

TULSA HISTORICAL SOCIETY

Financial Statements

Years Ended December 31, 2019 and 2018

With

Independent Auditor's Report



TULSA HISTORICAL SOCIETY

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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 (THS), which comprise the statements of financial position as of December 31, 2019 and 2018, 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, 2019 and 2018, 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.

Effect of Adopting New Accounting Standard

As discussed in Note 1, the Organization adopted the Financial Accounting Standards Board's Accounting Standards updated ("ASU") 2014-09, Revenue from Contracts with Customers (Topic 606) as of and for the year ended December 31, 2019. Our opinion is not modified with respect to this matter.

Prior Period Restatement

As described in Note 11 to the financial statements, THS adopted ASC Accounting Standards Codification (ASC) Topic 606, Revenue from Contracts with Customers (ASC 606). As a result of this adoption, THS analyzed income from memberships in accordance with Topic 606 and determined a restatement as of and for the year ended December 31, 2018 was necessary. Accordingly, amounts reported for income from memberships and deferred memberships have been restated in the 2018 financial statements presented. Our opinion is not modified with respect to this matter.

MORSE & CO., PLLC

Tulsa, Oklahoma
November 19, 2020

**TULSA HISTORICAL SOCIETY
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2019 AND 2018**

ASSETS

| | <u>2019</u> | <u>2018 (Restated)</u> |
|---|---------------------|----------------------------|
| Assets | | |
| Cash and cash equivalents | \$ 239,399 | \$ 338,719 |
| Inventory | 7,758 | 7,318 |
| Prepaid expenses | - | 4,744 |
| Pledges receivable - restricted | 293,577 | 342,537 |
| Beneficial interest in assets held by Tulsa Community Foundation | 1,203,914 | 1,013,690 |
| Property and equipment, net | 6,869,140 | 7,104,372 |
| Cash - restricted | 475,053 | 502,743 |
| Total assets | <u>\$ 9,088,841</u> | <u>\$ 9,314,123</u> |

LIABILITIES AND NET ASSETS

| | | |
|---------------------------------------|---------------------|---------------------|
| Liabilities | | |
| Accounts payable | \$ 2,000 | \$ - |
| Deferred memberships | 46,926 | 40,573 |
| Total liabilities | <u>48,926</u> | <u>40,573</u> |
| Net assets | | |
| Net assets without donor restrictions | 8,207,292 | 8,364,277 |
| Net assets with donor restrictions | 832,623 | 909,273 |
| Total net assets | <u>9,039,915</u> | <u>9,273,550</u> |
| Total liabilities and net assets | <u>\$ 9,088,841</u> | <u>\$ 9,314,123</u> |

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

**TULSA HISTORICAL SOCIETY
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2019**

| | Without Donor Restrictions | With Donor Restrictions | Total |
|---|----------------------------------|-------------------------------|---------------------|
| Public support and revenue | | | |
| Special events | \$ 318,203 | \$ - | \$ 318,203 |
| Unrealized gain on investments | 200,442 | - | 200,442 |
| Contributions and grants | 98,323 | 21,567 | 119,890 |
| Memberships | 84,068 | - | 84,068 |
| Rents | 62,045 | - | 62,045 |
| Realized gain on investments, net of investment advisory fees of \$5,862 | 45,388 | - | 45,388 |
| Merchandise sales | 17,333 | - | 17,333 |
| Tour sales | 8,920 | - | 8,920 |
| Admissions | 6,085 | - | 6,085 |
| Other | 2,755 | - | 2,755 |
| Interest | 1,626 | - | 1,626 |
| Museum donations | 2,180 | - | 2,180 |
| Net assets released from restrictions Satisfaction of program restrictions | 98,217 | (98,217) | - |
| Total public support and revenue | <u>945,585</u> | <u>(76,650)</u> | <u>868,935</u> |
| Expenses | | | |
| Program services | 891,249 | - | 891,249 |
| General and administrative | 80,722 | - | 80,722 |
| Fundraising | 130,599 | - | 130,599 |
| Total expenses | <u>1,102,570</u> | <u>-</u> | <u>1,102,570</u> |
| Change in net assets | <u>(156,985)</u> | <u>(76,650)</u> | <u>(233,635)</u> |
| Net assets, beginning of year | <u>8,364,277</u> | <u>909,273</u> | <u>9,273,550</u> |
| Net assets, end of year | <u>\$ 8,207,292</u> | <u>\$ 832,623</u> | <u>\$ 9,039,915</u> |

