



McNay Art Museum

Financial Statements Years Ended June 30, 2021 and 2020

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, 2021 and 2020

McNay Art Museum

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Independent Auditor's Report

The Board of Directors
McNay Art Museum
San Antonio, Texas

Opinion

We have audited the financial statements of McNay Art Museum (the Museum), which comprise the statements of financial position and cash flows as of June 30, 2021 and 2020, and the related statement of activities and changes in net assets and statement of functional expenses for the year ended June 30, 2021, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Museum as of June 30, 2021 and 2020, and the changes in its net assets for the year ended June 30, 2021 and its cash flows for the years ended June 30, 2021 and 2020, 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 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 30, 2020. In our opinion, the summarized comparative information on the statement of activities and changes in net assets and statement of functional expense presented herein and for the year ended June 30, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.

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 the Museum 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 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 the Museum's ability to continue as a going concern within one year after the date that the financial statements are issued or available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 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 the Museum's 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 the Museum's 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.

BDO USA, LLP

November 3, 2021

Financial Statements

McNay Art Museum
Statements of Financial Position

<i>June 30,</i>	2021	2020
Assets		
Cash and cash equivalents	\$ 5,406,669	\$ 3,712,919
Accounts and interest receivable	82,987	93,479
Contributions receivable, current	457,907	1,598,925
Inventories	27,208	109,645
Prepaid expense and other	214,299	1,087,586
Short-term investments	7,387,003	6,750,934
Long-term contributions receivable	317,000	666,334
Construction in progress	285,905	3,377,209
Land, buildings, and equipment, net	25,964,543	22,768,421
Long-term investments	57,968,294	44,147,680
Total Assets	\$ 98,111,815	\$ 84,313,132
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	\$ 264,609	\$ 584,528
Deferred revenue	206,567	163,999
Notes payable	-	876,700
Total Liabilities	471,176	1,625,227
Net Assets		
Without donor restrictions	55,309,055	39,995,414
With donor restrictions	42,331,584	42,692,491
Total Net Assets	97,640,639	82,687,905
Total Liabilities and Net Assets	\$ 98,111,815	\$ 84,313,132

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

McNay Art Museum

Statement of Activities and Changes in Net Assets (with summarized comparative totals for 2020)

Year ended June 30,

	Without Donor Restrictions				With Donor Restrictions	Total	
	Operating	Non-Operating	Land, Buildings, and Equipment	Total		2021	2020
Revenue, Gains, and Other Support							
Contributions	\$ 3,757,660	\$ 7,735	\$ -	\$ 3,765,395	\$ 1,411,851	\$ 5,177,246	\$ 5,382,057
Memberships	661,494	-	-	661,494	-	661,494	626,979
Special events - net of direct cost totaling \$49,044 in 2021 and \$118,467 in 2020	190,561	15,000	-	205,561	-	205,561	389,105
Dividends and interest, net	897	663,337	-	664,234	237,907	902,141	985,981
Gain from forgiveness of notes payable	1,733,100	-	-	1,733,100	-	1,733,100	-
Net realized and unrealized gains (losses) on investments	-	13,240,384	-	13,240,384	1,852,617	15,093,001	(2,395,343)
Rental income	138,088	-	-	138,088	-	138,088	214,467
Museum store	136,338	-	-	136,338	-	136,338	184,551
Exhibition income	192,763	-	-	192,763	352,500	545,263	339,477
Admission fees	400,794	-	-	400,794	-	400,794	308,707
Miscellaneous	146,279	-	-	146,279	14,547	160,826	224,467
Transfers/appropriations	1,997,870	(2,013,710)	-	(15,840)	15,840	-	-
	9,355,844	11,912,746	-	21,268,590	3,885,262	25,153,852	6,260,448
Net assets released from restrictions	2,899,928	1,743,507	(397,266)	4,246,169	(4,246,169)	-	-
Total Revenue, Gains, and Other Support	12,255,772	13,656,253	(397,266)	25,514,759	(360,907)	25,153,852	6,260,448

