



McNay Art Museum

Financial Statements
Years Ended June 30, 2020 and 2019

The report accompanying these financial statements was issued by BDO USA, LLP, a Delaware limited liability partnership and the U.S. member of BDO International Limited, a UK company limited by guarantee.



McNay Art Museum

Financial Statements
Years Ended June 30, 2020 and 2019

McNay Art Museum

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Independent Auditor's Report

To the Board of Directors of
McNay Art Museum
San Antonio, Texas

We have audited the accompanying statements of financial position of McNay Art Museum (the Museum) as of June 30, 2020 and 2019, and the related statement of activities and changes in net assets and functional expenses for the year ended June 30, 2020, and the statement of cash flows for the years ended June 30, 2020 and 2019, 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, 2020 and 2019, and the changes in its net assets for the year ended June 30, 2020 and its cash flows for years ended June 30, 2020 and 2019 in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Financial Information

We have previously audited the Museum's 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 27, 2019. In our opinion, the summarized comparative information on the statement of activities and changes in net assets and functional expenses presented herein and for the year ended June 30, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

BDO USA, LLP

October 30, 2020

Financial Statements

McNay Art Museum
Statements of Financial Position

<i>June 30,</i>	2020	2019
Assets		
Cash and cash equivalents	\$ 3,712,919	\$ 1,839,613
Accounts and interest receivable	93,479	89,797
Contributions receivable, current	1,598,925	2,228,399
Inventories	109,645	110,225
Prepaid expense and other	1,087,586	1,036,825
Short term investments	6,750,934	7,645,693
Long term contributions receivable	666,334	2,026,499
Construction in progress	3,377,209	472,463
Land, buildings, and equipment, net	22,768,421	24,260,378
Long term investments	44,147,680	46,982,126
Total Assets	\$ 84,313,132	\$ 86,692,018
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	\$ 584,528	\$ 534,454
Deferred revenue	163,999	140,359
Notes payable	876,700	-
Total Liabilities	1,625,227	674,813
Net Assets		
Without donor restrictions	39,995,414	42,957,394
With donor restrictions	42,692,491	43,059,811
Total Net Assets	82,687,905	86,017,205
Total Liabilities and Net Assets	\$ 84,313,132	\$ 86,692,018

The accompanying notes are an integral part of these financial statements.

McNay Art Museum

Statement of Activities and Changes in Net Assets

Year ended June 30, 2020

(With Summarized Financial Information for the Year ended June 30, 2019)

	Without Donor Restrictions				With Donor Restrictions	Total	
	Operating	Non-Operating	Land Buildings and Equipment	Total		2020	2019
Revenue, Gains and Other Support							
Contributions	\$ 2,175,459	\$ 96,627	\$ -	\$ 2,272,086	\$ 3,109,971	\$ 5,382,057	\$ 7,752,081
Memberships	626,979	-	-	626,979	-	626,979	706,043
Special events - net of direct cost totaling \$118,467 in 2020 and \$126,505 in 2019	389,105	-	-	389,105	-	389,105	281,372
Dividends and interest, net	28,794	716,572	-	745,366	240,615	985,981	1,018,961
Net realized and unrealized gains (losses) on investments	5,542	(2,995,795)	-	(2,990,253)	594,910	(2,395,343)	1,908,906
Oil royalties, net	69,369	-	-	69,369	-	69,369	100,639
Rental income	214,467	-	-	214,467	-	214,467	346,776
Museum store	184,551	-	-	184,551	-	184,551	269,595
Educational program revenue	72,415	-	-	72,415	-	72,415	70,768
Exhibition income	503,132	-	-	503,132	-	503,132	637,964
Admission fees	145,052	-	-	145,052	-	145,052	232,769
Photography fees	28,400	-	-	28,400	-	28,400	37,693
Miscellaneous	54,283	-	-	54,283	-	54,283	43,136
Transfers/ appropriations	2,176,947	(2,248,609)	-	(71,662)	71,662	-	-
	6,674,495	(4,431,205)	-	2,243,290	4,017,158	6,260,448	13,406,703
Net assets released from restrictions	3,840,199	544,279	-	4,384,478	(4,384,478)	-	-
Total Revenue, Gains, and Other Support	\$ 10,514,694	\$ (3,886,926)	\$ -	\$ 6,627,768	\$ (367,320)	\$ 6,260,448	\$ 13,406,703

The accompanying notes are an integral part of these financial statements.

McNay Art Museum

Statement of Activities and Changes in Net Assets (Continued)

Year ended June 30, 2020

(With Summarized Financial Information for the Year ended June 30, 2019)