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

**TULSA HISTORICAL SOCIETY
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2018**

| | Without Donor Restrictions (Restated) | With Donor Restrictions | Total (Restated) |
|---|---|-----------------------------|-----------------------------|
| | <u> </u> | <u> </u> | <u> </u> |
| Public support and revenue | | | |
| Special events | \$ 309,415 | \$ - | \$ 309,415 |
| Contributions and grants | 142,115 | 124,729 | 266,844 |
| Memberships | 92,721 | - | 92,721 |
| Realized gain on investments, net of investment advisory fees of \$6,055 | 60,617 | - | 60,617 |
| Rents | 50,699 | - | 50,699 |
| Merchandise sales | 20,495 | - | 20,495 |
| Tour sales | 5,039 | - | 5,039 |
| Admissions | 4,990 | - | 4,990 |
| Other | 2,747 | - | 2,747 |
| Interest | 1,993 | - | 1,993 |
| Museum donations | 1,691 | - | 1,691 |
| Unrealized loss on investments | (141,419) | - | (141,419) |
| Net assets released from restrictions Satisfaction of program restrictions | 116,848 | (116,848) | - |
| | <u>667,951</u> | <u>7,881</u> | <u>675,832</u> |
| Total public support and revenue | | | |
| Expenses | | | |
| Program services | 903,832 | - | 903,832 |
| General and administrative | 82,263 | - | 82,263 |
| Fundraising | 106,759 | - | 106,759 |
| | <u>1,092,854</u> | <u>-</u> | <u>1,092,854</u> |
| Total expenses | | | |
| Change in net assets | <u>(424,903)</u> | <u>7,881</u> | <u>(417,022)</u> |
| Net assets, beginning of year | <u>8,789,180</u> | <u>901,392</u> | <u>9,690,572</u> |
| Net assets, end of year | <u>\$ 8,364,277</u> | <u>\$ 909,273</u> | <u>\$ 9,273,550</u> |

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

**TULSA HISTORICAL SOCIETY
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2019 AND 2018**

| | <u>2019</u> | <u>2018 (Restated)</u> |
|--|--------------------------|--------------------------|
| Operating activities | | |
| Change in net assets | \$ (233,635) | \$ (417,022) |
| Adjustments to reconcile change in net assets to net cash provided by (used for) operating activities | | |
| Depreciation | 235,232 | 238,147 |
| Unrealized (gain) loss on investments | (200,442) | 141,419 |
| Realized (gain) on investments, net | (45,197) | (60,617) |
| Changes in assets and liabilities | | |
| Inventory | (440) | 1,624 |
| Prepaid expenses | 4,744 | - |
| Pledges receivable - restricted | 48,960 | 58,628 |
| Accounts payable | 2,000 | - |
| Deferred revenue | 6,353 | 573 |
| Net cash provided by (used for) operating activities | <u>(182,425)</u> | <u>(37,248)</u> |
| Investing activities | | |
| Proceeds from sale of investments | 55,415 | 52,476 |
| Purchases of property and equipment | - | (18,242) |
| Net cash provided by (used for) investing activities | <u>55,415</u> | <u>34,234</u> |
| Net change in cash and cash equivalents | (127,010) | (3,014) |
| Cash and cash equivalents, beginning of year | <u>841,462</u> | <u>844,476</u> |
| Cash and cash equivalents, end of year | <u><u>\$ 714,452</u></u> | <u><u>\$ 841,462</u></u> |

