



SCIENCE MUSEUM OKLAHOMA, INC.

FINANCIAL STATEMENTS

JUNE 30, 2018 and 2017

WITH

INDEPENDENT AUDITOR'S REPORT

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Science Museum Oklahoma, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Science Museum Oklahoma, Inc. (the Museum) which comprise the statements of financial position as of June 30, 2018 and 2017, the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility


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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Museum as of June 30, 2018 and 2017, and the results of its activities and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.



Oklahoma City, Oklahoma
October 23, 2018

SCIENCE MUSEUM OKLAHOMA, INC.
STATEMENTS OF FINANCIAL POSITION

June 30, 2018 and 2017

	2018	2017
Assets		
Cash	\$ 8,594,661	\$ 5,617,826
Receivables:		
Pledges	1,043,013	1,196,013
Land lease contributions	371,690	414,131
Other, net	201,434	217,832
Prepaid expenses and other	180,728	340,091
Inventory	100,995	92,038
Restricted cash	4,627,587	5,337,693
Property and equipment, net	22,358,773	25,185,426
Beneficial interest in assets held by OCCF	42,192,308	41,149,752
Collections	3,892,438	3,892,438
	\$ 83,563,627	\$ 83,443,240
Liabilities and Net Assets		
Liabilities:		
Accounts payable	\$ 294,807	\$ 236,820
Accrued liabilities	525,063	483,085
Deferred revenues	1,039,350	986,433
Long-term debt	2,450,422	2,615,368
	4,309,642	4,321,706
Total liabilities		
Net assets:		
Unrestricted	30,116,564	30,980,801
Temporarily restricted	30,425,638	29,428,950
Permanently restricted	18,711,783	18,711,783
	79,253,985	79,121,534
Total net assets		
	\$ 83,563,627	\$ 83,443,240
Total liabilities and net assets		
	\$ 83,563,627	\$ 83,443,240

SCIENCE MUSEUM OKLAHOMA, INC.

STATEMENT OF ACTIVITIES

Year ended June 30, 2018

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues, Gains and Other Support				
Admissions	\$ 3,545,855	\$ -	\$ -	\$ 3,545,855
Contributions	1,562,446	592,480	-	2,154,926
Memberships	1,813,356	-	-	1,813,356
Education programs	477,730	-	-	477,730
Rentals	41,636	-	-	41,636
Museum shop sales, net of cost of sales of \$339,156	362,965	-	-	362,965
Café sales	83,801	-	-	83,801
Other income	287,802	-	-	287,802
Net increase in value of beneficial interest in assets held by OCCF	-	3,009,604	-	3,009,604
Released from restrictions	2,605,396	(2,605,396)	-	-
Total revenues, gains and other support	10,780,987	996,688	-	11,777,675
Expenses				
Programming:				
Exhibit services and collections	3,203,947	-	-	3,203,947
Science department	1,920,721	-	-	1,920,721
Planetarium	150,498	-	-	150,498
Facility rentals	66,869	-	-	66,869
Admissions	720,582	-	-	720,582
Museum shop and café	379,960	-	-	379,960
Total programming	6,442,577	-	-	6,442,577
Supporting services:				
Development	218,803	-	-	218,803
Facilities	662,275	-	-	662,275
Management and general	877,148	-	-	877,148
Total supporting services	1,758,226	-	-	1,758,226
Interest	99,683	-	-	99,683
Depreciation	3,344,738	-	-	3,344,738
Total expenses	11,645,224	-	-	11,645,224
Change in net assets	(864,237)	996,688	-	132,451
Net assets, beginning of year	30,980,801	29,428,950	18,711,783	79,121,534
Net assets, end of year	\$ 30,116,564	\$ 30,425,638	\$ 18,711,783	\$ 79,253,985

See notes to financial statements.

SCIENCE MUSEUM OKLAHOMA, INC.