McNay Art Museum

Statement of Activities and Changes in Net Assets (with summarized comparative totals for 2020)

Year ended June 30,

	Without Donor Restrictions				Total		
	Operating	Non-Operating	Land, Buildings, and Equipment	Total	With Donor Restrictions	2021	2020
Expenses							
Program services:							
Curatorial and conservation	\$ 1,497,559	\$ -	\$ 316,630	\$ 1,814,189	\$ -	\$ 1,814,189	\$ 1,983,580
Exhibitions and presentations	2,652,111	6,115	651,886	3,310,112	-	3,310,112	3,641,696
Education	868,477	-	614,635	1,483,112	-	1,483,112	1,770,700
Museum store	255,782	-	18,626	274,408	-	274,408	294,911
Public relations, marketing, and media	132,942	-	18,625	151,567	-	151,567	121,682
Support services:							
Management and general	820,533	-	204,878	1,025,411	-	1,025,411	844,034
Fundraising	707,817	-	37,251	745,068	-	745,068	619,645
Total Expenses	6,935,221	6,115	1,862,531	8,803,867	-	8,803,867	9,276,248
Change in Net Assets, before changes related to collection items not capitalized and non- operating transfers	5,320,551	13,650,138	(2,259,797)	16,710,892	(360,907)	16,349,985	(3,015,800)
Changes Related to Collection Items Not Capitalized	-	(1,379,052)	-	(1,379,052)	-	(1,379,052)	(313,500)
Loss on Disposal of Assets	-	-	(18,199)	(18,199)	-	(18,199)	-
Transfers Not Affecting Operations	(1,985,549)	-	1,985,549	-	-	-	-
Change in Net Assets	3,335,002	12,271,086	(292,447)	15,313,641	(360,907)	14,952,734	(3,329,300)
Net Assets, beginning of year	783,711	12,676,809	26,534,894	39,995,414	42,692,491	82,687,905	86,017,205
Net Assets, end of year	\$ 4,118,713	\$ 24,947,895	\$ 26,242,447	\$ 55,309,055	\$ 42,331,584	\$ 97,640,639	\$ 82,687,905

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

McNay Art Museum

Statement of Functional Expenses (with summarized comparative totals for 2020)