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

TULSA HISTORICAL SOCIETY
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2019

| | Program Services | General and Administrative | Fundraising | Total |
|-------------------------------------|--------------------------|-------------------------------|--------------------------|----------------------------|
| Employee salaries | \$ 272,149 | \$ 34,760 | \$ 34,760 | \$ 341,669 |
| Maintenance and repairs | 71,909 | 1,468 | - | 73,377 |
| Hall of Fame | - | - | 67,140 | 67,140 |
| Utilities | 62,494 | 1,275 | - | 63,769 |
| Employee benefits | 35,742 | 5,397 | 5,397 | 46,536 |
| Insurance | 43,247 | 883 | - | 44,130 |
| Exhibit | 28,477 | - | - | 28,477 |
| Specific project | 26,970 | - | - | 26,970 |
| Payroll taxes | 19,727 | 2,606 | 2,606 | 24,939 |
| Accounting and payroll services | 5,870 | 17,609 | - | 23,479 |
| Printing and copying | 19,187 | 392 | - | 19,579 |
| Rental expense, Tulsa Garden Center | 18,689 | - | - | 18,689 |
| Curator's Circle | - | - | 16,660 | 16,660 |
| Other | 12,800 | 234 | - | 13,034 |
| Merchandise | 10,479 | - | - | 10,479 |
| Computer software | - | 8,503 | - | 8,503 |
| Archive | 8,176 | - | - | 8,176 |
| Bus tour | 8,072 | - | - | 8,072 |
| Office | 5,082 | 565 | - | 5,647 |
| Communications | 4,682 | 520 | - | 5,202 |
| Bank and credit card Fees | 1,648 | 1,696 | 1,648 | 4,992 |
| Postage and delivery | 4,047 | 83 | - | 4,130 |
| Other fundraising expense | - | - | 2,188 | 2,188 |
| Licenses and permits | 927 | 19 | - | 946 |
| Travel and entertainment | 348 | 7 | - | 355 |
| Advertising | - | - | 200 | 200 |
| | <u>660,722</u> | <u>76,017</u> | <u>130,599</u> | <u>867,338</u> |
| Depreciation | <u>230,527</u> | <u>4,705</u> | <u>-</u> | <u>235,232</u> |
| Total expenses | <u><u>\$ 891,249</u></u> | <u><u>\$ 80,722</u></u> | <u><u>\$ 130,599</u></u> | <u><u>\$ 1,102,570</u></u> |

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

TULSA HISTORICAL SOCIETY
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2018

| | Program Services | General and Administrative | Fundraising | Total |
|-------------------------------------|--------------------------|-------------------------------|--------------------------|----------------------------|
| Employee salaries | \$ 272,391 | \$ 34,799 | \$ 34,799 | \$ 341,989 |
| Maintenance and repairs | 71,740 | 1,464 | - | 73,204 |
| Utilities | 66,523 | 1,358 | - | 67,881 |
| Hall of Fame | - | - | 57,498 | 57,498 |
| Employee benefits | 35,544 | 5,366 | 5,366 | 46,276 |
| Insurance | 41,401 | 845 | - | 42,246 |
| Specific project | 36,006 | - | - | 36,006 |
| Accounting and payroll services | 7,255 | 21,765 | - | 29,020 |
| Exhibit expense | 28,804 | - | - | 28,804 |
| Payroll taxes | 19,646 | 2,593 | 2,593 | 24,832 |
| Rental expense, Tulsa Garden Center | 17,151 | - | - | 17,151 |
| Other | 16,017 | 326 | - | 16,343 |
| Printing and copying | 12,870 | 263 | - | 13,133 |
| Merchandise | 11,800 | - | - | 11,800 |
| Computer software | 4,350 | 6,336 | - | 10,686 |
| Archive expense | 8,018 | - | - | 8,018 |
| Postage and delivery | 5,176 | 106 | - | 5,282 |
| Communications | 4,430 | 492 | - | 4,922 |
| Office expense | 4,020 | 447 | - | 4,467 |
| Bank and credit card fees | 1,279 | 1,318 | 1,279 | 3,876 |
| Other fundraising expense | - | - | 3,665 | 3,665 |
| Bus tour | 3,148 | - | - | 3,148 |
| Contract labor | 1,775 | - | - | 1,775 |
| Curator's Circle | - | - | 964 | 964 |
| Licenses and permits | 894 | 18 | - | 912 |
| Advertising | - | - | 595 | 595 |
| Travel and entertainment | 210 | 4 | - | 214 |
| | <u>670,448</u> | <u>77,500</u> | <u>106,759</u> | <u>854,707</u> |
| Depreciation | <u>233,384</u> | <u>4,763</u> | <u>-</u> | <u>238,147</u> |
| Total expenses | <u><u>\$ 903,832</u></u> | <u><u>\$ 82,263</u></u> | <u><u>\$ 106,759</u></u> | <u><u>\$ 1,092,854</u></u> |