STATEMENT OF ACTIVITIES

Year ended June 30, 2017

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues, Gains and Other Support				
Admissions	\$ 3,591,656	\$ -	\$ -	\$ 3,591,656
Contributions	1,575,594	-	-	1,575,594
Memberships	1,536,305	-	-	1,536,305
Education programs	450,084	-	-	450,084
Rentals	56,251	-	-	56,251
Museum shop sales, net of cost of sales of \$358,531	392,009	-	-	392,009
Café sales, net of cost of sales of \$330,703	414,062	-	-	414,062
Other income	155,659	-	-	155,659
Net increase in value of beneficial interest in assets held by OCCF	-	4,055,478	-	4,055,478
Released from restrictions	3,241,788	(3,241,788)	-	-
Total revenues, gains and other support	11,413,408	813,690	-	12,227,098
Expenses				
Programming:				
Exhibit services and collections	2,914,061	-	-	2,914,061
Science department	1,642,915	-	-	1,642,915
Planetarium	139,319	-	-	139,319
Facility rentals	52,253	-	-	52,253
Admissions	696,395	-	-	696,395
Museum shop and café	699,533	-	-	699,533
Total programming	6,144,476	-	-	6,144,476
Supporting services:				
Development	185,534	-	-	185,534
Facilities	654,777	-	-	654,777
Management and general	894,926	-	-	894,926
Total supporting services	1,735,237	-	-	1,735,237
Interest	126,243	-	-	126,243
Depreciation	2,932,868	-	-	2,932,868
Total expenses	10,938,824	-	-	10,938,824
Change in net assets	474,584	813,690	-	1,288,274
Net assets, beginning of year	30,506,217	28,615,260	18,711,783	77,833,260
Net assets, end of year	\$ 30,980,801	\$ 29,428,950	\$ 18,711,783	\$ 79,121,534

See notes to financial statements.

SCIENCE MUSEUM OKLAHOMA, INC.

STATEMENTS OF CASH FLOWS

Years ended June 30, 2018 and 2017

	2018	2017
Cash Flows from Operating Activities		
Change in net assets	\$ 132,451	\$ 1,288,274
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Net increase in value of beneficial interest in assets held by OCCF	(3,009,604)	(4,055,478)
Depreciation	3,344,738	2,932,868
Loss on disposal of property and equipment	454,278	-
Nonmonetary lease expense	42,441	42,441
Changes in operating assets and liabilities:		
Pledges receivable	153,000	277,500
Other receivables	16,398	95,784
Prepaid expenses and other	159,363	(219,847)
Inventory	(8,957)	48,977
Restricted cash	710,106	993,218
Accounts payable	57,987	(106,615)
Accrued liabilities	41,978	(160,605)
Deferred revenues	52,917	57,232
	2,147,096	1,193,749
Cash Flows from Investing Activities		
Purchases of property and equipment	(972,363)	(1,092,203)
Distributions of beneficial interest in assets held by OCCF	1,967,048	1,960,006
	994,685	867,803
Cash Flows from Financing Activities		
Principal payments on long-term debt	(164,946)	(1,117,349)
	2,976,835	944,203
Net increase in cash	2,976,835	944,203
Cash, beginning of year	5,617,826	4,673,623
	\$ 8,594,661	\$ 5,617,826
	\$ 8,594,661	\$ 5,617,826
Supplemental Disclosure of Cash Flow Information		
Cash paid for interest	\$ 99,683	\$ 126,243
	\$ 99,683	\$ 126,243

SCIENCE MUSEUM OKLAHOMA, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2018 and 2017

Note 1 – Organization and Nature of Operations

The accompanying financial statements include the accounts and activities of Science Museum Oklahoma, Inc. (the Museum). The Museum provides the public with educational services and entertaining experiences through numerous aviation and space artifacts, hands-on science exhibits, cultural galleries, a planetarium, a museum shop, and a café.

Note 2 – Summary of Significant Accounting Policies

Basis of accounting and reporting

The net assets of the Museum are reported as follows:

- Unrestricted net assets are available for support of the Museum's operations.
- Temporarily restricted net assets are restricted by donors for specific purposes or time periods.
- Permanently restricted net assets are restricted by donors to be maintained in perpetuity. See Note 3 for the treatment of earnings on permanently restricted endowments maintained by Oklahoma City Community Foundation, Inc. (OCCF).

Cash and restricted cash

The Museum maintains its cash in accounts which typically exceed federal insured amounts. However, it has not experienced any losses in such amounts and believes it is not exposed to any significant credit risk on cash accounts.

Property and equipment

Property and equipment is recorded at historical cost or estimated fair value at the date of contribution. Depreciation is provided on the straight-line basis over the estimated useful lives of the respective assets.

Collections

The Museum's collections include aviation and space artifacts, historical treasures and similar assets that are held for public exhibition and education, protected, cared for, and preserved. Collections are subject to the Museum's policy that requires the proceeds of collection items that are sold to be used to acquire other items for its collections.