Year ended June 30,

	Program Services						Support Services			Total	
	Curatorial and Conservation	Exhibitions and Presentations	Education	Museum Store	Relations, Media, and Marketing	Total Program Services	Management and General	Fundraising	Total Support Services	2021	2020
Salaries and wages	\$ 855,238	\$ 1,588,418	\$ 650,083	\$ 93,585	\$ 52,031	\$ 3,239,355	\$ 214,006	\$ 364,746	\$ 578,752	\$ 3,818,107	\$ 3,652,936
Payroll taxes	64,736	120,233	49,207	7,084	3,938	245,198	16,199	27,609	43,808	289,006	299,214
Employee benefits	138,121	256,532	104,990	15,114	8,403	523,160	34,563	58,907	93,470	616,630	709,671
Professional fees	3,327	11,171	2,134	417	953	18,002	175,548	60,231	235,779	253,781	172,555
Lectures	-	-	-	-	-	-	-	-	-	-	7,921
Supplies	9,835	24,357	8,179	3,250	14,434	60,055	17,556	9,021	26,577	86,632	104,135
Communications	9,557	3,274	3,140	940	2,833	19,744	12,048	6,641	18,689	38,433	36,042
Postage and freight	2,444	61	329	509	4	3,347	1,043	8,174	9,217	12,564	15,422
Occupancy	133,029	100,023	23,057	5,192	7,209	268,510	14,943	8,405	23,348	291,858	458,925
Equipment rental and maintenance	47,770	112,931	12,204	1,195	11,982	186,082	183,546	41,335	224,881	410,963	315,317
Printing and publication	8,164	11,576	2,715	985	666	24,106	12,220	35,968	48,188	72,294	71,642
Marketing, advertising, and publicity	-	-	1,135	857	16,983	18,975	30	22,409	22,439	41,414	86,865
Travel	1,446	-	36	-	-	1,482	1,741	43	1,784	3,266	26,222
School busing	-	-	-	-	-	-	-	-	-	-	8,365
Conferences, seminars, and meetings	654	62	1,311	157	38	2,222	887	1,000	1,887	4,109	170,975
Organization dues and subscriptions	1,443	1,392	739	690	11,246	15,510	14,365	2,212	16,577	32,087	34,376
Insurance	191,687	38,553	-	-	-	230,240	67,488	-	67,488	297,728	281,980
Store cost of sales	-	-	-	125,347	-	125,347	-	-	-	125,347	85,839
Maintenance of collection	27,220	-	-	-	-	27,220	741	-	741	27,961	25,577
Concerts, films, etc.	-	-	5,288	-	-	5,288	-	3,672	3,672	8,960	23,810
Exhibitions	-	388,276	-	-	-	388,276	-	-	-	388,276	728,181
Credit card fees	-	-	-	-	-	-	-	34,075	34,075	34,075	32,414
Assessments	-	-	-	-	-	-	-	16,967	16,967	16,967	2,058
Miscellaneous	2,888	1,367	3,930	460	2,222	10,867	53,609	6,402	60,011	70,878	64,121
Member trip expenses	-	-	-	-	-	-	-	-	-	-	-
Special events expenses	-	-	-	-	-	-	-	49,044	49,044	49,044	118,467
	1,497,559	2,658,226	868,477	255,782	132,942	5,412,986	820,533	756,861	1,577,394	6,990,380	7,533,030
Depreciation	316,630	651,886	614,635	18,626	18,625	1,620,402	204,878	37,251	242,129	1,862,531	1,861,685
Total Expenses	1,814,189	3,310,112	1,483,112	274,408	151,567	7,033,388	1,025,411	794,112	1,819,523	8,852,911	9,394,715
Less expenses netted in revenue:											
Special events expenses	-	-	-	-	-	-	-	(49,044)	(49,044)	(49,044)	(118,467)
Total Functional Expenses	\$ 1,814,189	\$ 3,310,112	\$ 1,483,112	\$ 274,408	\$ 151,567	\$ 7,033,388	\$ 1,025,411	\$ 745,068	\$ 1,770,479	\$ 8,803,867	\$ 9,276,248

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

McNay Art Museum
Statements of Cash Flows

<i>Year ended June 30,</i>	2021	2020
Cash Flows from Operating Activities		
Change in net assets	\$ 14,952,734	\$ (3,329,300)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	1,862,531	1,861,685
Bad debt	1,250	2,500
Contributions restricted for capital campaign	-	(575,907)
Contributions restricted in perpetuity	(664,239)	(1,055,830)
Net realized and unrealized losses (gains) on investments	(15,093,001)	2,395,343
Net loss on disposal of assets	18,199	-
Gain from forgiveness of notes payable	(1,733,100)	-
Change in operating activities:		
Accounts and interest receivable	10,492	(3,682)
Contributions receivable	1,489,102	1,987,139
Inventories	82,437	580
Prepaid expenses and other	873,287	(50,761)
Accounts payable and accrued expenses	(319,919)	50,074
Deferred revenue	42,568	23,640
Net Cash Provided by Operating Activities	1,522,341	1,305,481
Cash Flows from Investing Activities		
Purchase of land, building and equipment	(1,985,549)	(3,274,474)
Proceeds from sale of investments	19,384,742	30,085,636
Purchase of investments	(18,748,423)	(28,751,774)
Net Cash Used in Investing Activities	(1,349,230)	(1,940,612)
Cash Flows from Financing Activities		
Proceeds from notes payable	856,400	876,700
Contributions restricted for capital campaign	-	575,907
Contributions restricted in perpetuity	664,239	1,055,830
Net Cash Provided by Financing Activities	1,520,639	2,508,437
Net Increase in Cash and Cash Equivalents	1,693,750	1,873,306
Cash and Cash Equivalents, beginning of year	3,712,919	1,839,613
Cash and Cash Equivalents, end of year	\$ 5,406,669	\$ 3,712,919

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, 2020, from which the summarized information was derived.