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

**TULSA HISTORICAL SOCIETY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of Organization

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

THS'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, THS acquired a residence at 1347 East 25th Street in Tulsa known as the Samuel Travis Mansion, which is now the home of THS'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 THS and changes therein are classified and reported as follows:

Net assets without donor restrictions

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

Net assets with donor restrictions

Net assets subject to donor-imposed restrictions which can be fulfilled, either by actions of the Organization and/or the passage of time. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions in the period such restrictions are satisfied and reported in the statement of activities as net assets released from restrictions. Payments that are received in advance for future program services are not recognized as net assets with donor restrictions due to their deferred nature. The recognition of revenue will occur simultaneously with the release of the restricted purpose.

Fair Value Measurements

THS 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. THS 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, 2019 AND 2018**

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, THS 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

THS 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 THS'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, 2019.) The remaining unamortized discount was \$70,197 and \$78,901 at December 31, 2019 and 2018, respectively. THS 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, 2019 and 2018.

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. THS 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, 2019.

THS 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 THS 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 2019 and 2018.

(Continued)

**TULSA HISTORICAL SOCIETY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018**

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 THS's inception, are not recognized as assets in the statements of financial position. Purchases of collection items are recorded as decreases in net assets without donor restrictions in the year in which the items are acquired, or net assets with donor restrictions (Bobbie 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 2019 and 2018 there were no collections acquired.

Income Taxes

THS 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. THS has been classified as an entity that is not a private foundation within the meaning of Section 509(a) and qualifies for deductible contributions.

THS has evaluated if there are any uncertain tax positions. No uncertain tax positions were identified. THS had no accrued interest or penalties relating to any tax contingencies. Federal tax returns of THS for the years ended December 31, 2016, through December 31, 2018, 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 5,487 and 5,831 for the years ended December 31, 2019 and 2018, 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

THS expenses advertising costs as incurred. Advertising expense for the years ended December 31, 2019 and 2018, was \$200 and \$595, respectively.

(Continued)

**TULSA HISTORICAL SOCIETY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Allocation of Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The expenses that are allocated include utilities, insurance, maintainenc, repairs, and other various expenses which are allocated on a square footage basis, as well as salaries and wages, benefits, payroll taxes, professional services, and office expenses, which are allocated on the basis of estimates of time and effort.

Change in Accounting Principle

On January 1, 2019, THS adopted Accounting Standards Codification (ASC) Topic 606, Revenue from Contracts with Customers (ASC 606). ASC 606 provides a new model for accounting for revenue arising from contracts with customers that supersedes most revenue recognition guidance. Under the new guidance, entities are required to recognize revenue at an amount that reflects the consideration to which the entity expects to be entitled upon transferring the benefit to a customer. As part of adoption of ASC 606, THS applied the retrospective method to contracts that were not completed as of January 1, 2019. Further, results for reporting periods beginning on or after January 1, 2019 are presented under ASC 606 resulting in a restatement. The restatement as of and for the year December 31, 2018 is detailed in Note 11.

