

**ELLEN NOEL ART MUSEUM
OF THE PERMIAN BASIN**

**Financial Statements and Report of
Independent Certified Public Accountants**

August 31, 2018

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Board of Trustees
Ellen Noel Art Museum of the Permian Basin
Odessa, Texas

We have audited the accompanying financial statements of the Ellen Noel Art Museum of the Permian Basin (a non-profit organization), which comprise the statements of financial position as of August 31, 2018 and 2017 and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the 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 audit. We conducted our audit 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.

Board of Trustees
Ellen Noel Art Museum of the Permian Basin

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Ellen Noel Art Museum of the Permian Basin as of August 31, 2018 and 2017 and the changes in its net assets and its cash flows for the years then ended, in accordance with the accounting principles generally accepted in the United States of America.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of functional expenses on page 15 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Sackrider & Company, Inc.

Terre Haute, IN
March 7, 2019

ELLEN NOEL ART MUSEUM OF THE PERMIAN BASIN

Statement of Financial Position

August 31,

	<u>2018</u>	<u>2017</u>
ASSETS		
Current assets		
Cash	\$ 212,064	\$ 113,993
Inventory	7,896	3,006
Investments (at fair value)	9,065,710	8,734,479
Accounts receivable	192	192
Prepaid expenses	24,408	73,070
Total current assets	<u>9,310,270</u>	<u>8,924,740</u>
Fixed assets		
Property and equipment	3,630,327	3,734,641
Less accumulated depreciation	<u>2,458,626</u>	<u>2,481,765</u>
Total fixed assets	<u>1,171,701</u>	<u>1,252,876</u>
Art collection (Note 2)	-	-
Other assets		
Foundation holdings	9,028	7,925
Limited partnership interest	40,000	40,000
Life insurance interest	46,917	46,917
Total other assets	<u>95,945</u>	<u>94,842</u>
	\$ <u>10,577,916</u>	\$ <u>10,272,458</u>
LIABILITIES AND NET ASSETS		
Current liabilities		
Accrued payroll, payroll taxes and deductions	\$ 29,077	\$ 23,205
Accounts payable	43,790	37,262
Deferred revenue	157,131	101,722
Total current liabilities	<u>229,998</u>	<u>162,189</u>
Net assets		
Unrestricted	5,445,538	5,388,211
Temporarily restricted	1,668,152	1,487,830
Permanently restricted	3,234,228	3,234,228
Total net assets	<u>10,347,918</u>	<u>10,110,269</u>
	\$ <u>10,577,916</u>	\$ <u>10,272,458</u>

The accompanying notes are an integral part of this statement.

ELLEN NOEL ART MUSEUM OF THE PERMAIN BASIN

Statement of Activities

For the Year Ended August 31,

	2018			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Public support, revenue, and gains				
Contributions	\$ 145,551	\$ -	\$ -	\$ 145,551
Grants	120,123	-	-	120,123
Fundraising	226,440	-	-	226,440
Investment income	251,766	333,344	-	585,110
Unrealized gain on investments	124,980	104,934	-	229,914
Total public support, revenue, and gains	<u>868,860</u>	<u>438,278</u>	<u>-</u>	<u>1,307,138</u>
Other revenue				
Membership dues	91,694	-	-	91,694
Rental income	4,335	-	-	4,335
Tuition	17,064	-	-	17,064
Gift shop	5,479	-	-	5,479
Insurance proceeds	257,217	-	-	257,217
Total other revenue	<u>375,789</u>	<u>-</u>	<u>-</u>	<u>375,789</u>
Assets released from restrictions				
Satisfaction of expenditure restrictions	<u>257,956</u>	<u>(257,956)</u>	<u>-</u>	<u>-</u>
Total revenue, gains and other support	<u>1,502,605</u>	<u>180,322</u>	<u>-</u>	<u>1,682,927</u>
Expenses				
Cost of collections purchased	-	-	-	-
Management and general	344,426	-	-	344,426
Program expenses	915,767	-	-	915,767
Fundraising expenses	185,085	-	-	185,085
Total expenses	<u>1,445,278</u>	<u>-</u>	<u>-</u>	<u>1,445,278</u>
Increase in net assets	<u>57,327</u>	<u>180,322</u>	<u>-</u>	<u>237,649</u>
Net assets, beginning of year	<u>5,388,211</u>	<u>1,487,830</u>	<u>3,234,228</u>	<u>10,110,269</u>
Net assets, end of year	<u>\$ 5,445,538</u>	<u>\$ 1,668,152</u>	<u>\$ 3,234,228</u>	<u>\$ 10,347,918</u>

The accompanying notes are an integral part of this statement.

