

TULSA HISTORICAL SOCIETY

Financial Statements

Years Ended December 31, 2017 and 2016

With

Independent Auditor's Report



TULSA HISTORICAL SOCIETY

TABLE OF CONTENTS

	<u>PAGE</u>
Independent Auditor's Report	1 - 2
Financial Statements:	
Statements of Financial Position - December 31, 2017 and 2016	3
Statement of Activities - Year Ended December 31, 2017	4
Statement of Activities - Year Ended December 31, 2016	5
Statements of Cash Flows - Years Ended December 31, 2017 and 2016	6
Statement of Functional Expenses - Year Ended December 31, 2017	7
Statement of Functional Expenses - Year Ended December 31, 2016	8
Notes to Financial Statements	9 - 18



Independent Auditor's Report

Board of Directors
Tulsa Historical Society

Report on the Financial Statements

We have audited the accompanying financial statements of Tulsa Historical Society, which comprise the statements of financial position as of December 31, 2017 and 2016, and the related statements of activities, cash flows, and functional expenses for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Tulsa Historical Society as of December 31, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

MORSE & CO., PLLC

Tulsa, Oklahoma
August 24, 2018

**TULSA HISTORICAL SOCIETY
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2017 AND 2016**

ASSETS

	2017	2016
Cash and cash equivalents	\$ 408,242	\$ 293,976
Inventory	8,942	11,676
Prepaid expenses	4,744	3,759
Pledges receivable, net	401,165	460,986
Beneficial interest in assets held by Tulsa Community Foundation	1,146,968	1,005,230
Property and equipment, net	7,324,277	7,554,122
Cash - restricted	436,234	522,641
	\$ 9,730,572	\$ 9,852,390
Total assets		

NET ASSETS

Unrestricted	\$ 9,230,345	\$ 9,265,756
Temporarily restricted	436,234	522,641
Permanently restricted	63,993	63,993
	\$ 9,730,572	\$ 9,852,390
Total net assets		

See independent auditor's report and accompanying notes to financial statements.

**TULSA HISTORICAL SOCIETY
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2017**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Public support and revenue				
Special events	\$ 295,890	\$ -	\$ -	\$ 295,890
Contributions and grants	232,428	24,525	-	256,953
Unrealized gain on investments	138,828	-	-	138,828
Memberships	116,397	-	-	116,397
Rents	52,232	-	-	52,232
Realized gain on investments, net of investment advisory fees of \$5,542	31,033	10,745	-	41,778
Tour sales	15,750	-	-	15,750
Other	13,369	-	-	13,369
Interest	13,178	-	-	13,178
Merchandise sales	12,152	-	-	12,152
In-kind	6,600	-	-	6,600
Admissions	4,442	-	-	4,442
Museum donations	796	-	-	796
Net assets released from restrictions				
Satisfaction of program restrictions	121,677	(121,677)	-	-
Total public support and revenue	<u>1,054,772</u>	<u>(86,407)</u>	<u>-</u>	<u>968,365</u>
Expenses				
Program services	903,866	-	-	903,866
General and administrative	74,058	-	-	74,058
Fundraising	112,259	-	-	112,259
Total expenses	<u>1,090,183</u>	<u>-</u>	<u>-</u>	<u>1,090,183</u>
Change in net assets	<u>(35,411)</u>	<u>(86,407)</u>	<u>-</u>	<u>(121,818)</u>
Net assets, beginning of year	<u>9,265,756</u>	<u>522,641</u>	<u>63,993</u>	<u>9,852,390</u>
Net assets, end of year	<u>\$ 9,230,345</u>	<u>\$ 436,234</u>	<u>\$ 63,993</u>	<u>\$ 9,730,572</u>

See independent auditor's report and accompanying notes to financial statements.