	Without Donor Restrictions				With Donor Restrictions	Total	
	Operating	Non- Operating	Land Buildings and Equipment	Total		2020	2019
Expenses							
Program Services:							
Curatorial and conservation	\$ 1,661,940	\$ 5,154	\$ 316,486	\$ 1,983,580	\$ -	\$ 1,983,580	\$ 2,092,767
Exhibitions and presentations	2,990,106	-	651,590	3,641,696	-	3,641,696	4,037,219
Education	1,152,447	3,897	614,356	1,770,700	-	1,770,700	1,865,118
Museum store	276,294	-	18,617	294,911	-	294,911	374,880
Library	103,065	-	18,617	121,682	-	121,682	178,171
Support Services:							
Management and general	610,875	28,374	204,785	844,034	-	844,034	839,557
Fundraising	445,493	136,918	37,234	619,645	-	619,645	673,386
Total Expenses	7,240,220	174,343	1,861,685	9,276,248	-	9,276,248	10,061,098
Change in net assets before changes related to collection items not capitalized and non-operating transfers							
	3,274,474	(4,061,269)	(1,861,685)	(2,648,480)	(367,320)	(3,015,800)	3,345,605
Changes related to collection items not capitalized							
	-	(313,500)	-	(313,500)	-	(313,500)	(89,850)
Gain on involuntary conversion of assets							
	-	-	-	-	-	-	167,952
Loss on disposal of assets							
	-	-	-	-	-	-	(37,081)
Transfers not affecting operations							
	(3,274,474)	-	3,274,474	-	-	-	-
Change in Net Assets	-	(4,374,769)	1,412,789	(2,961,980)	(367,320)	(3,329,300)	3,386,626
Net assets, beginning of year							
	783,711	17,051,578	25,122,105	42,957,394	43,059,811	86,017,205	82,630,579
Net Assets, End of Year	\$ 783,711	\$ 12,676,809	\$ 26,534,894	\$ 39,995,414	\$ 42,692,491	\$ 82,687,905	\$ 86,017,205

The accompanying notes are an integral part of these financial statements.

McNay Art Museum

Statement of Functional Expenses

Year ended June 30, 2020

(With Summarized financial Statement Information for the Year Ended June 30, 2019)

	Program Services						Support Services			Totals	
	Curatorial and Conservation	Exhibitions and Presentations	Education	Museum Store	Library	Total Program Services	Management and General	Fund- raising	Total Support Services	2020	2019
	Salaries and wages	\$ 866,211	\$ 1,467,327	\$ 645,849	\$ 124,399	\$ 59,810	\$ 3,163,596	\$ 192,710	\$ 296,630	\$ 489,340	\$ 3,652,936
Payroll taxes	70,952	120,189	52,902	10,190	4,899	259,132	15,785	24,297	40,082	299,214	309,997
Employee benefits	168,281	285,061	125,473	24,168	11,620	614,603	37,440	57,628	95,068	709,671	709,577
Professional fees	22,418	-	840	219	-	23,477	142,193	6,885	149,078	172,555	245,891
Lectures	-	-	7,921	-	-	7,921	-	-	-	7,921	31,927
Supplies	11,648	17,904	36,725	1,850	8	68,135	22,809	13,191	36,000	104,135	123,719
Communications	4,257	4,581	2,666	884	407	12,795	19,202	4,045	23,247	36,042	36,869
Postage and freight	4,804	253	107	210	2	5,376	755	9,291	10,046	15,422	25,908
Occupancy	80,623	159,525	150,409	4,558	4,558	399,673	50,138	9,114	59,252	458,925	436,174
Equipment rental and maintenance	66,089	75,404	49,890	1,303	9,659	202,345	106,755	6,217	112,972	315,317	491,898
Printing and publication	8,620	7,510	8,398	970	332	25,830	13,730	32,082	45,812	71,642	67,263
Marketing, advertising and publicity	17,373	52,118	8,687	8,687	-	86,865	-	-	-	86,865	103,641
Travel	5,159	4,657	8,437	437	-	18,690	2,639	4,893	7,532	26,222	37,698
School busing	-	-	8,365	-	-	8,365	-	-	-	8,365	13,848
Conferences, seminars, and meetings	122,095	5,602	9,836	125	-	137,658	5,169	28,148	33,317	170,975	55,933
Organization dues and subscriptions	1,458	953	1,507	482	32	4,432	16,667	13,277	29,944	34,376	27,672
Insurance	186,902	41,083	23,476	11,738	11,738	274,937	7,043	-	7,043	281,980	277,567
Store cost of sales	-	-	-	85,839	-	85,839	-	-	-	85,839	133,072
Maintenance of collection	25,577	-	-	-	-	25,577	-	-	-	25,577	35,296
Concerts, films, etc.	-	10,012	13,798	-	-	23,810	-	-	-	23,810	29,035
Exhibitions	-	728,181	-	-	-	728,181	-	-	-	728,181	1,168,260
Credit card fees	1,203	-	-	-	-	1,203	-	31,211	31,211	32,414	45,629
Assessments	2,058	-	-	-	-	2,058	-	-	-	2,058	663
Miscellaneous	1,366	9,746	1,058	235	-	12,405	6,214	45,502	51,716	64,121	79,370
Member trip expenses	-	-	-	-	-	-	-	-	-	-	25,734
Special events expenses	-	-	-	-	-	-	-	118,467	118,467	118,467	126,505
	1,667,094	2,990,106	1,156,344	276,294	103,065	6,192,903	639,249	700,878	1,340,127	7,533,030	8,280,545
Depreciation	316,486	651,590	614,356	18,617	18,617	1,619,666	204,785	37,234	242,019	1,861,685	1,932,792
Total Expenses	\$ 1,983,580	\$ 3,641,696	\$ 1,770,700	\$ 294,911	\$ 121,682	\$ 7,812,569	\$ 844,034	\$ 738,112	\$ 1,582,146	\$ 9,394,715	\$ 10,213,337
Less Expenses Netted in Revenue											
Member trip expenses	-	-	-	-	-	-	-	-	-	-	(25,734)
Special events expenses	-	-	-	-	-	-	-	(118,467)	(118,467)	(118,467)	(126,505)
Total Functional Expenses	\$ 1,983,580	\$ 3,641,696	\$ 1,770,700	\$ 294,911	\$ 121,682	\$ 7,812,569	\$ 844,034	\$ 619,645	\$ 1,463,679	\$ 9,276,248	\$ 10,061,098

The accompanying notes are an integral part of these financial statements.