2017

<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
\$ 94,681	\$ -	\$ -	\$ 94,681
100,681	-	-	100,681
230,940	-	-	230,940
201,253	241,970	-	443,223
256,005	284,632	-	540,637
<u>883,560</u>	<u>526,602</u>	<u>-</u>	<u>1,410,162</u>
90,698	-	-	90,698
2,525	-	-	2,525
19,459	-	-	19,459
2,058	-	-	2,058
-	-	-	-
<u>114,740</u>	<u>-</u>	<u>-</u>	<u>114,740</u>
258,472	(258,472)	-	-
<u>1,256,772</u>	<u>268,130</u>	<u>-</u>	<u>1,524,902</u>
2,726	-	-	2,726
276,661	-	-	276,661
617,882	-	-	617,882
177,990	-	-	177,990
<u>1,075,259</u>	<u>-</u>	<u>-</u>	<u>1,075,259</u>
181,513	268,130	-	449,643
<u>5,206,698</u>	<u>1,219,700</u>	<u>3,234,228</u>	<u>9,660,626</u>
\$ <u><u>5,388,211</u></u>	\$ <u><u>1,487,830</u></u>	\$ <u><u>3,234,228</u></u>	\$ <u><u>10,110,269</u></u>

ELLEN NOEL ART MUSEUM OF THE PERMAIN BASIN

Statements of Cash Flows

For the Year ended August 31,

	<u>2018</u>	<u>2017</u>
Cash flows from operating activities		
Increase in net assets	\$ 237,649	\$ 449,643
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	124,431	124,572
Net unrealized appreciation of investments	(229,914)	(540,637)
Gain on sale of investments	(391,064)	(273,529)
Change in assets and liabilities:		
Accounts receivable	-	-
Inventory	(4,890)	-
Prepaid expenses	48,662	-
Other assets	(1,103)	-
Deferred revenue	55,409	75,222
Accounts payable	6,528	12,923
Payroll and accrued liabilities	5,872	(787)
Net cash from operating activities	<u>(148,420)</u>	<u>(152,593)</u>
Cash flows from investing activities		
Expenditures for property, equipment and land	(43,256)	(48,729)
Expenditures for purchases of investments	(1,037,054)	(515,869)
Proceeds from sale of investments	1,326,801	786,083
Net cash from investing activities	<u>246,491</u>	<u>221,485</u>
NET CHANGE IN CASH	98,071	68,892
Cash at beginning of year	<u>113,993</u>	<u>113,503</u>
Cash at end of year	<u>\$ 212,064</u>	<u>\$ 182,395</u>

DISCLOSURE OF ACCOUNTING POLICY

Cash, as used in the statement of cash flows, is the amount reported as "cash" in the balance sheet which includes petty cash and cash in checking accounts.

The accompanying notes are an integral part of these statements.

ELLEN NOEL ART MUSEUM OF THE PERMIAN BASIN

Notes to Financial Statements

August 31, 2018 and 2017

NOTE 1 - NATURE OF ACTIVITIES

The Ellen Noel Art Museum of the Permian Basin (the Museum) provides access to art of enduring quality for the culturally diverse audience of a more than 100,000 square mile region. The Museum engages the community through changing exhibitions with a cross-cultural focus, and through the growth of the permanent collection. The Museum serves as a catalyst for art education in the region by collaborating with schools, colleges and universities and by providing child and adult art classes, artist workshops, and family activities. The Museum is primarily supported through contributions, grants, fundraising, and investment income on amounts accumulated by or held for the benefit of the Museum.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of the organization's significant accounting policies followed are described below:

Basis of Accounting

The Museum's financial statements are prepared in conformity with accounting principles generally accepted in the United States of America for not-for-profit organizations. Accordingly, the Museum's accounts are stated on the accrual basis of accounting, whereby revenues are recorded as earned and expenses are recorded as incurred.