THS recognizes revenue upon the transfer of promised benefit to its customers in an amount that reflects the consideration to which the Organization expects to be entitled by applying the following five-step process specified in ASC 606:

- 1) Identify the contract(s) with a customer
- 2) Identify the performance obligations
- 3) Determine the transaction price
- 4) Allocate the transaction price
- 5) Recognize revenue when the performance obligations are met

(Continued)

**TULSA HISTORICAL SOCIETY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNT POLICIES (CONTINUED)

Subsequent Events

In December 2019, an outbreak of a novel strain of coronavirus (COVID-19) originated in Wuhan, China and has since spread to other countries, including to the U.S. On March 11, 2020, the World Health Organization characterized COVID-19 as a pandemic. In addition, multiple jurisdictions in the U.S. have declared states of emergency. It is anticipated that these impacts will continue for some time. Future potential impacts to the Organization include disruptions or restrictions on the Organization's ability to operate. The future effects of these issues are unknown.

On April 13, 2020, the Company received loan proceeds in the amount of \$87,500 under the Paycheck Protection Program ("PPP"). The PPP, established as part of the Coronavirus Aid, Relief and Economic Security Act ("CARES Act"), provides for loans to qualifying businesses for amounts up to 2.5 times of the average monthly payroll expenses of the qualifying business. The loans and accrued interest are forgivable after eight weeks as long as the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its payroll levels. The amount of loan forgiveness will be reduced if the borrower terminates employees or reduces salaries during the eight-week period.

In the event any portion of the PPP loan is not forgiven interest is accrued at 1% requiring payments of \$4,925 beginning in November 2020. The Company believes its use of the loan proceeds will meet the conditions for forgiveness of the loan.

THS has evaluated subsequent events through November 19, 2020, the date the financial statements were available to be issued.

NOTE 2 - LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following:

| | | |
|---|----|---------|
| Cash | \$ | 239,399 |
| Pledges receivable to be collected | | |
| within one year | | 64,814 |
| Distributions from beneficial interest in | | |
| assets held by Tulsa Community Foundation | | 53,000 |
| Total | \$ | 357,213 |

THS regularly monitors liquidity required to meet its operating needs and other contractual commitments.

For purposes of analyzing resources available to meet general expenditures over a 12-month period, THS considers all expenditures related to its ongoing program service activities as well as the conduct of services undertaken to support those activities to be general expenditures.

(Continued)

**TULSA HISTORICAL SOCIETY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018**

NOTE 2 - LIQUIDITY AND AVAILABILITY (CONTINUED)

In addition to financial assets available to meet general expenditures over the next 12 months, TSH operates within a balanced budget and anticipates collecting sufficient revenues and grants to cover general expenditures.

NOTE 3 - BENEFICIAL INTEREST IN ASSETS HELD BY TULSA COMMUNITY FOUNDATION

During 2001, THS transferred the initial contribution of trust investments to the Tulsa Community Foundation (the Foundation) and named itself the beneficiary. THS 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 THS'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.

Spending Policy and How the Investment Objectives Relate to Spending Policy

THS 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 THS. In establishing this policy, THS considered the long-term expected return on its endowment. Accordingly, over the long term, THS expects the current spending policy to allow its endowment to grow. This is consistent with THS'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.

Interpretation of Relevant Law

THS'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, THS classifies as perpetually restricted net assets (a) the original value of gifts donated to the endowment, (b) the original value of subsequent gifts to the endowment, and (c) accumulations to the 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 perpetually restricted net assets is classified as purpose 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.

(Continued)

**TULSA HISTORICAL SOCIETY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018**

**NOTE 3 - BENEFICIAL INTEREST IN ASSETS HELD BY TULSA COMMUNITY FOUNDATION
(CONTINUED)**

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

THS has adopted investment policies for endowment assets that attempt to protect and grow the assets of the Fund. The assets of the Fund are invested primarily in equities.

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 THS to retain as a fund of perpetual duration. In accordance with generally accepted accounting principles, deficiencies of this nature are reported in net assets without donor restrictions. There were no such deficiencies as of December 31, 2019 and 2018.

Return Objectives and Risk Parameters

THS 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.