**TULSA HISTORICAL SOCIETY
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2016**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Public support and revenue				
Special events	\$ 213,600	\$ -	\$ -	\$ 213,600
Contributions and grants	172,237	120,000	-	292,237
Memberships	75,312	-	-	75,312
Rents	59,032	-	-	59,032
Unrealized gain on investments	29,304	-	-	29,304
Realized gain on investments, net of investment advisory fees of \$5,187	22,966	4,858	-	27,824
Merchandise sales	18,984	-	-	18,984
Tour sales	14,190	-	-	14,190
Interest	13,200	-	-	13,200
Admissions	6,127	-	-	6,127
Other	4,134	-	-	4,134
Museum donations	837	-	-	837
Net assets released from restrictions Satisfaction of program restrictions	100,182	(100,182)	-	-
Total public support and revenue	<u>730,105</u>	<u>24,676</u>	<u>-</u>	<u>754,781</u>
Expenses				
Program services	875,914	-	-	875,914
General and administrative	76,855	-	-	76,855
Fundraising	99,637	-	-	99,637
Total expenses	<u>1,052,406</u>	<u>-</u>	<u>-</u>	<u>1,052,406</u>
Changes in net assets	<u>(322,301)</u>	<u>24,676</u>	<u>-</u>	<u>(297,625)</u>
Net assets, beginning of year	<u>9,588,057</u>	<u>497,965</u>	<u>63,993</u>	<u>10,150,015</u>
Net assets, end of year	<u>\$ 9,265,756</u>	<u>\$ 522,641</u>	<u>\$ 63,993</u>	<u>\$ 9,852,390</u>

See independent auditor's report and accompanying notes to financial statements.

**TULSA HISTORICAL SOCIETY
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2017 AND 2016**

	<u>2017</u>	<u>2016</u>
Operating activities		
Change in net assets	\$ (121,818)	\$ (297,625)
Adjustments to reconcile change in net assets to net cash provided by (used for) operating activities		
Depreciation	237,388	236,469
Investment income	(11,982)	-
Unrealized (gain) on investments	(138,828)	(29,304)
Realized (gain) on investments	(41,778)	(27,824)
Changes in assets and liabilities		
Inventory	2,734	(8,127)
Prepaid expenses	(985)	947
Pledges receivable	59,821	61,040
Net cash provided by (used for) operating activities	<u>(15,448)</u>	<u>(64,424)</u>
Investing activities		
Proceeds from sale of investments	50,850	446,024
Purchases of investments	-	(405,580)
Purchases of property and equipment	(7,543)	(68,340)
Net cash provided by (used for) investing activities	<u>43,307</u>	<u>(27,896)</u>
Net change in cash and cash equivalents	27,859	(92,320)
Cash and cash equivalents, beginning of year	<u>816,617</u>	<u>908,937</u>
Cash and cash equivalents, end of year	<u>\$ 844,476</u>	<u>\$ 816,617</u>

See independent auditor's report and accompanying notes to financial statements.

TULSA HISTORICAL SOCIETY
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2017

	Program Services	General and Administrative	Fundraising	Total
Employee salaries	\$ 263,960	\$ 33,467	\$ 33,467	\$ 330,894
Maintenance and repairs	70,888	1,447	-	72,335
Hall of Fame	-	-	66,954	66,954
Utilities	59,586	1,216	-	60,802
Specific project	53,655	-	-	53,655
Employee benefits	34,594	5,216	5,216	45,026
Insurance	39,934	815	-	40,749
Payroll taxes	19,420	2,557	2,557	24,534
Accounting and payroll services	5,524	16,572	-	22,096
Printing and copying	16,755	342	-	17,097
Rental expense, Tulsa Garden Center	16,925	-	-	16,925
Merchandise	12,546	-	-	12,546
Other	11,980	244	-	12,224
Bus tour	12,103	-	-	12,103
Exhibit expense	11,502	-	-	11,502
Archive expense	10,002	-	-	10,002
Computer software	4,350	4,843	-	9,193
In-kind	6,600	-	-	6,600
Office expense	4,973	553	-	5,526
Postage and delivery	5,074	104	-	5,178
Communications	4,316	480	-	4,796
Contract labor	4,390	-	-	4,390
Bank and credit card fees	1,396	1,439	1,396	4,231
Other fundraising expense	-	-	2,394	2,394
Licenses and permits	753	15	-	768
Advertising	-	-	275	275
	<u>671,226</u>	<u>69,310</u>	<u>112,259</u>	<u>852,795</u>
Depreciation	232,640	4,748	-	237,388
Total expenses	<u>\$ 903,866</u>	<u>\$ 74,058</u>	<u>\$ 112,259</u>	<u>\$ 1,090,183</u>

See independent auditor's report and accompanying notes to financial statements.