McNay Art Museum
Statements of Cash Flows

<i>Years ended June 30,</i>	2020	2019
Cash Flows from Operating Activities		
Change in net assets	\$ (3,329,300)	\$ 3,386,626
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	1,861,685	1,932,792
Contributions restricted for capital campaign	(575,907)	(5,140,814)
Net realized and unrealized losses (gains) on investments	2,395,343	(1,908,906)
Net (gain) on involuntary conversion of assets	-	(167,952)
Net loss on disposal of assets	-	37,081
Change in operating activities		
Accounts and interest receivable	(3,682)	(8,353)
Contributions receivable	1,989,639	(3,171,507)
Inventories	580	5,740
Prepaid expenses and other	(50,761)	(651,670)
Accounts payable and accrued expenses	50,074	44,485
Deferred revenue	23,640	14,514
Net Cash Provided by (Used in) Operating Activities	2,361,311	(5,627,964)
Cash Flows from Investing Activities		
Purchase of land, building and equipment	(3,274,474)	(669,654)
Insurance proceeds for fixed asset impairment	-	167,952
Proceeds from sale of investments	30,085,636	28,752,770
Purchase of investments	(28,751,774)	(26,609,395)
Net Cash (Used in) Provided by Investing Activities	(1,940,612)	1,641,673
Cash Flows from Financing Activities		
Proceeds from notes payable	876,700	-
Contributions restricted for capital campaign	575,907	5,140,814
Net Cash Provided by Financing Activities	1,452,607	5,140,814
Net Increase in Cash and Cash Equivalents	1,873,306	1,154,523
Cash and Cash Equivalents, beginning of year	1,839,613	685,090
Cash and Cash Equivalents, end of year	\$ 3,712,919	\$ 1,839,613

The accompanying notes are an integral part of these financial statements.

McNay Art Museum

Notes to Financial Statements

1. Organization and Summary of Significant Accounting Policies

Organization

The McNay Art Museum (the Museum) is a not-for-profit organization with the mission of engaging a diverse community in the discovery and enjoyment of the visual arts. The Museum is located in San Antonio, Texas.

Basis of Presentation

The financial statements of the Museum have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP).

Net Assets

The Museum reports information regarding its financial position and activities according to two classes of net assets:

Without Donor Restrictions - Net assets that are not subject to donor-imposed restrictions. Net Assets without donor restrictions may be designated for specific purposes by action of the Board of Trustees and, accordingly, include operating and non-operating assets and land, buildings, and equipment. Non-operating activities consist of earnings on permanently endowed funds that the donor has designated as without donor restrictions to be utilized for operations and without donor restrictions activities not considered "operating" expenditures.

With Donor Restrictions - Net assets whose use by the Museum is subject to donor-imposed restrictions that can be fulfilled by actions of the Museum pursuant to those restrictions, that expire by the passage of time, or net assets subject to donor-imposed restrictions that must be maintained permanently by the Museum. In addition, donor restricted net assets include earnings, both realized and unrealized, on funds whose earnings are restricted for a specific purpose by the donor. See notes 11 and 16.

Comparative Financial Information

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with GAAP. Accordingly, such information should be read in conjunction with the Museum's financial statements for the year ended, June 30, 2019, from which the summarized information was derived.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Museum considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents. Cash and cash equivalents that are part of the long-term investment pool are shown within investments as those resources are not used for daily operating purposes.

McNay Art Museum

Notes to Financial Statements

1. Organization and Summary of Significant Accounting Policies (Continued)

Accounts Receivable

Accounts receivable represent amounts due in less than one year. The Museum reviews all outstanding amounts and determines collectability of its receivables based on past experience with customers. Credit losses have been minimal and consistent with management's estimates. No allowance has been established based on its historical collections experience. The Museum recognized no bad debts from accounts receivable as of June 30, 2020 or 2019.

Contributions Receivable

Unconditional promises to give from grantors and donors are measured at fair value and recorded as revenues in the period in which the promise to give is received. Pledges receivable are recorded at the original pledge amount, net of a present value discount, which approximates net realizable value. Management reviews all outstanding amounts and determines collectability based on past experience with the Museum's donors. As of June 30, 2020 and 2019 no allowance has been established against these receivables as management considers them collectible. The Museum recognized bad debts from contributions receivable of \$2,500 and \$11,294 as of June 30, 2020 and 2019, respectively.

Inventories

Inventories consisting of items held for resale at the Museum store are carried at the lower of cost (first-in, first-out) or market.

Investments

Investments are reported at fair market value as of the date of the financial statements.