Basis of Presentation

Net assets, support, investment return, revenues, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Museum are classified and reported as follows:

Unrestricted Net Assets – Net assets that are not subject to donor-imposed restrictions. Also included in unrestricted net assets are amounts designed by the Museum's board of directors for operating purposes.

Temporarily Restricted Net Assets – Net assets subject to donor-imposed restrictions relating to a stipulated purpose or a specified time. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Revenues, Expenses and Other Changes in Net Assets as net assets released from restrictions.

Permanently Restricted Net Assets – Net assets subject to donor-imposed restrictions that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Museum. Included in this classification are endowment funds that are subject to the restrictions of gift instruments requiring that the principal be maintained in perpetuity and invested for the purpose of producing present and future income.

Support

Contributions received are measured at their fair values and are reported as an increase in net assets. Gifts of cash and other assets are reported as restricted support if they are received with

ELLEN NOEL ART MUSEUM OF THE PERMIAN BASIN

Notes to Financial Statements

August 31, 2018 and 2017

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

donor stipulations that limit the use of the donated assets, or if they are designated as support for future periods. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as unrestricted support.

Investments

Investments are stated at fair value determined by market quotes. The great majority are held for long-term investment purposes. Investments include all assets held in agency accounts with trust departments and brokerage firms. Investment income includes only interest and dividend income received on these investments and realized gains and losses related to the sale of the events.

Permanent Collection

Collection items acquired either through purchase or donation are not capitalized. Purchases of collection items are recorded as decreases in unrestricted net assets if purchased with unrestricted assets and as decreases in temporarily restricted if purchased with restricted assets. Contributions of collection items are not recognized in the Statement of Activities. Proceeds from the deaccessions or insurance recoveries are reflected on the Statement of Activities based on the absence or existence and nature of donor-imposed restrictions. The value of art objects acquired by gifts is not estimable.

The collections of the Museum are protected via patrolling and closed-circuit monitoring of the galleries by attendants and front-desk reception personnel. Areas containing collection storage are locked or otherwise blocked to visitors. The museum also has an active alarm system in use any time the building is not occupied by staff.

Use of Estimates

The preparation of financial statements in conformity with the accounting principles generally accepted in the United States of America 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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

Inventory

Inventory is maintained on the cost basis. Inventory at August 31, 2018 and 2017 was \$7,896 and \$3,006, respectively.

Property and Equipment

Property and equipment are recorded at cost, or if donated, at the fair value of the donation. Purchases in excess of \$2,000 and all expenditures for repairs, maintenance, renewals, and

ELLEN NOEL ART MUSEUM OF THE PERMIAN BASIN

Notes to Financial Statements

August 31, 2018 and 2017

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

betterments that materially prolong the useful lives of assets are capitalized. When properties are retired or otherwise disposed of, the related cost and accumulated depreciation are removed from the accounts and any resulting gain or loss for the period is recognized. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, ranging from 5 to 35 years.

A summary of the major classes and property and equipment at August 31, 2018 follows:

	<u>Cost</u>	<u>Acc. Dep</u>	<u>Net Value</u>
Furniture & Equipment	\$ 254,014	\$ 169,587	\$ 84,427
Building	3,376,313	2,289,039	1,087,274

A summary of the major classes and property and equipment at August 31, 2017 follows:

	<u>Cost</u>	<u>Acc. Dep</u>	<u>Net Value</u>
Furniture & Equipment	\$ 360,047	\$ 293,077	\$ 66,970
Building	3,374,594	2,188,688	1,185,906

Income Taxes

The Museum is a wholly-exempt, not-for-profit organization in accordance with the Internal Revenue Code Section 501(c)(3). Therefore, no provision for federal or state income taxes has been reflected in the financial statements.

The Museum's policy is to evaluate the likelihood that its uncertain tax positions will prevail upon examination based on the extent to which those positions have substantial support within the Internal Revenue Code and Regulations, Revenue Rulings, court decisions and other evidence. It is the opinion of the management that the Museum has no uncertain tax positions.

The Museum's information returns are subject to examination by the appropriate taxing jurisdictions. As of August 31, 2018, the Museum's federal and state information returns for the last three years are open for examination. Each year's return remains open for examination for three years. There were no interest or penalties related to income taxes during the fiscal year ended August 31, 2018.