Cash and Cash Equivalents

For purposes of the statements 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

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, 2021 and 2020.

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, 2021 and 2020 no allowance has been established against these receivables as management considers them collectible. The Museum recognized bad debts from contributions receivable of \$1,250 and \$2,500 as of June 30, 2021 and 2020, 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

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, 2021 and 2020.

Art Collection

In conformity with industry practice, items purchased or donated for the collection are not recorded as assets in the accompanying statements 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 13.

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 \$263,800 and \$173,335 for the years ended June 30, 2021 and 2020, 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

Effective July 1, 2020, the Museum adopted Accounting Standards Codification (ASC) *Revenue from Contracts with Customers* (ASC 606), using the modified retrospective method. This standard applies to all contracts with customers, except for contracts that are within the scope of other standards, such as contributions and financial instruments. Under ASC 606, an entity recognizes revenue when it transfers control of the promised goods or services to its customer, in an amount that reflects the consideration which the entity expects to receive in exchange for these goods or services. If control transfers to the customer over time, an entity selects a method to measure progress that is consistent with the objective of depicting its performance. There was no impact upon adoption of ASC 606. As a result, no disclosure of the impact is applicable.

The majority of the Museum's revenue arrangements generally consist of a single performance obligation to transfer promised goods or services. Based on the Museum's evaluation process and review of its contracts with customers, the timing and amount of revenue recognized previously is consistent with how revenue is recognized under the new standard. No changes were required to previously reported revenues as a result of the adoption.

McNay Art Museum

Notes to Financial Statements

Revenue Recognition

Admissions, rental income, museum store income, and other miscellaneous income are recorded net of any applicable discounts at the point in time that the performance obligation is met.

Special events revenue is deferred and recorded at the point in time that the event occurs, net of direct cost of benefits to attendees.

Contributions

The Museum follows Accounting Standards Update (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. Based on this guidance, the Museum determined all contributions are nonreciprocal transactions, and as such are properly accounted for as contributions.

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 and changes in net assets 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.

The Museum determined memberships to be nonreciprocal transactions as member benefits received are not considered material; therefore Membership revenue is recorded in accordance with ASC 958 as without donor-restricted support when the membership agreement is executed.

The Museum reports exhibition sponsorships as donor-restricted support since they are typically received for a specific exhibit. The donor restriction expires when the assets are used for the exhibit and reclassified to net assets without donor restrictions and reported in the statement of activities and changes in net assets as net assets released from restrictions.

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 and changes in net assets. Goods and services received for the years ended June 30, 2021 and 2020 were valued at \$24,583 and \$156,534, respectively. See Note 12.

McNay Art Museum

Notes to Financial Statements

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, 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 - This level consists of inputs that utilize quoted prices (unadjusted) in active markets for identical assets that the Museum has the ability to access.

Level 2 - This level consists of 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 - This level consists of 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.

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, 2021 and 2020, the Museum did not recognize any interest or penalties in the financial statements.

Tax years 2018-2020 remain open to examination by the taxing jurisdictions to which the Museum is subject, 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 statement of activities and changes in net assets and statement of functional expenses. Accordingly, certain costs have been allocated between the programs and supporting services benefited. The allocation of building, supplies, and maintenance are 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.

McNay Art Museum

Notes to Financial Statements

Advertising

Advertising costs are expensed as incurred. Advertising expense was \$70,627 and \$145,409 for the years ended June 30, 2021 and 2020, 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

Leases (Topic 842)

In February 2016, the Financial Accounting Standards Board (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. 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.

Reclassifications

Certain amounts in the prior years presented have been reclassified to conform to the current-year financial statement presentation. The reclassifications have no effect on previously reported net income.

McNay Art Museum

Notes to Financial Statements

2. Concentration Risk

Financial instruments that 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.

3. Liquidity

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

<i>Year ended June 30,</i>	2021	2020
Cash and cash equivalents	\$ 5,406,669	\$ 3,712,919
Accounts receivable	82,987	93,479
Contributions receivable - current	457,907	1,598,925
Investments appropriated for current use	7,387,003	6,750,934
	\$ 13,334,566	\$ 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.