Prepaid Expenses and Other

Prepaid expenses are primarily comprised of advance payments made to vendors for insurance and exhibitions. Other assets of the Museum are recorded at cost when purchased or at the fair market value at the date of gift when assets are contributed.

Land, Buildings, and Equipment

Land, buildings, and equipment are recorded at cost or at the fair market value at the date of gift when assets are contributed. The Museum's capitalization policy requires that all items purchased with a useful life of greater than one year and a cost in excess of \$5,000 be capitalized. Depreciation is recorded in the land, buildings, and equipment fund using the straight-line method. Estimated useful lives used in computing depreciation are as follows:

	Years
Buildings, improvements, and landscaping	25
Furniture and equipment	10
Computer and audio visual equipment	5

McNay Art Museum

Notes to Financial Statements

1. Organization and Summary of Significant Accounting Policies (Continued)

Land, Buildings, and Equipment (Continued)

We review the carrying values of land, buildings and equipment for impairment whenever events or circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. When considered impaired, an impairment loss is recognized to the extent carrying value exceeds the fair value of the asset. There were no indicators of asset impairment during the years ended June 30, 2020 and 2019.

Art Collection

In conformity with industry practice, items purchased or donated for the collection are not recorded as assets in the accompanying statement of financial position. Purchases are reported as decreases in net assets without donor restrictions or as decreases in net assets with donor restrictions if the assets used to purchase the items were restricted by donors. See note 14.

The collections of the Museum represent one of its most valuable assets; therefore the Museum employs full-time employees to manage stewardship of the collections in accordance with its collection and acquisition policy. Each item in the collection is numbered and catalogued in an electronic database. The Museum loans collection items to other museums from time to time for display purposes.

Contributions reflected in the financial statements include only recorded cash receipts and pledges, and do not include gifts of works of art received by the Museum, valued at \$173,335 and \$646,550 for the years ended June 30, 2020 and 2019, respectively.

Gifts of cash or other property restricted by donors for the purchase of items for the collection are classified as with donor restrictions until acquisitions are made in accordance with the terms of the gifts.

Revenue Recognition

The Museum recognizes revenue from programs, memberships, admissions, rentals and exhibitions. Revenue is recognized when earned or given. Amounts contributed for exhibitions in future periods are recorded as deferred revenue.

Special events revenue is recorded at the time of the event net of direct cost of benefits to attendees.

Contributions

In June 2018, the FASB issued ASU 2018-08, Not-For-Profit Entities (Topic 958), Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made. This ASU provided guidance in evaluating whether transactions should be accounted for as contributions or as exchange transactions subject to other guidance. The McNay adopted this ASU on July 1, 2019 and determined all contributions are nonreciprocal transactions, and as such are properly accounted for as contributions; therefore, there was no impact upon adoption of this standard.

McNay Art Museum

Notes to Financial Statements

1. Organization and Summary of Significant Accounting Policies (Continued)

Contributions (Continued)

The Museum reports gifts of cash and other assets as restricted support if they are received with donor stipulations as to time or use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

The Museum reports gifts of land, buildings, and equipment as without donor restrictions 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 those 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.

In-Kind Contributions

The Museum received in-kind contributions of goods and services. These are reported as in-kind contributions revenue and expense on the statements of activities. Goods and services received for the years ended June 30, 2020 and 2019 were valued at \$156,534 and \$138,495, respectively. See note 13.

Deferred Revenue

Deferred revenue represents revenue attributable to events that have not yet occurred.

Fair Value of Financial Instruments

The Fair Value Measurements and Disclosures Topic of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC), 820-10, defines fair value, establishes a three-level valuation hierarchy for disclosure of fair value measurements, and expands disclosures about fair value measurements. An instrument's categorization within the hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

Level 1 - Inputs that utilize quoted prices (unadjusted) in active markets for identical assets that the Museum has the ability to access.

Level 2 - Inputs that include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument. Fair values for these instruments are estimated using pricing models, quoted prices of securities with similar characteristics, or discounted cash flows.

Level 3 - Inputs that are unobservable for the asset or liability, which are typically based on an entity's own assumptions, as there is little, if any, related market activity.

Privately held Limited Partnerships are valued using net asset value (NAV) of the partnership assets held.

McNay Art Museum
Notes to Financial Statements

1. Organization and Summary of Significant Accounting Policies (Continued)

Federal Income Tax Exemption

The Museum is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (IRC); therefore, no provision for income taxes has been made in these statements. The Museum follows the provisions of ASC 740-10 *Accounting for Uncertainty in Income Taxes*, which requires recognition and disclosure of uncertain tax positions in the financial statements. The Museum's management believes that it has appropriate support for any tax positions taken and that it has no material uncertain tax positions. Accordingly, it will not recognize any liability for uncertain tax benefits. For the years ended June 30, 2020 and 2019, the Museum did not recognize any interest or penalties in the financial statements.

Tax years 2017-2019 remain open to examination by the taxing jurisdictions which the Museum is subject to, and these periods have not been extended beyond the applicable statute of limitations.

Functional allocation of expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activities and statements of functional expenses. Accordingly, certain costs have been allocated between the programs and supporting services benefited. The allocation of utilities is calculated using square footage used by the program. The allocation of salaries is calculated either by actual hours worked for special events and rentals or as a percentage of time worked for projects such as exhibitions. All other allocated costs are based on actual figures.