Except for collections held by OCCF relating to The Kirkpatrick Center Affiliated Fund of the Oklahoma City Community Foundation, Inc. group (the KCAF fund group) described in Note 3, the Museum has capitalized its collections since its inception. Purchased items accessioned into the collection are capitalized at cost. Donated items, if significant, are capitalized at their fair value on the accession date. Gains or losses on the deaccession of collection items are classified in the statement of activities as unrestricted or temporarily restricted support depending on donor restrictions, if any, placed on the item at the time of accession. Collection items are depreciated over their estimated useful lives unless they have cultural, aesthetic, or historical value that is worth preserving perpetually, and the Museum is protecting and preserving essentially undiminished the service potential of the collection item. The collections held by the KCAF fund group are not recognized in the Museum's statements of financial position.

Contributions

The Museum reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires (a stipulated time restriction ends, or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and are reported in the statement of activities as net assets released from restrictions. Net assets with restrictions that are met in the same reporting period as their receipt are accounted for as part of unrestricted net assets.

The Museum reports gifts of property and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long-lived assets must be maintained, the Museum reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

The Museum records contributions made by donors on its behalf to other not-for-profit organizations or charitable trusts as an asset unless the donor has explicitly granted the recipient organization variance power. However, the Museum records contributions made to other not-for-profit organizations or charitable trusts as an asset regardless if variance power exists, if the Museum has designated itself as beneficiary. Variance power is defined as the unilateral power to redirect the use of the assets to another beneficiary.

Unconditional promises to give that extend for periods longer than one year are reported as contributed income of the museum when made at the net present value of the estimated future cash flows.

Conditional promises to give are recognized when the conditions on which the gift depends are substantially met. Promises that are conditioned on the Museum incurring certain qualifying costs become unconditional in stages and are recognized as contributions to the extent that costs are incurred. A portion of these contributions is recognized as revenues as each of the stages is met.

Functional expense allocations

Costs of providing the Museum's various programs and supporting services have been summarized on a functional basis in the statements of activities. The Museum allocates salaries and wages based on actual staff positions. Administrative expenses are allocated to each area based on an estimate of usage. All remaining expenses are allocated based on actual expenses for the function.

Income tax status

The Museum is a nonprofit organization and is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. However, the Museum is subject to federal income tax on any unrelated business taxable income.

Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the Museum to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Concentrations of credit risk

Financial instruments, which potentially subject the Museum to credit risk, consist of receivables and beneficial interest in assets held by OCCF.

Two donors accounted for 56% of total contribution revenues for the year ended June 30, 2018. There were no significant concentrations of contribution revenue for the year ended June 30, 2017.

Gain contingencies

Gain contingencies refer to existing conditions, situations, or sets of circumstances involving uncertainty as to possible gain that will ultimately be resolved when one or more future events occur or fail to occur. Contingencies that might result in a gain are not reflected in the Museum's financial statements because to do so might be to recognize revenue before its realization.

Recent accounting pronouncements

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606)*. The update provides guidance concerning the recognition and measurement of revenue from contracts with customers. Its objective is to increase the usefulness of information in the financial statements regarding the nature, timing and uncertainty of revenues. As deferred by ASU 2015-14, the update is effective for the fiscal year ending June 30, 2020, for the Museum. The standard permits the use of either the retrospective or cumulative effect transition method. The Museum will be evaluating the impact this standard will have on its financial statements and related disclosures.

In August 2016, the FASB issued ASU No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. ASU No. 2016-14 decreases the number of net asset classes from three to two, requires reporting of underwater amounts of donor-restricted endowment funds in net assets with donor restrictions and enhances disclosures about underwater endowments, requires disclosures of how an entity manages its liquid available resources to meet cash needs for general expenditures within one year and the availability of a nonprofit's financial assets to meet cash needs for general expenditures within one year, and requires reporting of expenses by nature and function, as well as an analysis of these expenses. The ASU must be adopted on a retrospective basis and early adoption is permitted. It will be effective for the Museum for its fiscal year ending on June 30, 2019. The Museum is currently evaluating the effects adoption of this guidance will have on its financial statements.

In November 2016, FASB issued ASU No. 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash*. ASU No. 2016-18 requires that a statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. Therefore, amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. The ASU must be adopted on a retrospective basis and early adoption is permitted. It will be effective for the Museum for its fiscal year ending June 30, 2020. The Museum is currently evaluating the effects adoption of this guidance will have on its financial statements.

Reclassifications

Certain reclassifications have been made in the June 30, 2017, financial statements to conform to the classifications used at June 30, 2018. These reclassifications had no impact on previously reported change in net assets.

Subsequent events

Management has evaluated subsequent events through October 23, 2018, the date the financial statements were available to be issued.