McNay Art Museum

Notes to Financial Statements

4. Contributions Receivable

Contributions receivable at June 30, 2021 and 2020 amounted to \$774,907 and \$2,265,259, respectively.

Pledges receivable are expected to be collected as follows:

Year ending June 30,

2022	\$	457,907
2023		67,000
2024		50,000
2025		50,000
2026		50,000
Thereafter		100,000
Total Contributions Receivable	\$	774,907

No discount has been applied to the contributions receivable at June 30, 2021 and 2020, as the amount is immaterial to the 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 \$356,335 and \$345,344 were withdrawn from the account during the years ended June 30, 2021 and 2020, respectively. Therefore, valuation of the investments at year-end reflects value net of fees.

Total investments are composed of the following:

June 30,

	Fair Value	
	2021	2020
Money market funds	\$ 3,153,376	\$ 1,949,369
Corporate debt securities	13,347,117	12,032,437
Equity securities	39,283,176	33,189,178
Limited partnership - publicly traded	2,724,766	1,463,528
Limited partnership - privately held	3,828,754	2,264,102
Alternative investments	3,018,108	-
	\$ 65,355,297	\$ 50,898,614

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.

McNay Art Museum

Notes to Financial Statements

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.

The following tables set forth by level, within the fair value hierarchy, the Museum assets at fair value:

June 30, 2021

	Level 1	Level 2	Level 3	Total
Money market funds	\$ 3,153,376	\$ -	\$ -	\$ 3,153,376
Corporate debt securities	13,347,117	-	-	13,347,117
Equity securities	39,283,176	-	-	39,283,176
Limited partnership publicly traded	2,724,766	-	-	2,724,766
Alternative investments	3,018,108	-	-	3,018,108
Total Assets, at fair value	\$ 61,526,543	\$ -	\$ -	\$ 61,526,543
Limited Partnerships, measured at NAV	\$ -	\$ -	\$ -	\$ 3,828,754

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

7. Land, Buildings, and Equipment

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

<i>Year ended June 30,</i>	2021	2020
Land	\$ 585,962	\$ 585,962
Buildings, improvements, and landscaping	55,937,842	50,979,205
Furniture and equipment	2,486,774	2,437,544
Total Land, Buildings, and Equipment	59,010,578	54,002,711
Accumulated depreciation	(33,046,035)	(31,234,290)
Net Land, Buildings, and Equipment, before construction in progress	\$ 25,964,543	\$ 22,768,421
Construction in progress	\$ 285,905	\$ 3,377,209

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Notes to Financial Statements

Depreciation expense totaled \$1,862,531 and \$1,861,685 for the years ended June 30, 2021 and 2020, respectively. For fiscal year 2021 and 2020 the Museum had no disposals of improvements and furniture and equipment.

8. Notes Payable

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act (the CARES 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. On January 25, 2021, the Museum was approved and obtained the second round of PPP loan in the amount of \$856,400 with a bank with maturity date of January 27, 2026 under PPP loans. The forgiveness of the loan attendant to these funds is dependent on the Museum's adherence to the forgiveness criteria.

In November 2020 and June 2021, the Museum received notice of forgiveness from the SBA in the amount of \$1,733,100. Forgiveness of the PPP loans is recorded in gains on forgiveness of debt, within the statement of activities and changes in net assets.

9. 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:

Year ending June 30,

2022	\$	49,608
2023		49,608
Total Contributions Receivable	\$	99,216

Total expense was \$72,295 and \$69,924 for the years ended June 30, 2021 and 2020, respectively.

