest	(4,014,978)	(3,096,779)
Changes in assets and liabilities		
Inventory, net	134,388	(90,204)
Unconditional promises to give, net	(2,813,098)	(763,111)
Other assets	(175,146)	31,127
Accounts payable and other liabilities	38,264	4,498
Net cash provided by operating activities	4,396,760	427,491
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from the sales of property and equipment	-	1,466,054
Purchases of property and equipment	(573,785)	(1,551,298)
Purchases of investment securities	(5,690,715)	(10,445,619)
Proceeds from sales of investment securities	32,746,748	9,151,032
Proceeds from sale of collections items	239,400	58,333
Purchase of collections items	(30,000,000)	(143,793)
Net cash used in investing activities	(3,278,352)	(1,465,291)
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	1,118,408	(1,037,800)
CASH AND CASH EQUIVALENTS, beginning of year	646,444	1,684,244
CASH AND CASH EQUIVALENTS, end of year	\$ 1,764,852	\$ 646,444

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See accompanying notes to these consolidated financial statements.

# **Georgia O’Keeffe Museum and Subsidiaries**

## **Notes to Consolidated Financial Statements**

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### **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 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, 2021 and 2020.

#### **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 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:

## **Georgia O’Keeffe Museum and Subsidiaries**

### **Notes to Consolidated Financial Statements**

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

##### **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 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 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 (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, 2021 and 2020 exceeded the estimated market value by \$36,980 and \$36,404, and this has been recorded by Management as an allowance for obsolescence.

## **Georgia O’Keeffe Museum and Subsidiaries**

### **Notes to Consolidated Financial Statements**

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

##### **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.

##### **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, 2021 and 2020.

##### **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.

## **Georgia O’Keeffe Museum and Subsidiaries**

### **Notes to Consolidated Financial Statements**

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

##### **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 statement of activities. 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 the current year.

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.

##### **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.

##### **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 \$53,947 and \$89,499 during 2021 and 2020, 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.

## **Georgia O’Keeffe Museum and Subsidiaries**

### **Notes to Consolidated Financial Statements**

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

##### **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).

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, 2021 and 2020, 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-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.

##### **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 July 29, 2022, which is the date the consolidated financial statements were available to be issued.

## Georgia O’Keeffe Museum and Subsidiaries

### Notes to Consolidated Financial Statements

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#### 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.

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, 2021:

	Fair Value Measurements Using			Total
	Level 1	Level 2	Level 3	
Mutual funds				
Emerging markets	\$ 11,294,165	\$ -	\$ -	\$ 11,294,165
International small cap	-	-	-	-
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>

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
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>

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

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**Note 3 – Unconditional Promises to Give**

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

	<u>2021</u>	<u>2020</u>
With donor restriction for endowment	\$ 1,100,000	\$ 1,105,000
With donor restriction for purpose	3,675,937	967,747
Reserve for change in value	<u>(90,272)</u>	<u>(183,101)</u>
	4,685,665	1,889,646
Less estimated discount to present value	<u>(103,501)</u>	<u>(120,580)</u>
Unconditional promises to give	<u>\$ 4,582,164</u>	<u>\$ 1,769,066</u>
Amounts due in		
Less than one year	\$ 2,328,070	\$ 330,246
One to five years	<u>2,254,094</u>	<u>1,438,820</u>
Total	<u>\$ 4,582,164</u>	<u>\$ 1,769,066</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, 2021 and 2020, the reserve was \$90,272 and \$183,101, respectively.

**Note 4 – Property and Equipment**

Property and equipment consisted of the following at December 31:

	<u>2021</u>	<u>2020</u>
Building and building improvements	\$ 26,049,909	\$ 10,527,698
Leasehold improvements	-	4,581,130
Construction in process	2,774,456	-
Furniture, fixtures and equipment	<u>806,131</u>	<u>732,230</u>
	29,630,496	15,841,058
Less accumulated depreciation and amortization	<u>(8,318,445)</u>	<u>(7,667,815)</u>
Total depreciable assets, net	21,312,051	8,173,243
Land	<u>1,754,800</u>	<u>1,104,800</u>
Property and equipment, net	<u>\$ 23,066,851</u>	<u>\$ 9,278,043</u>

Depreciation and amortization expense for the years ended December 31, 2021 and 2020 was \$584,977 and \$460,834, 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).