Subsequent Events

Management has evaluated subsequent events through March 7, 2019, the date the financial statements were available to be issued, and determined no events occurred which would require adjustment to or disclosure in the financial statements.

ELLEN NOEL ART MUSEUM OF THE PERMIAN BASIN

Notes to Financial Statements

August 31, 2018 and 2017

NOTE 3 - INVESTMENTS

A summary of investments held at August 31, 2018 follows:

	<u>Cost</u>	<u>Fair Value</u>
Mutual funds	\$ <u>7,647,961</u>	\$ <u>9,065,710</u>
	\$ <u>7,647,961</u>	\$ <u>9,065,710</u>

The following schedule summarizes the investment returns and their classification in the Statement of Activities for the year ended August 31, 2018:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Interest and dividend income	\$ 88,310	\$ 105,736	\$ -	\$ 194,046
Net realized gains	163,456	227,608	-	391,064
Net unrealized gains	<u>124,980</u>	<u>104,934</u>	<u>-</u>	<u>229,914</u>
Total investment returns	\$ <u>376,746</u>	\$ <u>438,278</u>	\$ <u>-</u>	\$ <u>815,024</u>

A summary of investments held at August 31, 2017 follows:

	<u>Cost</u>	<u>Fair Value</u>
Cash equivalents	\$ 1,851	\$ 1,851
Mutual funds	<u>7,544,048</u>	<u>8,732,629</u>
	\$ <u>7,545,899</u>	\$ <u>8,734,479</u>

The following schedule summarizes the investment returns and their classification in the Statement of Activities for the year ended August 31, 2017:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Interest and dividend income	\$ 77,953	\$ 91,741	\$ -	\$ 168,694
Net realized gains	123,300	150,229	-	273,529
Net unrealized gains	<u>256,005</u>	<u>284,632</u>	<u>-</u>	<u>540,637</u>
Total investment returns	\$ <u>457,258</u>	\$ <u>526,602</u>	\$ <u>-</u>	\$ <u>982,860</u>

ELLEN NOEL ART MUSEUM OF THE PERMIAN BASIN

Notes to Financial Statements

August 31, 2018 and 2017

NOTE 4 - FAIR VALUE MEASUREMENT

The Museum adopted the Accounting Standards Codification No. 820, ("ASC 820"), *Fair Value Measurements*, on October 1, 2008. ASC 820 requires the Museum to classify its assets and liabilities into three levels based on the method used to value the assets or liabilities. Level 1 values are based on quoted prices in active markets for identical securities. Level 2 values are based on significant observable market inputs, such as quoted prices for similar securities and quoted prices in inactive markets. Level 3 values are based on significant unobservable inputs that reflect the museum's determination of assumptions that market participants might reasonably use in valuing the securities. The valuation levels are not necessarily an indication of the risk or liquidity associated with the underlying investment.

Assets measured at fair value on a recurring basis at August 31, 2018 are as follows:

	Level 1 - Quoted Prices in <u>Active Markets</u>	Level 2 - Other Observable <u>Inputs</u>	Level 3 - Unobservable <u>Inputs</u>
Mutual funds			
Equity	\$ 5,125,925	\$ -	\$ -
Fixed-income	2,318,537	-	-
Non-traditional	448,770	-	-
Other	<u>1,172,478</u>	<u>-</u>	<u>-</u>
	\$ <u>9,065,710</u>	\$ <u>-</u>	\$ <u>-</u>

Assets measured at fair value on a recurring basis at August 31, 2017 are as follows:

	Level 1 - Quoted Prices in <u>Active Markets</u>	Level 2 - Other Observable <u>Inputs</u>	Level 3 - Unobservable <u>Inputs</u>
Cash and cash equivalents	\$ 1,851	\$ -	\$ -
Mutual funds			
Equity	4,894,972	-	-
Fixed-income	2,259,096	-	-
Non-traditional	434,419	-	-
Other	<u>1,144,141</u>	<u>-</u>	<u>-</u>
	\$ <u>8,734,479</u>	\$ <u>-</u>	\$ <u>-</u>

ELLEN NOEL ART MUSEUM OF THE PERMIAN BASIN

Notes to Financial Statements

August 31, 2018 and 2017

NOTE 5 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are restricted for the following uses at August 31, 2018:

Purpose restrictions:

Acquisition of Art Work	\$ 5,416
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Time restrictions:

Portion of perpetual endowment fund subject to a time restriction under UPMIFA	<u>1,662,736</u>
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\$ 1,668,152

Temporarily restricted net assets are restricted for the following uses at August 31, 2017:

Purpose restrictions:

Acquisition of Art Work	\$ 5,416
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Time restrictions:

Portion of perpetual endowment fund subject to a time restriction under UPMIFA	<u>1,482,414</u>
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\$ 1,487,830

NOTE 6 - RISKS AND UNCERTAINTIES

The Museum invests in various investment securities. Investment securities are exposed to various risks as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonable possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the Statement of Activities.