Note 3 – Contributions to OCCF

Separate funds, Air Space Museum Affiliated Fund group (ASMAF fund group), The Science Museum Oklahoma Fund of the Oklahoma City Community Foundation, Inc. group (OAF fund group) and KCAF fund group (collectively, the Science Museum Oklahoma Affiliated Fund group) have been established at OCCF. The Science Museum Oklahoma Affiliated Fund group represents contributions received by OCCF, from either third parties or the Museum, which are designated to be invested to benefit the Museum.

The Science Museum Oklahoma Affiliated Fund group is a permanently restricted endowment, the income from which is designated to benefit the Museum's exhibits and programs, improve and maintain Museum facilities, and general operations. Earnings and market activity are recorded net in the statement of activities and are recorded as temporarily restricted.

Investment decisions for the Science Museum Oklahoma Affiliated Fund group are made by OCCF. Income earned on the donated funds is paid to the Museum on a basis determined by OCCF. That amount is calculated and agreed to by the Board of Trustees for the Science Museum Oklahoma Affiliated Fund group. When this amount is paid to the Museum, a transfer is made to unrestricted net assets. The principal amount of the Science Museum Oklahoma Affiliated Fund group cannot be distributed without the unanimous approval of OCCF's Board of Directors. As a result, OCCF has variance power over contributions it has received from third parties on behalf of the Museum, and the Museum has not recorded these funds as an asset in its financial statements. During the years ended June 30, 2018 and 2017, OCCF distributed \$575,568 and \$523,508, respectively, of the income generated from the portion of the Science Museum Oklahoma Affiliated Fund group comprised of third-party donations, which is included as a component of unrestricted contributions in the statements of activities.

The Science Museum Oklahoma Affiliated Fund group also contains funds transferred to it by the Museum, which designated itself as beneficiary. The Museum's Board of Trustees authorized OCCF to manage these funds in the same manner as the Science Museum Oklahoma Affiliated Fund group assets donated by third parties, which effectively grants variance power to OCCF. However, as the Museum designated itself as beneficiary, the Museum has recognized a beneficial interest in assets held by OCCF in its statements of financial position.

The following schedule summarizes the fair value of the Science Museum Oklahoma Affiliated Fund group at June 30:

	Beneficial Interest in Assets Held by OCCF	Received by OCCF from Third-Party Donors	Total
2018			
KCAF fund group (A)	\$ 38,730,159	\$ -	\$ 38,730,159
OAF fund group (A)	3,407,746	5,721,868	9,129,614
ASMAF fund group (A)	54,403	7,303,031	7,357,434
	<u>\$ 42,192,308</u>	<u>\$ 13,024,899</u>	<u>\$ 55,217,207</u>
2017			
KCAF fund group (A)	\$ 37,773,191	\$ -	\$ 37,773,191
OAF fund group (A)	3,323,504	5,550,368	8,873,872
ASMAF fund group (A)	53,057	7,122,584	7,175,641
	<u>\$ 41,149,752</u>	<u>\$ 12,672,952</u>	<u>\$ 53,822,704</u>

(A) The Museum does not include, in the amounts listed above, the cost or fair value of collections held by OCCF.

Note 4 – Restricted Net Assets

Temporarily restricted net assets are available for the following purposes at June 30:

	2018	2017
Exhibit acquisitions and maintenance	\$ 4,816,203	\$ 4,357,470
Donald W. Reynolds Foundation Grant	1,757,219	2,219,379
Land lease expenses	371,691	414,132
KCAF fund group	21,733,864	20,776,896
OAF fund group	1,713,486	1,629,244
ASMAF fund group	33,175	31,829
	<u>\$ 30,425,638</u>	<u>\$ 29,428,950</u>

Permanently restricted net assets include the following at June 30:

	2018	2017
KCAF fund group	\$ 16,996,295	\$ 16,996,295
OAF fund group	1,694,260	1,694,260
ASMAF fund group	21,228	21,228
	<u>\$ 18,711,783</u>	<u>\$ 18,711,783</u>

Note 5 – Donor Restricted and Board Designated Endowments

Board interpretation

The endowment of the Museum consists of funds established for a variety of purposes. Net assets associated with these endowment funds are classified and reported based on the existence or absence of specific restrictions placed upon such funds by donors as contemplated by the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA).