Advertising

Advertising costs are expensed as incurred. Advertising expense was \$145,409 and \$181,219 for the years ended June 30, 2020 and 2019, respectively.

Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities, at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Accounting Pronouncements issued but Not Yet Adopted

Revenue from Contracts with Customers (Topic 606)

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which is a comprehensive new revenue recognition standard that will supersede existing revenue recognition guidance. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customer in an amount that reflects the consideration to which the

McNay Art Museum
Notes to Financial Statements

1. Organization and Summary of Significant Accounting Policies (Continued)

Accounting Pronouncements issued but Not Yet Adopted (Continued)

entity expects to be entitled in exchange for those goods or services. On May 20, 2020, the FASB voted to defer the effective date of ASC 606. The ASU is effective for the Museum's annual periods beginning after December 15, 2019, which is the year ended June 30, 2021. The amendments in this update are required to be applied retrospectively to each prior reporting period presented or with the cumulative effect being recognized at the date of initial application. Management is currently evaluating the impact of this ASU on its financial statements.

Leases (Topic 842)

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*, to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the statement of financial position and disclosing key information about leasing arrangements for lessees and lessors. The new standard applies a right-of-use (ROU) model that requires, for all leases with a lease term of more than 12 months, an asset representing its right to use the underlying asset for the lease term and a liability to make lease payments to be recorded. On May 20, 2020 the FASB voted to defer the effective date of ASC 842. The ASU is effective for the Museum's annual periods beginning after December 15, 2021, which is the year ended June 30, 2023, with early adoption permitted. Management is currently evaluating the impact of this ASU on its financial statements.

Not-for-Profit Entities (Topic 958): Updating the Definition of Collections

In March 2019, the FASB issued ASU 2019-03, *Not-for-Profit Entities (Topic 958): Updating the Definition of Collections* to better align with the definition that many entities use for accreditation purposes. The ASU applies to all entities, including business entities, that maintain collections. The ASU also requires a collection-holding entity to disclose its policy for the use of proceeds from when collection items are removed from a collection. Under the ASU, if an entity has a policy that allows proceeds from items that are deaccessioned, it is required to disclose its definition of direct care. The ASU takes effect for annual financial statements issued for fiscal years beginning after December 15, 2020, which is the year ended June 30, 2022, with early adoption permitted. Management is currently evaluating the impact of this ASU on its financial statements.

2. Concentration Risk

Financial instruments which potentially subject the Museum to a concentration risk consist principally of cash.

The Museum maintains multiple bank accounts in San Antonio, Texas. Accounts at the institutions are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 for interest-bearing accounts, and without limit for non-interest-bearing transaction accounts. The museum holds amounts over the \$250,000 insured limit at various levels during the year.

McNay Art Museum

Notes to Financial Statements

3. Liquidity

The Museum's financial assets available within one year of the statement of financial position date for general expenditures are as follows:

Cash and cash equivalents	\$	3,712,919
Accounts receivable		93,479
Contributions receivable - current		1,598,925
Investments appropriated for current use		6,750,934
		<hr/>
	\$	12,156,257

The Museum regularly monitors liquidity to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. The Museum has various sources of liquidity at its disposal, including cash and cash equivalents and various receivables. In addition, appropriation from the endowment of approximately \$2 million, will be available in the next year.

The Museum's invested endowment supports general operations, specific program activity, and certain non-operating strategic activity. The Museum applies its spending policy to its invested endowment to determine the amount available for current use. The Museum's investment policy ensures that investment liquidity will satisfy its current endowment based on operating and programmatic needs.

In addition to the financial assets available to meet general expenditures over the next 12 months, the Museum operates with a balanced budget and anticipates earned revenues and annual support contributions sufficient to cover general expenditures not provided by endowment spending rate or other donor restricted sources. The Museum's invested endowment includes board designated funds to support general operations based on its spending policy, and for other non-operating strategic purposes. Although the Museum does not intend to utilize these board designated funds beyond their budgeted usage, these funds could be made available by Board vote if necessary.

4. Contributions Receivable

Contributions receivable at June 30, 2020 and 2019 amounted to \$2,265,259 and \$4,254,898, respectively.

Pledges receivable are expected to be collected as follows during the years ending June 30:

2021	\$	1,598,925
2022		366,334
2023		50,000
2024		50,000
2025		50,000
Thereafter		150,000
		<hr/>
Total Contributions Receivable	\$	2,265,259

No discount has been applied to the contributions receivable at June 30, 2020 and 2019 as the amount is immaterial to the financial statements.

McNay Art Museum

Notes to Financial Statements

5. Investments

The carrying value of investments, which is the fair value, is based upon values provided by external investment managers. Fees paid to the external investment managers of \$345,344 and \$380,564 were withdrawn from the account during the year ended June 30, 2020 and 2019 respectively. Therefore, valuation of the investments at year-end reflects value net of fees.