NOTE 7 - ENDOWMENT FUNDS

The Museum's endowment consists of a donor restricted fund. Net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported on based on the existence or absence of donor-imposed restrictions.

Interpretation of the Relevant Law

The Board of Directors of the Museum has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) are requiring the preservation of the fair value of the original gift and all subsequent gifts absent explicit donor stipulations to the contrary. As a

ELLEN NOEL ART MUSEUM OF THE PERMIAN BASIN

Notes to Financial Statements

August 31, 2018 and 2017

NOTE 7 - ENDOWMENT FUNDS - continued

result of this interpretation, the Museum classifies as permanently restricted net assets, (a) the original value of the 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 donor-restricted endowment 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. In accordance with UPMIFA, the organization considers the following factors when making a determination to appropriate or accumulate donor-restricted endowment funds:

- 1) The duration and preservation of the fund
- 2) The purposes of the organization and the donor-restricted endowment fund
- 3) General economic conditions
- 4) The possible effect of inflation and deflation
- 5) The expected total return from income and the appreciation of investments
- 6) Other resources of the organization
- 7) The investment policies of the organization

Return Objectives and Risk Parameters

The Museum has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to the grant and scholarship programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of the 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 fund assets are invested in a manner that is intended to produce results that exceed the price and yield results of the S&P 500 index while assuming a moderate level of investment risk. The Museum expects its endowment funds, over time, to provide an average rate of return of approximately 5 percent annually net of inflation and administrative costs. Actual returns in any given year may vary from this amount.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, 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). Because the Museum is expected to endure indefinitely, and because inflation is a key component in its Performance Objective, the long-term risk of not investing in growth securities outweighs the short-term volatility risk. As a result, the majority of assets will be invested in equity or equity-like securities. Fixed income securities are used to lower the short-term volatility of the portfolio and to provide income

ELLEN NOEL ART MUSEUM OF THE PERMIAN BASIN

Notes to Financial Statements

August 31, 2018 and 2017

NOTE 7 - ENDOWMENT FUNDS - continued

stability, especially during periods of weak or negative equity markets. Cash is not a strategic assets of the portfolio, but is a residual to the investment process and used to meet short-term liquidity needs. Other asset classes are included to provide diversification (e.g. international equities) and incremental return (e.g. small cap equities).

Spending Policy and How the Investment Objectives Relate to the Spending Policy

The Museum has a spending policy that is reviewed annually within the investment plan. The policy allows for appropriations from the endowment funds of up to 5% based on the three-year rolling average asset fair market value as of June 30. Corpus on the permanently restricted endowment funds is unavailable for distribution. Actual appropriations for distribution for 2018 and 2017 were equal to 5%.

The composition of and changes in endowment net assets as of and for the year ended August 31, 2018 are as follows:

	Board Designated Endowment Funds	Donor-Restricted Endowment Funds		
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, September 1, 2017	\$ 3,955,964	\$ 1,482,414	\$ 3,234,228	\$ 8,672,606
Investment returns:				
Interest and dividend income	86,469	105,736	-	192,205
Net realized appreciation	162,333	227,608	-	389,941
Net unrealized appreciation	118,249	104,934	-	223,183
Fees	(24,496)	(29,487)	-	(53,983)
Total investment returns	342,555	408,791	-	751,346
Contributions	-	-	-	-
Appropriation of endowment assets for expenditure	(175,000)	(228,469)	-	(403,469)
Endowment net assets, August 31, 2018	\$ 4,123,519	\$ 1,662,736	\$ 3,234,228	\$ 9,020,483