**TULSA HISTORICAL SOCIETY
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2016**

	Program Services	General and Administrative	Fundraising	Total
Employee salaries	\$ 264,639	\$ 33,575	\$ 33,575	\$ 331,789
Maintenance and repairs	73,891	1,508	-	75,399
Utilities	64,346	1,313	-	65,659
Hall of Fame	-	-	46,572	46,572
Employee benefits	35,576	5,371	5,371	46,318
Insurance	44,580	910	-	45,490
Exhibit expense	27,493	-	-	27,493
Payroll taxes	19,685	2,599	2,599	24,883
Other	22,383	457	-	22,840
Accounting and payroll services	4,527	13,580	-	18,107
Rental expense, Tulsa Garden Center	15,605	-	-	15,605
Printing and copying	14,426	-	-	14,426
Specific project	13,974	-	-	13,974
Bus tour	11,269	-	-	11,269
Computer software	-	10,735	-	10,735
Archive expense	9,046	-	-	9,046
Office expense	6,185	687	-	6,872
Contract labor	6,108	-	-	6,108
Merchandise	-	-	5,256	5,256
Postage and delivery	5,113	-	-	5,113
Communications	4,459	495	-	4,954
Other fundraising expense	-	-	4,170	4,170
Bank and credit card fees	869	896	869	2,634
Advertising	-	-	1,225	1,225
	<u>644,174</u>	<u>72,126</u>	<u>99,637</u>	<u>815,937</u>
Depreciation	231,740	4,729	-	236,469
Total expenses	<u>\$ 875,914</u>	<u>\$ 76,855</u>	<u>\$ 99,637</u>	<u>\$ 1,052,406</u>

See independent auditor's report and accompanying notes to financial statements.

**TULSA HISTORICAL SOCIETY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of Organization

Tulsa Historical Society (THSM) is a private, nonprofit organization chartered under the laws of the State of Oklahoma. THSM is dedicated to fostering interest in the history, culture, growth, and development of Oklahoma and of the greater Tulsa metropolitan area.

THSM's collection of historical items is extensive and includes fine arts, decorative arts, textiles, photographs, printed materials, videos, lists, maps, and directories. The collection is protected, cared for, and preserved by professionals. The collection is held for exhibition to the public and for educational and research purposes and is not held for financial gain.

In December, 1997, with significant help from the Tulsa Tribune Foundation, THSM acquired a residence at 1347 East 25th Street in Tulsa known as the Samuel Travis Mansion, which is now the home of THSM's collections and administrative offices.

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting, in accordance with generally accepted accounting principles. Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of THSM and changes therein are classified and reported as follows:

Unrestricted

Net assets that are not subject to donor-imposed stipulations.

Temporarily restricted

Net assets subject to donor-imposed stipulations that may or will be met, either by actions of THSM and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Permanently restricted

Net assets subject to donor-imposed stipulations that they be maintained permanently by THSM.

Fair Value Measurements

THSM has determined the fair value of certain assets and liabilities. Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. THSM employs valuation techniques which maximize the use of observable inputs and minimize the use of unobservable inputs.

(Continued)

**TULSA HISTORICAL SOCIETY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value Measurements (Continued)

Assets and liabilities stated at fair value are categorized using a hierarchy which prioritizes the valuation inputs into three broad levels based on the quality of the inputs used. Level 1 inputs consist of quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date. Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the related asset or liability. Level 3 inputs are unobservable inputs related to the asset or liability.

Cash and Cash Equivalents

For purposes of the statement of cash flows, THSM considers all highly-liquid investments with an initial maturity of three months or less to be cash equivalents. Cash and cash equivalents include donor restricted deposits that are readily available.

Pledges Receivable

THSM estimates the fair value for the pledge contribution receivable from a beneficial interest in a charitable trust by using an income approach based on calculating the present value of the future distributions expected to be received. This approach takes into account THSM's determination of an appropriate risk-adjusted yield rate determined by the U.S. Treasury Securities yield rate (1.80% and 2.20%, respectively for each pledge as of December 31, 2017.) The remaining unamortized discount was \$86,437 and \$92,779 at December 31, 2017 and 2016, respectively. THSM measures the fair value of its beneficial interest in a charitable trust annually and adjusts the measurement inputs based on statements received from the trustee, market conditions, and other relevant data. No allowance for uncollectable pledges was deemed necessary as of December 31, 2017 and 2016.

Inventories

Inventory is stated at lower-of-cost or net-realizable-value, and is determined by the first-in, first-out method. Inventory consists primarily of printed books, maps, and videos held for sale.

Property and Equipment

Property and equipment are capitalized at cost. The straight-line depreciation method is used for all assets. THSM follows the practice of capitalizing expenditures for property and equipment in excess of \$2,000 with a useful life of more than one year, although a formal policy was not adopted as of December 31, 2017.