Total investments are composed of the following at June 30, 2020:

	Fair Value
Money market funds	\$ 1,949,369
Corporate debt securities	12,032,437
Equity securities	33,189,178
Limited partnership - publicly traded	1,463,528
Limited partnership - privately held	2,264,102
Total Investments	\$ 50,898,614

Total investments are composed of the following at June 30, 2019:

	Fair Value
Money market funds	\$ 2,357,184
Corporate debt securities	11,628,936
Equity securities	33,480,120
Limited partnership - publicly traded	2,931,990
Limited partnership - privately held	4,229,589
Total Investments	\$ 54,627,819

The Museum's investment strategy is to hold the majority of their investments in securities that can be traded or sold at any time in order to meet the cash flow needs of the Museum. Management of the Museum classifies investments as short-term based on the following criteria: 1) Estimated amounts to be appropriated from endowed funds based on the spending policy 2) Amounts to be released from restriction based on annual spending budgets 3) Amount designated by the board to be available for operational cash flow needs. This amount is determined annually.

6. Fair Values of Financial Instruments

The Museum uses fair value measurements to record fair value adjustments to certain assets and liabilities to determine fair value disclosures. For additional information on how the Museum measures fair value, refer to note 1.

McNay Art Museum

Notes to Financial Statements

6. Fair Values of Financial Instruments (Continued)

The following tables set forth by level, within the fair value hierarchy, the Museum assets at fair value as of June 30, 2020:

	Level 1	Level 2	Level 3	Total
Money market funds	\$ 1,949,369	\$ -	\$ -	\$ 1,949,369
Corporate debt securities	12,032,437	-	-	12,032,437
Equity securities	33,189,178	-	-	33,189,178
Limited partnership publicly traded	1,463,528	-	-	1,463,528
Total Assets at Fair Value	\$ 48,634,512	\$ -	\$ -	\$ 48,634,512
Limited partnerships - measured at NAV	\$ -	\$ -	\$ -	\$ 2,264,102

The following tables set forth by level, within the fair value hierarchy, these Museum assets at fair value as of June 30, 2019:

	Level 1	Level 2	Level 3	Total
Money market funds	\$ 2,357,184	\$ -	\$ -	\$ 2,357,184
Corporate debt securities	11,628,936	-	-	11,628,936
Equity securities	33,480,120	-	-	33,480,120
Limited partnership publicly traded	2,931,990	-	-	2,931,990
Total Assets at Fair Value	\$ 50,398,230	\$ -	\$ -	\$ 50,398,230
Limited partnerships - measured at NAV	\$ -	\$ -	\$ -	\$ 4,229,589

7. Land, Buildings, and Equipment

Major classification of land, buildings, and equipment are summarized below:

<i>Years ended June 30,</i>	2020	2019
Land	\$ 585,962	\$ 585,962
Buildings, improvements, and landscaping	50,979,205	50,630,855
Furniture and equipment	2,437,544	2,416,166
Total Land, Buildings and Equipment	54,002,711	53,632,983
Less: Accumulated depreciation	(31,234,290)	(29,372,605)
Net Land, Buildings, and Equipment before Construction in Progress	22,768,421	24,260,378
Construction in progress	\$ 3,377,209	\$ 472,463

Depreciation expense totaled \$1,861,685 and \$1,932,792 for the years ended June 30, 2020 and 2019, respectively. For fiscal year 2020 the Museum had no disposals of improvements and furniture and equipment. For fiscal year 2019 the Museum had disposals of improvements and furniture and equipment of \$37,088.

McNay Art Museum

Notes to Financial Statements

8. Involuntary Conversion

On April 12, 2016, the Museum sustained heavy roof damage from hailstorms, creating an impairment to the value of the assets. Assets were appropriately disposed, and a gain was recorded in 2016. Damage was recoverable through insurance and all assets have been restored with insurance proceeds. For fiscal year 2020 there were no insurance proceeds. For fiscal year 2019 insurance proceeds were \$167,952 and are recorded in the statement of activities as a gain on involuntary conversion.

9. Notes Payable

On March 27, 2020, the Coronavirus Aid, relief, and Economic Security (CARES) Act (the “Act”) was enacted. The CARES Act is an approximately \$2 trillion emergency economic stimulus package in response to the Coronavirus outbreak, which among other things contains numerous income tax provisions. Some of these tax provisions are expected to be effective retroactively for years ending before the date of enactment. It also appropriated funds for the SBA Paycheck Protection Program (“PPP”) loans that are forgivable in certain situations to promote continued employment.

On April 16, 2020, the Museum was approved and obtained a loan in the amount of \$876,700 with a bank with maturity date of April 16, 2022 under PPP loans. The forgiveness of the loan attendant to these funds, is dependent on the Museum’s adherence to the forgiveness criteria. The Museum intends to meet the forgiveness requirements of the PPP loan, however, if any part of the loan should not be forgiven, then the loan is payable in 17 equal payments starting November 16, 2020 with one final payment due April 2022. Interest is computed on a simple interest basis at 1.00% and will accrue beginning April 16, 2020.

10. Operating Leases

The Museum has several non-cancelable operating leases for equipment that expire at different dates through June 2023. The following are future minimum lease payments under these leases:

<i>Year ending June 30,</i>	<i>Amount</i>
2021	\$ 49,608
2022	49,608
2023	49,608
	<hr/>
	\$ 148,824

Total expense was \$69,924 and \$79,419 for the years ended June 30, 2020 and 2019, respectively.