The Board interprets UPMIFA as requiring preservation of the fair value of the original gift as of the gift date if there is specific intent expressed by the donor that prevents appropriation for expenditure of such amount. As a result of this interpretation, the Museum classifies as permanently restricted net assets (a) the original value of gifts properly allocated to the permanent endowment, (b) the original value of subsequent gifts properly allocated to the permanent endowment, and (c) accumulations to the existing permanent endowment if such accumulations are donor restricted from appropriation for expenditure. All remaining portions of the Museum's endowment funds are classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Museum in a manner consistent with the standard of prudence prescribed by UPMIFA. UPMIFA does not prohibit appropriation for expenditure of all donor-restricted endowment funds.

In accordance with UPMIFA, the Museum considers the following factors in making a determination to appropriate for expenditure or to accumulate returns from endowment funds:

1. Duration and preservation of the fund
2. Purposes of the Museum and the fund
3. General economic conditions
4. Possible effect of inflation and deflation
5. Expected total return from investment income and appreciation or depreciation of investments
6. Other resources of the Museum
7. Investment policies of the Museum

Return objectives, risk parameters, strategies and spending policy

The endowment funds of the Museum are managed and invested by OCCF. OCCF is charged with managing and investing these funds in accordance with the intent of the donors as expressed in the gifting instruments and the charitable purposes of the Museum. OCCF makes distributions in accordance with OCCF's spending policies. OCCF may incur only those costs which are appropriate and reasonable in relation to these funds, the purposes of the Museum, and the skills available to OCCF. The Museum monitors OCCF's performance and compliance with the scope of OCCF's duties to the Museum; however, the Museum does not have any control over the investment or distribution policies of OCCF. As stated in Note 3, distributions from earnings on endowed funds are determined by the Board of Trustees of the Science Museum Oklahoma Affiliated Fund group.

Changes in endowment fund net assets for the year ended June 30, 2018, consist of the following:

	Temporarily Restricted	Permanently Restricted	Total
Endowment fund net assets, beginning of year	\$ 22,437,969	\$ 18,711,783	\$ 41,149,752
Adjusted endowment fund net assets investment return:			
Investment income	3,095,690	-	3,095,690
Net depreciation in value	(86,086)	-	(86,086)
	3,009,604	-	3,009,604
Transfers to operating funds	(1,967,048)	-	(1,967,048)
Endowment fund net assets, end of year	\$ 23,480,525	\$ 18,711,783	\$ 42,192,308

Changes in endowment fund net assets for the year ended June 30, 2017, consist of the following:

	Temporarily Restricted	Permanently Restricted	Total
Endowment fund net assets, beginning of year	\$ 20,342,497	\$ 18,711,783	\$ 39,054,280
Adjusted endowment fund net assets investment return:			
Investment income	4,137,227	-	4,137,227
Net depreciation in value	(81,749)	-	(81,749)
	4,055,478	-	4,055,478
Transfers to operating funds	(1,960,006)	-	(1,960,006)
Endowment fund net assets, end of year	\$ 22,437,969	\$ 18,711,783	\$ 41,149,752

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 state law requires the Museum to retain as a fund of perpetual duration. At June 30, 2018 and 2017, there were no deficiencies of this nature.

Note 6 – Fair Value Measurements

The FASB Accounting Standards Codification established a consistent framework for measuring fair value and fair value hierarchy based on the observability of inputs used to measure fair value.

These inputs are summarized in the three broad levels listed below:

- Level 1 Quoted prices in active markets for identical assets or liabilities.
- Level 2 Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.
- Level 3 Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

There were no transfers into or out of Levels 1, 2, or 3 for the years ended June 30, 2018 or 2017.

Beneficial interest in assets held by others (Beneficial Interest) is measured at fair value using Level 3 inputs. Since OCCF maintains variance power for the beneficial interests it holds, there is no potential market for the Beneficial Interest or similar assets. Consequently, the valuation is determined by aggregating the valuation of the underlying investments of the Beneficial Interest as reported by OCCF. These are considered to be Level 3 measurements.

The inputs or methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities.