THSM records impairments to its fixed assets when it becomes probable that the carrying value of the assets will not be fully recovered over their estimated lives. Impairments are recorded to reduce the carrying value of the assets to their estimated fair values determined by THSM based on facts and circumstances in existence at the time of the determination, estimates of probable future economic conditions, and other information. No impairments were recorded in 2017 and 2016.

(Continued)

**TULSA HISTORICAL SOCIETY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Collections

The collections, which were acquired through purchases (Tulsa Four and Beryl Ford Collection) and contributions since THSM's inception, are not recognized as assets in the statements of financial position. Purchases of collection items are recorded as decreases in unrestricted net assets in the year in which the items are acquired, or as temporarily or permanently restricted net assets (Bobbye Potter purchase of art deco items) if the assets used to purchase the items are restricted by donors. Contributed collection items are not reflected on the financial statements. Proceeds from deaccessions or insurance recoveries are reflected as increases in the appropriate net asset classes. During 2017 and 2016 there were no collections acquired.

Income Taxes

THSM is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code; therefore, no provision or liability for income taxes has been included in the financial statements. THSM has been classified as an entity that is not a private foundation within the meaning of Section 509(a) and qualifies for deductible contributions.

THSM has evaluated if there are any uncertain tax positions. No uncertain tax positions were identified. THSM had no accrued interest or penalties relating to any tax contingencies. Federal tax returns of THSM for the years ended December 31, 2014, through December 31, 2016, are subject to examination by the Internal Revenue Service. Any tax, penalty, or interest which might result from an examination will be included in operating expense, if incurred.

Volunteer Hours

Tulsa Historical Society Guardian Volunteer Corps donated time as speakers, docents, greeters, and program development aids. The total volunteer hours were 8,548 and 6,061 for the years ended December 31, 2017 and 2016, respectively. These hours and their related value do not meet the requirements for recognition in the financial statements.

Estimates

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

Advertising

THSM expenses advertising costs as incurred. Advertising expense for the years ended December 31, 2017 and 2016, was \$275 and \$1,225, respectively.

(Continued)

**TULSA HISTORICAL SOCIETY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Functional Expenses

Expenses have been classified by specific functions where ascertainable. Those expenses which cannot be specifically identified by function type have been allocated to functions based on management's best estimate of usage.

Subsequent Events

THSM has evaluated subsequent events through August 24, 2018, the date the financial statements were available to be issued.

NOTE 2 - BENEFICIAL INTEREST IN ASSETS HELD BY TULSA COMMUNITY FOUNDATION

During 2001, THSM transferred the initial contribution of trust investments to the Tulsa Community Foundation (the Foundation) and named itself the beneficiary. THSM executed an "Agency Fund Agreement" with the Foundation, creating an agency fund. The Board of Trustees of the Foundation shall have the power to modify any restriction or condition on distributions from the agency fund for any specific charitable purposes or to specific organizations if, in the sole judgment of the Board of Trustees, the restriction or condition becomes, in effect, unnecessary, incapable of fulfillment, or inconsistent with the charitable needs served by the Foundation. All contributions to this fund shall be irrevocable once accepted by the Foundation. These funds have been recorded as an asset at fair market value.

The funds held by the Foundation represent THSM's only endowment, which includes both donor-restricted endowment funds and funds designated by the Board of Directors to function as endowments. As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowment, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

THSM's Board of Directors (the Board) interprets the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds (the Fund), absent explicit donor stipulations to the contrary. As a result, THSM classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the Fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the organization in a manner consistent with the standard of prudence prescribed by UPMIFA.

It is the intent of THSM that a portion of the Fund be used as a reserve to fund general operating expenses of THSM if necessary. The remaining portion of the Fund is to be used as a permanent endowment to further the purposes of THSM.

THSM has adopted investment policies for endowment assets that attempt to protect and grow the assets of the Fund. The assets of the Fund are money market securities.