McNay Art Museum

Notes to Financial Statements

11. Net Assets

Net assets with donor restrictions are restricted for the following purposes or periods are as follows:

<i>Years ended June 30,</i>	2020	2019
Perpetual in nature:		
Auditorium and gallery maintenance	\$ 700,000	\$ 700,000
Art acquisitions	737,691	737,691
Educational programs, exhibitions and presentations	10,064,782	9,903,987
Curatorial and conservation	2,000,000	1,000,000
Director's chair	1,000,000	1,000,000
Any activities of the museum	19,184,684	19,184,684
Subject to expenditure for specified purpose and time:		
Art acquisitions/conservation	3,512,329	3,551,883
Educational programs, exhibitions and presentations	2,588,300	2,179,118
Capital Campaign	2,170,150	4,669,215
Other	734,555	133,233
Net Assets with Donor Restrictions	\$ 42,692,491	\$ 43,059,811

Net assets without donor restrictions consist of the following:

Undesignated	\$ 8,017,449	\$ 11,678,361
Designated for land, buildings, and equipment	26,062,531	25,122,105
Board designated	5,915,434	6,156,928
Net Assets Without Donor Restrictions	\$ 39,995,414	\$ 42,957,394

12. Net Assets Released from Restrictions

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose, or by occurrence of other events specified by donors.

<i>Years ended June 30,</i>	2020	2019
Art acquisitions	\$ 313,500	\$ 155,087
Exhibitions, presentation, and education	671,965	1,006,890
Capital Campaign	3,074,872	472,463
Other	324,141	373,533
Total Net Assets Released from Restrictions	\$ 4,384,478	\$ 2,007,973

Transfers and appropriations on the statement of activities reflect investment returns appropriated from endowments.

McNay Art Museum

Notes to Financial Statements

13. Contributed Services

A substantial number of volunteers have made significant contributions of their time to develop the Museum, especially its fundraising and educational programs. Approximately 8,500 and 12,000 volunteer hours were contributed during each of the years ended June 30, 2020 and 2019, respectively. Accounting principles do not permit recording the value of this type of contributed services in the financial statements.

14. Objects Held for Display

Objects held for display (the Museum collection) consist primarily of a strong collection of 19th and 20th century European and American paintings, prints, sculptures, and one of the leading collections of theatre arts in the country. The Museum collection is essential to its mission. The Museum has established stewardship procedures for the accession (acquisition), deaccession (disposal), loan, and care of the collection.

As noted in note 1, objects held for display are not recorded in the statement of financial position of the Museum. The proceeds received as a result of any deaccessions are used to acquire other works of art for the collection.

15. Retirement Plan

The Museum established a defined contribution 403(b) retirement plan (the Plan) effective April 2003 through January 1, 2020 and makes bi-weekly contributions to the Plan on behalf of eligible employees. The Plan investments are employee-directed. Under this Plan, employees working more than 20 hours per week are eligible for a 6% employer contribution beginning on the first anniversary of their hire date, after completion of 1000 hours of service, and attaining the age of 20½ years.

Effective January 1, 2020, the Museum established a Safe-Harbor 403(b) Thrift Plan (the Safe-Harbor Plan) and makes bi-weekly contributions to the Safe-Harbor Plan on behalf of eligible employees. The Plan investments are employee-directed. Under the Safe-Harbor Plan, eligible employees working more than 20 hours per week are eligible for a 100% matching employer contribution up to 6%, beginning on the first anniversary of their hire date, after completion of 1000 hours of service, and attaining the age of 20 years.

The Museum contributed \$137,558 and \$152,336 to the plans for the fiscal years ended June 30, 2020 and 2019, respectively.

16. Endowment Funds

General Information

The Museum maintains various endowment funds established for a variety of purposes. These endowments include both endowment contributions with donor restrictions, and funds designated by the Board of Trustees to function as endowments. The endowment funds with donor restrictions fall under the provisions of the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA), which was adopted by the state of Texas with an effective date of September 1, 2008. This policy defines the Museum's interpretation of the provisions of this law as they relate to the prudent management of its endowment fund.

McNay Art Museum

Notes to Financial Statements

16. Endowment Funds (Continued)

Endowment “Principal” Interpretation

The Museum has interpreted UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the endowment funds with donor restrictions, absent explicit donor stipulations to the contrary. As a result of this interpretation, the Museum classifies as net assets with donor restrictions the original value of gifts donated to the endowment (the “Principal”) in perpetuity. The remaining portion of the endowment fund with donor restrictions that is not classified as held in perpetuity is classified as non-operating or with donor restrictions and held until appropriated for expenditure by the Museum in a manner consistent with the standard of prudence prescribed by UPMIFA.

Endowment Investment Objectives

Endowment investments are managed by professional money manager(s) under the direction of the Investment Committee of the Board of Trustees of the Museum. Funds are invested in a manner that seeks to produce results that meet or exceed the performance of generally recognized market indices, while assuming a moderate level of investment risk.

To satisfy this performance objective, 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). The Museum targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Endowment “Income” Appropriation (Spending Policy)

The Museum’s policy is to appropriate for distribution each year a percentage of its endowment fund’s average fair value based on a 12-quarter rolling average as of March 31 of the preceding year. For the fiscal year ended June 30, 2020, the distribution percentage was 5%. The percentage will decrease to 4.75% for the fiscal year ended June 30, 2021, until further action by the Board of Trustees. In establishing this policy, the Museum considered the long-term expected return on its endowment.