## Georgia O’Keeffe Museum and Subsidiaries

### Notes to Consolidated Financial Statements

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#### Note 4 – Property and Equipment (continued)

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.

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, 2021 and 2020 was \$721,502 and \$423,354, 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 2021 and 2020, the Museum deaccessioned artwork, which was subsequently sold for \$239,400 and \$58,333, respectively. During 2021 and 2020, the Museum purchased artwork for \$30,000,000 and \$143,793, respectively.

#### Note 6 – Accounts Payable and Other Liabilities

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

	2021	2020
Accounts payable	\$ 376,811	\$ 419,211
Payroll liabilities	335,322	254,658
Total	\$ 712,133	\$ 673,869

## **Georgia O’Keeffe Museum and Subsidiaries**

### **Notes to Consolidated Financial Statements**

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#### **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.

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% (reduced to 4.5% for 2022) of the prior three-year average fair value of that endowment’s assets.

## Georgia O’Keeffe Museum and Subsidiaries

### Notes to Consolidated Financial Statements

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#### Note 7 – Endowments and Designated Funds (continued)

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:

	2021	2020
Donor-designated endowment funds	\$ 58,076,125	\$ 48,652,356
Board-designated funds		
Art acquisition	48,857,831	71,912,114
Campus project	6,844,751	6,475,915
Total	\$ 113,778,707	\$ 127,040,385

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

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

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**Note 7 – Endowments and Designated Funds (continued)**

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	840,243	-
Appropriation of endowment assets for expenditure/release from restriction	<u>2,073,210</u>	<u>(1,305,457)</u>
 Endowment and designated fund net assets at December 31, 2020	 <u><u>\$ 78,388,029</u></u>	 <u><u>\$ 48,652,356</u></u>

**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, 2021 and 2020.

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.

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

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**Note 9 – Net Assets**

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

	2021	2020
Subject to expenditure for specific purpose or passage of time		
Endowment	\$ 19,715,901	\$ 9,133,837
Other programs	640,224	502,119
	20,356,125	9,635,956
Subject to restriction in perpetuity		
Operations	28,494,500	29,790,900
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	39,016,400
Total net assets with donor restrictions	\$ 58,076,125	\$ 48,652,356

**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 20-year lease for the Abiquiu Welcome Center. Rent expense was \$171,082 and \$156,390 for the years ending December 31, 2021 and 2020, respectively.

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

2022	\$ 107,635
2023	103,820
2024	104,019
2025	85,301
Total	\$ 400,775

## **Georgia O’Keeffe Museum and Subsidiaries**

### **Notes to Consolidated Financial Statements**

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#### **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 2021 and 2020, the Museum made \$103,729 and \$116,834, 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. During 2020, no amounts were 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 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. In 2020, the Museum recognized approximately \$423,330 of revenue and expense related to the use of donated facilities.

#### **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 55% and 44% of the Museum’s total revenue and public support before investment income or loss during 2021 and 2020, respectively. The 2021 contribution amount includes the buildings donated in Note 12. During 2020, the Museum occupied the buildings rent free under various lease agreements with this donor (see Note 12).

#### **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.



## Georgia O’Keeffe Museum and Subsidiaries

### Notes to Consolidated Financial Statements

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#### Note 14 – Liquidity and Availability of Financial Assets (continued)

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.

	2021	2020
Financial assets		
Cash and cash equivalents	\$ 1,764,852	\$ 646,444
Investment securities	149,192,870	156,301,041
Total financial assets	150,957,722	156,947,485
Less assets unavailable for general expenditures within one year due to:		
Restricted by donor with time or purpose restrictions	16,438,949	9,635,956
Subject to appropriation and satisfaction of donor restrictions	37,720,000	39,016,400
Board-designated endowments	55,702,582	78,388,029
Financial assets available to meet cash needs for general expenditures within one year	\$ 41,096,191	\$ 29,907,100

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 – Subsequent Events

In March 2022, The Museum received notice of a one-time \$20.0 million grant for the specific purpose for support of the new building for the Georgia O’Keeffe Museum. The Museum expects to receive the distribution of the grant by the end of 2022.