(Continued)

TULSA HISTORICAL SOCIETY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016

NOTE 2 - BENEFICIAL INTEREST IN ASSETS HELD BY TULSA COMMUNITY FOUNDATION (CONTINUED)

The composition of beneficial interest in assets held by the Foundation by fund type as of December 31, 2017 and 2016, respectively, is as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
December 31, 2017				
Donor-restricted endowment funds	\$ -	\$ -	\$ 63,993	\$ 63,993
Board-designated endowment funds	1,082,975	-	-	1,082,975
	<u>\$ 1,082,975</u>	<u>\$ -</u>	<u>\$ 63,993</u>	<u>\$ 1,146,968</u>
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
December 31, 2016				
Donor-restricted endowment funds	\$ -	\$ -	\$ 63,993	\$ 63,993
Board-designated endowment funds	941,237	-	-	941,237
	<u>\$ 941,237</u>	<u>\$ -</u>	<u>\$ 63,993</u>	<u>\$ 1,005,230</u>

Changes in the beneficial interest in assets held by the Foundation for the years ending December 31, 2017 and 2016, are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, January 1, 2016	\$ 924,553	\$ -	\$ 63,993	\$ 988,546
Investment return				
Net realized and unrealized appreciation	74,594	-	-	74,594
Distributions	(57,910)	-	-	(57,910)
Endowment net assets, December 31, 2016	941,237	-	63,993	1,005,230
Investment return				
Net realized and unrealized appreciation	192,588	-	-	192,588
Distributions	(50,850)	-	-	(50,850)
Endowment net assets, December 31, 2017	<u>\$ 1,082,975</u>	<u>\$ -</u>	<u>\$ 63,993</u>	<u>\$ 1,146,968</u>

(Continued)

**TULSA HISTORICAL SOCIETY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016**

**NOTE 2 - BENEFICIAL INTEREST IN ASSETS HELD BY TULSA COMMUNITY FOUNDATION
(CONTINUED)**

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires THSM to retain as a fund of perpetual duration. In accordance with generally accepted accounting principles, deficiencies of this nature are reported in unrestricted net assets. There were no such deficiencies as of December 31, 2017 and 2016.

Return Objectives and Risk Parameters

THSM has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the organization must hold in perpetuity or for a donor-specified period(s) as well as board-designated funds. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to produce results that exceed, those of savings accounts while assuming a low level of investment risk.

Spending Policy and How the Investment Objectives Relate to Spending Policy

THSM has a policy of appropriating its endowment fund for distribution as needed. Distribution requires an affirmative vote of two-thirds of the Board of Directors of THSM. In establishing this policy, THSM considered the long-term expected return on its endowment. Accordingly, over the long term, THSM expects the current spending policy to allow its endowment to grow. This is consistent with THSM's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through gifts and investment return.

NOTE 3 - PLEDGES RECEIVABLE

Pledges receivable are as follows at December 31,

	2017	2016
Amounts due in:		
Less than one year	\$ 58,629	\$ 59,821
One to five years	253,909	281,685
Greater than five years	88,627	119,480
Total	\$ 401,165	\$ 460,986

(Continued)

**TULSA HISTORICAL SOCIETY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016**

NOTE 4 - FAIR VALUE MEASUREMENTS

	Fair Value Measurements Using		
	Quoted Prices in Active Markets of Identical Assets/Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
December 31, 2017			
Beneficial interest in assets held by Tulsa Community Foundation	\$ -	\$ 1,146,968	\$ -
Pledges receivable - beneficial interest in charitable trust	-	-	401,165
Total	\$ -	\$ 1,146,968	\$ 401,165

	Fair Value Measurements Using		
	Quoted Prices in Active Markets of Identical Assets/Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
December 31, 2016			
Beneficial interest in assets held by Tulsa Community Foundation	\$ -	\$ 1,005,230	\$ -
Pledges receivable - beneficial interest in charitable trust	-	-	460,986
Total	\$ -	\$ 1,005,230	\$ 460,986

The beneficial interest in assets held by Tulsa Community Foundation is valued using quoted market prices of the underlying securities that comprise the interest.

The following is a reconciliation of activity for the years ended December 31, 2017 and 2016, for assets measured at fair value based upon significant unobservable (non-market) information:

	2017	2016
Balance, beginning of year	\$ 460,986	\$ 522,026
Pledges collected	(59,821)	(61,040)
Balance, end of year	\$ 401,165	\$ 460,986

(Continued)

**TULSA HISTORICAL SOCIETY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016**

NOTE 5 - PROPERTY AND EQUIPMENT

Property and equipment are as follows:

	<u>2017</u>	<u>2016</u>
Buildings	\$ 5,060,743	\$ 5,060,743
Travis Mansion	3,694,853	3,694,853
West lawn including Five Moons	619,702	619,702
Land	512,251	512,251
Furniture and equipment	301,099	293,556
Exhibit equipment	123,286	123,286
Cemetery Fence	<u>24,900</u>	<u>24,900</u>
	10,336,834	10,329,291
Accumulated depreciation	<u>(3,012,557)</u>	<u>(2,775,169)</u>
Property and equipment, net	<u>\$ 7,324,277</u>	<u>\$ 7,554,122</u>

Depreciation expense for the years ended December 31, 2017 and 2016, was \$237,388 and \$236,469, respectively.