Accordingly, over the long term, the Museum expects the spending policy to allow its endowment to grow at an average of 4% annually. This is consistent with the Museum’s objective to maintain the purchasing power of the endowment assets held in perpetuity, or for a specified term, as well as provide additional real growth through new gifts and investment return.

In accordance with UPMIFA, in all its endowment spending activity, the Museum considers the following factors in making a determination to appropriate (spend) or accumulate donor-restricted endowment funds:

1. The duration and preservation of the fund
2. The purposes of the Museum and the endowment fund with donor restrictions
3. General economic and investment market 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, and
7. The investment policies of the Museum

McNay Art Museum

Notes to Financial Statements

16. Endowment Funds (Continued)

Endowment Composition by Type of Fund as of June 30, 2020

	Without Donor Restrictions*	With Donor Restrictions	Total
Board designated endowment funds	\$ 2,416,183	\$ -	\$ 2,416,183
Donor endowment funds	6,915,478	38,465,908	45,381,386
Total Funds	\$ 9,331,661	\$ 38,465,908	\$ 47,797,569

Changes in Endowment for the Year Ended June 30, 2020

	Without Donor Restrictions*	With Donor Restrictions	Total
Endowment, beginning of period	\$ 14,030,494	\$ 36,992,382	\$ 51,022,876
Investment Return:			
Interest and dividends	648,242	237,044	885,286
Net appreciation (realized and unrealized)	(3,265,195)	587,864	(2,677,331)
Total Investment Return	11,413,541	37,817,290	49,230,831
Contributions	1,020	1,055,830	1,056,850
Transfers/appropriations	(2,082,900)	-	(2,082,900)
Release from restriction		(407,212)	(407,212)
Total Funds	\$ 9,331,661	\$ 38,465,908	\$ 47,797,569

Endowment Composition by Type of Fund as of June 30, 2019

	Without Donor Restrictions*	With Donor Restrictions	Total
Board designated endowment funds	\$ 2,727,864	\$ -	\$ 2,727,864
Donor endowment funds	11,302,630	36,992,382	48,295,012
Total Funds	\$ 14,030,494	\$ 36,992,382	\$ 51,022,876

* Represents earnings on endowed funds, with donor restrictions that are designated for operations and board designated endowments.

McNay Art Museum

Notes to Financial Statements

16. Endowment Funds (Continued)

Changes in Endowment for the Year Ended June 30, 2019

	Without Donor Restrictions*	With Donor Restrictions	Total
Endowment, beginning of period	\$ 14,560,225	\$ 36,193,566	\$ 50,753,791
Investment Return:			
Interest and dividends	676,948	261,904	938,852
Net appreciation (realized and unrealized)	850,075	888,678	1,738,753
Total Investment Return	16,087,248	37,344,148	53,431,396
Contributions	14	133,720	133,734
Transfers/appropriations	(2,056,768)	-	(2,056,768)
Release from restriction	-	(485,486)	(485,486)
Total Funds	\$ 14,030,494	\$ 36,992,382	\$ 51,022,876

* Represents earnings on endowed funds, with donor restrictions that are designated for operations and board designated endowments.

17. Risks and Uncertainties

On January 30, 2020, the World Health Organization (“WHO”) announced a global health emergency because of a new strain of coronavirus originating in Wuhan, China (the “COVID-19 outbreak”) and the risks to the international community as the virus spreads globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally.

As the impact of the outbreak has been rapidly evolving, the Museum noted a decline in admissions due to concerns about the spread of COVID-19. In March 2020, the City of San Antonio instituted quarantines and restrictions on operations of non-essential businesses (the “Ordinance”). Due to this Ordinance, the Museum was closed from mid-March through June 2020. This closure has a direct impact on revenue from admissions and programming. Due to the Ordinance, the Museum has postponed or cancelled previously scheduled events and activities during the year ended June 30, 2020, falling in the next fiscal year ended June 30, 2021. The Museum’s operations are dependent on private and public donations from individuals, foundations, and corporations. The outbreak may have a continued material adverse impact on economic and market conditions triggering a period of national economic slowdown. This situation is expected to depress donations during fiscal year 2021. As such, this may hinder our ability to advance our mission. As such, our financial condition and liquidity may be negatively impacted for the fiscal year 2021.

The outbreak could have a continued material adverse impact on economic and market conditions and trigger a period of global economic slowdown, which could impair the Museum’s asset values, including investments and long-lived assets.

McNay Art Museum

Notes to Financial Statements

17. Risks and Uncertainties (Continued)

The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. As such it is uncertain as to the full magnitude that the pandemic will have on the Museum's financial condition, liquidity, and future results of operations. Management is actively monitoring the global situation on its financial condition, liquidity, operations, suppliers, industry, and workforce.

18. Subsequent Events

Management has evaluated events subsequent to June 30, 2020 and through October 30, 2020, which is the date the financial statements were available to be issued.

Subsequent to year end, the Museum received a grant from a private foundation for operating expenses in the amount of \$1,500,000.