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Notes to Financial Statements

10. Net Assets

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

<i>Year ended June 30,</i>	2021	2020
Perpetual in nature:		
Auditorium and gallery maintenance	\$ 700,000	\$ 700,000
Art acquisitions	737,691	737,691
Educational programs, exhibitions, and presentations	10,177,381	10,064,782
Curatorial and conservation	2,664,239	2,000,000
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**	3,223,226	3,512,329
Educational programs, exhibitions, and presentations**	3,259,218	2,588,300
Capital Campaign	328,413	2,170,150
Other**	1,056,732	734,555
Net Assets with Donor Restrictions	\$ 42,331,584	\$ 42,692,491

** Notated items include accumulated earnings on donor restricted endowments totaling \$5,495,317 and \$4,778,751 as of June 30, 2021 and 2020, respectively. See Note 15.

Net assets without donor restrictions consist of the following:

<i>Year ended June 30,</i>	2021	2020
Undesignated	\$ 26,326,575	\$ 8,017,449
Designated for land, buildings, and equipment	26,242,447	26,062,531
Board-designated	2,740,033	5,915,434
Net Assets Without Donor Restrictions	\$ 55,309,055	\$ 39,995,414

11. 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>Year ended June 30,</i>	2021	2020
Art acquisitions	\$ 1,379,052	\$ 313,500
Exhibitions, presentation, and education	909,602	671,965
Capital Campaign	1,866,837	3,074,872
Other	90,678	324,141
Total Net Assets Released from Restrictions	\$ 4,246,169	\$ 4,384,478

Transfers and appropriations on the statement of activities and change in net assets reflect investment returns appropriated from endowments of \$1,997,870. See Note 15.

McNay Art Museum

Notes to Financial Statements

12. 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 5,200 and 8,500 volunteer hours were contributed during each of the years ended June 30, 2021 and 2020, respectively. Accounting principles do not permit recording the value of this type of contributed services in the financial statements.

13. 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 statements 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.

14. 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 \$112,903 and \$137,558 to the plans for the fiscal years ended June 30, 2021 and 2020, respectively.

15. 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.

McNay Art Museum

Notes to Financial Statements

This policy defines the Museum's interpretation of the provisions of this law as they relate to the prudent management of its endowment fund.

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 years ended June 30, 2021 and 2020, the distribution percentage was 4.75% and 5%, respectively. 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:

- The duration and preservation of the fund
- The purposes of the Museum and the endowment fund with donor restrictions
- General economic and investment market conditions
- The possible effect of inflation and deflation

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Notes to Financial Statements

- The expected total return from income and the appreciation of investments
- Other resources of the Museum
- The investment policies of the Museum

Endowment Composition by Type of Fund

June 30, 2021

	Without Donor Restrictions*	With Donor Restrictions	Total
Board-designated endowment funds	\$ 2,740,033	\$ -	\$ 2,740,032
Donor endowment funds	17,639,971	39,959,312	57,599,284
Total Funds	\$ 20,380,004	\$ 39,959,312	\$ 60,339,316

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

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

Changes in Endowment

Year ended June 30, 2021

	Without Donor Restrictions*	With Donor Restrictions	Total
Endowment, beginning of period	\$ 9,331,661	\$ 38,465,908	\$ 47,797,569
Investment return:			
Interest and dividends	612,437	227,998	840,435
Net appreciation (realized and unrealized)	12,433,776	1,776,100	14,209,876
Total Investment Return	22,377,874	40,470,006	62,847,880
Contributions	-	664,239	664,239
Transfers/appropriations	(1,997,870)	-	(1,997,870)
Release from restriction:			
Art acquisitions	-	(910,930)	(910,930)
Exhibitions, presentation, and education	-	(256,781)	(256,781)
Other	-	(7,222)	(7,222)
Total Funds	\$ 20,380,004	\$ 39,959,312	\$ 60,339,316

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Notes to Financial Statements

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

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

16. 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. Although the outbreak was severe in the winter months, the museum remained open throughout fiscal year 2021 and was not forced to shut down. Due to recommendations from the WHO and CDC regarding social distancing, the Museum postponed or cancelled most in-person meetings and scheduled events. 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 continue depressing donations during fiscal year 2022. 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 2022.

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.

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 of the impact 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.

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Notes to Financial Statements

17. Subsequent Events

Management has evaluated events subsequent to June 30, 2021 and through November 3, 2021, which is the date the financial statements were available to be issued.