The composition of beneficial interest in assets held by the Foundation by fund type as of December 31, 2019 and 2018, respectively, is as follows:

| | Without Donor Restrictions | With Donor Restrictions | Total |
|----------------------------------|----------------------------------|-------------------------------|---------------------|
| December 31, 2019 | | | |
| Donor-restricted endowment funds | \$ - | \$ 63,993 | \$ 63,993 |
| Board-designated endowment funds | 1,139,921 | - | 1,139,921 |
| | <u>\$ 1,139,921</u> | <u>\$ 63,993</u> | <u>\$ 1,203,914</u> |
| | Without Donor Restrictions | With Donor Restrictions | Total |
| December 31, 2018 | | | |
| Donor-restricted endowment funds | \$ - | \$ 63,993 | \$ 63,993 |
| Board-designated endowment funds | 949,697 | - | 949,697 |
| | <u>\$ 949,697</u> | <u>\$ 63,993</u> | <u>\$ 1,013,690</u> |

(Continued)

**TULSA HISTORICAL SOCIETY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018**

**NOTE 3 - BENEFICIAL INTEREST IN ASSETS HELD BY TULSA COMMUNITY FOUNDATION
(CONTINUED)**

Changes in the beneficial interest in assets held by the Foundation for the years ending December 31, 2019 and 2018, are as follows:

| | Without Donor Restrictions | With Donor Restrictions | Total |
|--|----------------------------------|-------------------------------|---------------------|
| Endowment net assets, January 1, 2018 | \$ 1,082,975 | \$ 63,993 | \$ 1,146,968 |
| Net realized and unrealized gain | (80,802) | - | (80,802) |
| Distributions | (52,476) | - | (52,476) |
| Endowment net assets, December 31, 2018 | 949,697 | 63,993 | 1,013,690 |
| Net realized and unrealized loss | 245,639 | - | 245,639 |
| Distributions | (55,415) | - | (55,415) |
| Endowment net assets, December 31, 2019 | <u>\$ 1,139,921</u> | <u>\$ 63,993</u> | <u>\$ 1,203,914</u> |

NOTE 4 - PLEDGES RECEIVABLE

Pledges receivable are as follows at December 31,

| | 2019 | 2018 |
|-------------------------|-------------------|-------------------|
| Amounts due in: | | |
| Less than one year | \$ 64,814 | \$ 57,549 |
| One to five years | 199,861 | 226,637 |
| Greater than five years | 28,902 | 58,351 |
| Total | <u>\$ 293,577</u> | <u>\$ 342,537</u> |

NOTE 5 - CONCENTRATIONS OF CREDIT RISK

THS 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, THS may have amounts on deposit in excess of the Federal Deposit Insurance Corporation limits. Management believes THS 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.

(Continued)

**TULSA HISTORICAL SOCIETY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018**

NOTE 6 - 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, 2019 | | | |
| Beneficial interest in assets held by Tulsa Community Foundation | \$ - | \$ 1,203,914 | \$ - |
| Pledges receivable - beneficial interest in charitable trust | - | - | 293,577 |
| Total | \$ - | \$ 1,203,914 | \$ 293,577 |

| | 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, 2018 | | | |
| Beneficial interest in assets held by Tulsa Community Foundation | \$ - | \$ 1,013,690 | \$ - |
| Pledges receivable - beneficial interest in charitable trust | - | - | 342,537 |
| Total | \$ - | \$ 1,013,690 | \$ 342,537 |

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, 2019 and 2018, for assets measured at fair value based upon significant unobservable (non-market) information:

| | 2019 | 2018 |
|----------------------------|------------|------------|
| Balance, beginning of year | \$ 342,537 | \$ 401,165 |
| Additional pledges | 8,500 | - |
| Pledges collected | (57,460) | (58,628) |
| Balance, end of year | \$ 293,577 | \$ 342,537 |

(Continued)

TULSA HISTORICAL SOCIETY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018

NOTE 7 - PROPERTY AND EQUIPMENT

Property and equipment are as follows:

| | 2019 | 2018 |
|--------------------------------|--------------|--------------|
| Buildings | \$ 5,073,848 | \$ 5,073,848 |
| 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 | 306,236 | 306,236 |
| Exhibit equipment | 123,286 | 123,286 |
| Cemetery Fence | 24,900 | 24,900 |
| | 10,355,076 | 10,355,076 |
| Accumulated depreciation | (3,485,936) | (3,250,704) |
| Property and equipment, net | \$ 6,869,140 | \$ 7,104,372 |

Depreciation expense for the years ended December 31, 2019 and 2018, was \$235,232 and \$238,147, respectively.