The following table sets forth by level, within the fair value hierarchy, the Museum's assets that are measured at fair value on a recurring basis as of June 30, 2018:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Beneficial interest in assets held by OCCF	\$ -	\$ -	\$ 42,192,308	\$ 42,192,308

The following table sets forth by level, within the fair value hierarchy, the Museum's assets that are measured at fair value on a recurring basis as of June 30, 2017:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Beneficial interest in assets held by OCCF	\$ -	\$ -	\$ 41,149,752	\$ 41,149,752

The following table summarizes the changes in the fair value of the Museum's Level 3 financial assets for the years ended June 30:

	<u>Beneficial Interest in Assets Held by OCCF</u>	
	<u>2018</u>	<u>2017</u>
Balance, beginning of year	\$ 41,149,752	\$ 39,054,280
Net investment performance	3,009,604	4,055,478
Distributions to the Museum	(1,967,048)	(1,960,006)
Balance, end of year	<u>\$ 42,192,308</u>	<u>\$ 41,149,752</u>

The summary of changes in fair value of Level 3 assets has been prepared to reflect the activity in the same categories as those provided to the Museum by OCCF. Net investment performance includes realized and unrealized gains (losses) on investments, investment income and administrative fees. Distributions from OCCF decrease the Museum's beneficial interest and increase cash at the time of distribution. The change in value is included in net increase in value of beneficial interest in assets held by OCCF in the statements of activities.

Market volatility

Investment securities are exposed to various risks, such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and those changes could materially affect net assets.

Note 7 – Property and Equipment

Property and equipment consists of the following at June 30:

	Years	2018	2017
Equipment	3 to 10	\$ 1,335,397	\$ 1,215,112
Furniture and fixtures	5 to 10	669,529	615,411
Building and improvements	5 to 40	24,442,370	24,235,533
Dome Theater	10 to 20	8,380,285	8,380,285
Computer equipment	3 to 5	368,049	363,674
Exhibits	5 to 10	14,139,035	13,804,733
Vehicles	5	25,920	25,920
Oklahoma Museum Network property and equipment	3 to 5	6,335,851	6,742,925
Exhibits in process		486,753	281,511
		56,183,189	55,665,104
Accumulated depreciation		(33,824,416)	(30,479,678)
Property and equipment, net		<u>\$ 22,358,773</u>	<u>\$ 25,185,426</u>

Note 8 – Long-Term Debt

Long-term debt consists of the following at June 30:

	2018	2017
Bonds payable, due in monthly installments of \$22,052, including interest at 3.87%, until December 10, 2029 (A)	<u>\$ 2,450,422</u>	<u>\$ 2,615,368</u>

(A) Payments on the bonds are made through retention of sales taxes on the Museum's admissions revenue as allowed by the state of Oklahoma. The bonds are collateralized by up to \$1,000,000 of annual admissions revenue. The Museum's loan agreement contains various affirmative and negative covenants which, among other things, restrict future borrowings and limit the use of loan proceeds to qualified project costs relating to the Children's Discovery Initiative. At June 30, 2018, the Museum was in compliance with all loan covenants.

Maturities of long-term debt at June 30, 2018, are as follows:

<u>Fiscal Year</u>	<u>Amount</u>
2019	\$ 172,842
2020	179,651
2021	186,728
2022	194,084
2023	201,729
2024 and thereafter	<u>1,515,388</u>
	<u>\$ 2,450,422</u>

Note 9 – Donald W. Reynolds Foundation Grants

In June 2014, the Donald W. Reynolds Foundation (the Foundation) awarded the Museum a five-year grant to support the Oklahoma Museum Network. The total grant awarded and paid by the Foundation was \$4,097,162, of which, approximately \$1,760,000 and \$2,220,000 is classified as restricted cash at June 30, 2018 and 2017, respectively.

In September 2015, the Foundation awarded the Museum an additional grant to establish the Restricted Fund for Maintenance. The total grant awarded and paid by the Foundation was \$600,000, which is classified as restricted cash at June 30, 2018 and 2017.

Note 10 – In-Kind Donations

Historically, the Museum has received in-kind donations from a variety of sources. During the years ended June 30, 2018 and 2017, the Museum received no in-kind donations. Donated services are also received from a variety of unpaid volunteers assisting the Museum in carrying out its various programs, for which no value is assigned as the criteria for recognition of such volunteer efforts under generally accepted accounting principles has not been satisfied.

Note 11 – Nonmonetary Lease Transactions

The Museum's building and parking lot are located on land leased from the City of Oklahoma City (the City). The annual payment under the building land lease is equal to \$1.00, while the lease for the parking lot land requires no payment. The lease for the building land expires on October 4, 2026, while the lease for the parking lot land expires on February 29, 2028. Because the City has explicitly and unconditionally promised the use of these parcels of land for a specified period of time, the fair value of these leases, discounted to present value, have been recognized as unconditional promises to give in the accompanying statements of financial position as receivables-land lease contributions. During the years ended June 30, 2018 and 2017, amortized lease expenses of approximately \$42,000 for each year were recognized in the accompanying statements of activities related specifically to these leases.