ELLEN NOEL ART MUSEUM OF THE PERMIAN BASIN

Notes to Financial Statements

August 31, 2018 and 2017

NOTE 7 - ENDOWMENT FUNDS - continued

The composition of and changes in endowment net assets as of and for the year ended August 31, 2017 are as follows:

	Board Designated Endowment Funds	Donor-Restricted Endowment Funds		
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, September 1, 2016	\$ 3,673,072	\$ 1,211,564	\$ 3,234,228	\$ 8,118,864
Investment returns:				
Interest and dividend income	75,969	91,735	-	325,714
Net realized appreciation	122,168	150,229	-	114,386
Net unrealized appreciation	246,517	284,632	-	531,150
Fees	(22,907)	(27,277)	-	(50,184)
Total investment returns	421,747	499,319	-	921,066
Contributions	51,342	-		51,342
Appropriation of endowment assets for expenditure	(190,197)	(228,469)	-	(418,666)
Endowment net assets, August 31, 2017	\$ 3,955,964	\$ 1,482,414	\$ 3,234,228	\$ 8,672,606

NOTE 8 - RETIREMENT PLAN

The Museum maintains a SIMPLE IRA plan for eligible employees. The employer contributes these benefits at the discretion of the Board of Trustees, which historically has been 3% of eligible compensation. For the years ended August 31, 2018 and 2017, the amount of pension expense related to this plan was \$8,915 and \$9,930, respectively.

NOTE 9 - PRIOR PERIOD ADJUSTMENT

The net assets at the beginning of the fiscal year 2017 have been restated due to error. The accrued payroll liabilities were understated by \$18,139. Net property and equipment was understated by \$2,128. Correspondingly, management and general expenses were understated by \$16,011. The beginning of the year unrestricted net assets have been adjusted accordingly from \$5,222,709 to \$5,206,698.

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Schedule of Functional Expenses

For the Year Ended August 31,

	2018			
	Program Costs	Fundraising Expense	Management and General	Total
Salaries and wages	\$307,023	\$ 83,685	\$ 24,188	\$ 414,896
Payroll taxes	28,010	7,635	2,207	37,852
Employee benefit plans	33,014	8,999	2,601	44,614
Utilities	59,915	-	14,979	74,894
Maintenance and repairs	241,923	-	60,481	302,404
Expenses incurred from exhibitions	140,671	-	-	140,671
Insurance	11,981	-	2,995	14,976
Conservation of permanent collection	3,168	-	-	3,168
Fundraising expenses	-	75,334	-	75,334
Office supplies and expenses	24,987	-	4,404	29,391
Freight and postage	1,307	-	327	1,634
Public relations, publicity and entertainment	8,122	9,432	127	17,681
Membership	4,979	-	1,245	6,224
Museum shop expenses	-	-	3,006	3,006
Professional development and travel	729	-	2,796	3,525
Professional fees	-	-	42,538	42,538
Program expenses	18,068	-	-	18,068
Bank and investment fees	4,243	-	55,752	59,995
Miscellaneous	-	-	895	895
Printing	11,190	-	589	11,779
Security	-	-	-	-
Meals and entertainment	9,489	-	499	9,988
Information technology	6,948	-	366	7,314
Depreciation	-	-	124,431	124,431
	<u>\$915,767</u>	<u>\$ 185,085</u>	<u>\$ 344,426</u>	<u>\$1,445,278</u>

The accompanying notes are an integral part of this statement.

2017

Program Costs	Fundraising Expense	Management and General	Total
\$300,103	\$ 75,266	\$ 24,130	\$ 399,489
28,341	7,108	2,279	37,727
36,992	9,278	2,974	49,244
82,227	-	20,557	102,784
37,221	-	9,305	46,526
49,096	-	-	49,096
9,781	-	2,445	12,226
624	-	-	624
-	76,988	-	76,989
21,934	-	3,831	25,766
2,473	-	618	3,091
4,100	9,350	338	13,787
5,274	-	1,318	6,592
-	-	-	-
962	-	3,086	4,048
-	-	24,515	24,515
13,488	-	-	13,488
4,006	-	51,984	55,990
-	-	3,655	3,655
13,230	-	696	13,927
1,240	-	-	1,240
6,039	-	318	6,357
751	-	40	790
-	-	124,572	124,572
<u>\$617,882</u>	<u>\$ 177,990</u>	<u>\$ 276,661</u>	<u>\$1,072,523</u>