NOTE 8 - RETIREMENT PLAN

THS sponsors a SIMPLE IRA plan covering eligible employees and matches up to 3% of employee contributions to the plan. During 2019 and 2018, THS contributed \$10,155 and \$10,197, respectively, to the plan.

NOTE 9 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are available for the following purposes:

| | 2019 | 2018 |
|--|------------|------------|
| Restricted for a specified purpose | | |
| Dunn family endowment | \$ 210,967 | \$ 210,967 |
| Travis Mansion restoration and maintenance | 140,264 | 143,956 |
| L'dor V'dor Documentary | 79,630 | 80,059 |
| Archive department | 42,738 | 66,307 |
| Art deco project | 1,000 | 1,000 |
| 1921 Race Riot computer application | 454 | 454 |
| | 475,053 | 502,743 |
| Total restricted for a specified purpose | 475,053 | 502,743 |
| Time restricted for future periods | 293,577 | 342,537 |
| Perpetually restricted | 63,993 | 63,993 |
| Total net assets with donor restrictions | \$ 832,623 | \$ 909,273 |

(Continued)

**TULSA HISTORICAL SOCIETY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018**

NOTE 9 - NET ASSETS WITH DONOR RESTRICTIONS (CONTINUED)

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

| | 2019 | 2018 |
|--|-----------|------------|
| Pledges collected | \$ 57,460 | \$ 58,628 |
| Archive department | 23,569 | 7,680 |
| Exhibitions | 13,067 | 15,000 |
| Travis Mansion restoration and maintenance | 3,692 | 16,373 |
| L'dor V'dor Documentary | 429 | 17,058 |
| Furniture | - | 2,109 |
| | \$ 98,217 | \$ 116,848 |

NOTE 10 - SUPPLEMENTAL CASH FLOW INFORMATION

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.

| | 2019 | 2018 |
|--|------------|------------|
| Cash and cash equivalents | \$ 239,399 | \$ 338,719 |
| Restricted cash | 475,053 | 502,743 |
| Total cash, cash equivalents, and restricted cash shown in the statement of cash flows | \$ 714,452 | \$ 841,462 |

NOTE 11 - PRIOR PERIOD RESTATEMENT

During 2020, THS adopted ASC Accounting Standards Codification (ASC) Topic 606, Revenue from Contracts with Customers (ASC 606). As a result of this adoption, THS analyzed income from memberships in accordance with Topic 606 and determined a restatement as of and for the year ended December 31, 2018 was necessary. The following sets forth the previously reported and restated items as of and for the year ended December 31, 2018.

| Balance Sheet | As Previously Reported | As Restated |
|--|---------------------------|-------------|
| Deferred memberships | \$ - | \$ 40,573 |
| Net assets without donor restrictions, end of year | 8,404,850 | 8,364,277 |
| Net assets, end of year | 9,314,123 | 9,273,550 |

**TULSA HISTORICAL SOCIETY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018**

NOTE 11 - PRIOR PERIOD RESTATEMENT (CONTINUED)

Statement of Activities

| | | |
|--|-----------|-----------|
| Memberships | \$ 93,294 | \$ 92,721 |
| Change in net assets, without donor restrictions | (424,330) | (424,903) |
| Change in net assets, total | (416,449) | (417,022) |
| Net assets without donor restrictions, beginning of year | 8,829,180 | 8,789,180 |
| Total net assets, beginning of year | 9,730,572 | 9,690,572 |

Statement of Cash Flows

| | | |
|----------------------|--------------|--------------|
| Change in net assets | \$ (416,449) | \$ (417,022) |
| Deferred memberships | - | 573 |