NOTE 6 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes:

	<u>2017</u>	<u>2016</u>
Dunn family endowment	\$ 210,967	\$ 210,967
Travis Mansion restoration and maintenance	160,329	166,858
Archive department	53,987	49,557
L'dor V'dor Documentary	9,497	50,000
Art deco project	1,000	1,000
1921 Race Riot computer application	454	954
Children's education	-	33,079
Voices of History Gallery	-	10,000
Exhibitions	<u>-</u>	<u>226</u>
Total	<u>\$ 436,234</u>	<u>\$ 522,641</u>

(Continued)

**TULSA HISTORICAL SOCIETY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016**

NOTE 6 - TEMPORARILY RESTRICTED NET ASSETS (CONTINUED)

The following net assets were released from donor restrictions by incurring expenses satisfying the restrictions:

	2017	2016
L'dor V'dor Documentary	\$ 45,028	\$ -
Children's education	43,079	818
Time-restricted endowment earnings appropriated for expenditure	10,745	4,858
Voices of History Gallery	10,000	-
Travis Mansion restoration and maintenance	6,529	24,222
Archive department	5,570	44,511
1921 Race Riot computer application	500	999
Exhibitions	226	24,774
	\$ 121,677	\$ 100,182
Total		

NOTE 7 - PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets are restricted as investments in perpetuity and are included in the beneficial interest in assets held by a Foundation. The restrictions specified by donors, allow for the income to be used for general operations of THSM. The balance consists of the following at December 31:

	2017	2016
Beneficial interest in assets	\$ 63,993	\$ 63,993

NOTE 8 - CONCENTRATIONS OF CREDIT RISK

THSM may be subject to credit risk related to its cash and cash equivalents, which are placed with high-quality financial institutions. From time to time, THSM may have amounts on deposit in excess of the Federal Deposit Insurance Corporation limits. Management believes THSM is not exposed to any significant credit risk on cash and cash equivalents, nor has it experienced any losses.

Pledges receivable is made up of a single donor. Management believes the risk related to this receivable is minimal and is fully collectible.

NOTE 9 - RETIREMENT PLAN

THSM sponsors a SIMPLE IRA plan covering eligible employees and matches up to 3% of employee contributions to the plan. During 2017 and 2016, THSM contributed \$9,513 and \$9,982, respectively, to the plan.

(Continued)

TULSA HISTORICAL SOCIETY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016

NOTE 10 - SUPPLEMENTAL CASH FLOW INFORMATION

THSM has adopted FASB ASU 2016 - 18, Restricted Cash, which requires the statement of cash flows to explain the change during the period in total of cash, cash equivalents, and restricted cash or cash equivalents.

The following table provides a reconciliation of cash, cash equivalents, and restricted cash reported in the balance sheet that equal the total of the same such amounts shown in the statement of cash flows.

	2017	2016
Cash and cash equivalents	\$ 408,242	\$ 293,976
Restricted cash	436,234	522,641
Total cash, cash equivalents, and restricted cash shown in the statement of cash flows	\$ 844,476	\$ 816,617

NOTE 11 - NEW ACCOUNTING PRONOUNCEMENTS

In August, 2016, the Financial Accounting Standards Board issued Accounting Standards Update (ASU) 2016-14, Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities, which provides more relevant information regarding available resources (and the changes in those resources) to donors, grantors, creditors, and other users. The most significant aspects of the ASU are as follows: (1) the ASU replaces the current presentation of three classes of net assets (unrestricted, temporarily restricted, and permanently restricted) with two classes of net assets - net assets with donor restrictions and net assets without donor restrictions, (2) the ASU expands disclosure related to the nature and amount of any donor restrictions, board designations of net assets without donor restrictions as well as any underwater endowment funds, (3) the ASU requires expenses to be presented by nature and function, as well as an analysis of the allocation of these expenses, and (4) the ASU requires specific quantitative and qualitative disclosures to improve the ability of financial statement users to assess the entity's available financial resources and the methods by which it manages liquidity and liquidity risk. ASU 2016-14 is to be applied retrospectively, and is effective for years beginning after December 15, 2017, with early adoption permitted. THSM will be evaluating the impact this standard will have on its financial statements and related disclosures.