

**The Nelson Gallery Foundation and
The William Rockhill Nelson Trust**

Independent Auditor's Report and Consolidated Financial Statements

April 30, 2021 and 2020

**The Nelson Gallery Foundation and
The William Rockhill Nelson Trust**
April 30, 2021 and 2020

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Independent Auditor's Report

The Board of Trustees
The Nelson Gallery Foundation and
The William Rockhill Nelson Trust
Kansas City, Missouri

We have audited the accompanying consolidated financial statements of The Nelson Gallery Foundation and The William Rockhill Nelson Trust (collectively referred to as the "museum"), which comprise the consolidated statements of financial position as of April 30, 2021 and 2020, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the museum as of April 30, 2021 and 2020, 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.

Supplemental Information

Our audits were conducted for the purpose of forming an opinion on the basic consolidated financial statements as a whole. The consolidating statements of financial position and activities listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic consolidated financial statements. Such information has not been subjected to the auditing procedures applied in the audits of the basic consolidated financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

BKD, LLP

Kansas City, Missouri
October 28, 2021

**The Nelson Gallery Foundation and
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Consolidated Statements of Financial Position
April 30, 2021 and 2020
(Dollars in thousands)

	2021	2020
Assets		
Current assets		
Cash	\$ 5,649	\$ 5,522
Short-term investments	9,411	14,652
Accounts receivable	33	48
Contributions receivable, at fair value	5,786	3,646
Other receivables	1,887	17
Bookstore inventory and prepaid expenses	235	408
Total current assets	23,001	24,293
Investments, pooled	380,201	296,878
Investments, outside pool	16,407	31,073
Contributions receivable, at fair value	60,219	57,117
Property and equipment, net	189,687	191,376
Trusts held by others	38,470	33,454
Total assets	\$ 707,985	\$ 634,191
Liabilities and Net Assets		
Current liabilities		
Accounts payable and accrued liabilities	\$ 5,571	\$ 2,290
Bond interest payable	278	564
Bonds and notes payable	23,002	24,232
Total current liabilities	28,851	27,086
Bonds and notes payable	113,576	127,203
Total liabilities	142,427	154,289
Net Assets		
Without donor restrictions		
General undesignated	1,147	3,330
Board designated	280,374	235,852
With donor restrictions	284,037	240,720
Total net assets	565,558	479,902
Total liabilities and net assets	\$ 707,985	\$ 634,191

**The Nelson Gallery Foundation and
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Consolidated Statements of Activities
Years Ended April 30, 2021 and 2020**
(Dollars in thousands)

	April 30, 2021			April 30, 2020		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
		\$	\$	\$	\$	\$
Support and Revenue						
Contributions	2,188	9,931	12,119	6,168	4,486	10,654
Membership dues and fees	3,505	-	3,505	4,103	-	4,103
Admission fees	200	-	200	936	-	936
Program fees, royalties and other	1,548	-	1,548	354	-	354
Auxiliary activities	855	-	855	3,491	-	3,491
Net investment return designated for current use	23,146	5,659	28,805	17,396	5,610	23,006
Net assets released from restrictions						
Satisfaction of program restrictions	5,037	(5,037)	-	8,582	(8,582)	-
Satisfaction of time restrictions	3,188	(3,188)	-	2,696	(2,696)	-
Satisfaction of capital acquisition restrictions	6,497	(6,497)	-	1,129	(1,129)	-
Total support and revenue	46,164	868	47,032	44,855	(2,311)	42,544
Expenses						
Curators, design and conservation	6,427	-	6,427	7,619	-	7,619
Special exhibitions	222	-	222	2,821	-	2,821
Education and library	2,825	-	2,825	4,484	-	4,484
Administration	4,976	-	4,976	5,748	-	5,748
Operations and security	7,795	-	7,795	8,394	-	8,394
Auxiliary activities	1,473	-	1,473	3,200	-	3,200
Membership services	393	-	393	927	-	927
Development and public information	1,827	-	1,827	2,871	-	2,871
Depreciation	7,790	-	7,790	7,710	-	7,710
Interest and debt issuance cost amortization	1,406	-	1,406	3,219	-	3,219
Total expenses	35,134	-	35,134	46,993	-	46,993
Change in Net Assets Before Other Items	11,030	868	11,898	(2,138)	(2,311)	(4,449)
Other Items						
Proceeds from sale of works of art / library volumes	-	-	-	-	102	102
Contributions for works of art / library volumes	-	448	448	-	550	550
Cost of acquisition of art objects / library volumes	-	(955)	(955)	-	(1,325)	(1,325)
Net investment return designated for art / library acquisitions	-	448	448	-	592	592
Net investment return in deficit of amounts designated for current operations and art / library acquisitions	31,309	37,208	68,517	(26,050)	(14,062)	(40,112)
Change in value of trusts held by others	-	5,300	5,300	-	(1,370)	(1,370)
Pension-related changes other than net periodic pension cost	-	-	-	1,906	-	1,906
Change in Net Assets	42,339	43,317	85,656	(26,282)	(17,824)	(44,106)
Net Assets, Beginning of Year	239,182	240,720	479,902	265,464	258,544	524,008
Net Assets, End of Year	\$ 281,521	\$ 284,037	\$ 565,558	\$ 239,182	\$ 240,720	\$ 479,902

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Consolidated Statements of Cash Flows
Years Ended April 30, 2021 and 2020**
(Dollars in thousands)

	2021	2020
Operating Activities		
Change in net assets	\$ 85,656	\$ (44,106)
Items not requiring (providing) operating activities cash flows		
Depreciation and amortization	7,513	7,359
Net realized and unrealized (gains) losses on investments	(97,327)	17,979
Change in value of trusts held by others	(5,300)	1,370
Change in net assets due to acquisitions and dispositions of art and library collections	955	1,223
(Gain) loss on disposal of property and equipment	(198)	27
Contributions and investment income received restricted for		
Long-term investment	-	(100)
Acquisition of long-lived assets	(5,017)	(1,421)
Acquisition of art collections	(927)	(1,184)
Pension-related changes other than net periodic pension cost	-	(1,906)
Changes in		
Accounts and other receivables	(1,855)	317
Contributions receivables	(2,342)	734
Bookstore inventory and prepaid expenses	173	5
Accounts payable and accrued liabilities	3,001	3,005
	(15,668)	(16,698)
Net cash used in operating activities	(15,668)	(16,698)
Investing Activities		
Purchase of investments	(225,660)	(83,468)
Proceeds from sale of investments	259,571	94,461
Purchase of property and equipment	(6,445)	(1,977)
Proceeds from sale of property and equipment	536	-
Purchase of art and library collections	(955)	(1,325)
Proceeds from sale of art and library collections	-	102
	27,047	7,793
Net cash provided by investing activities	27,047	7,793
Financing Activities		
Contributions and investment income received restricted for		
Long-term investment	100	300
Acquisition of long-lived assets	2,017	1,421
Acquisition of art collections	927	1,184
Proceeds from distributions of trusts held by others restricted for long-term investment	284	9,470
Proceeds from issuance of bonds and notes payable	-	3,151
Principal payments on bonds and notes payable	(14,580)	(6,845)
	(11,252)	8,681
Net cash provided by (used in) financing activities	(11,252)	8,681
Change in Cash	127	(224)
Cash, Beginning of Year	5,522	5,746
Cash, End of Year	\$ 5,649	\$ 5,522
Supplemental Disclosure of Cash Flows Information		
Cash paid for interest	\$ 1,417	\$ 3,325
Property and equipment in accounts payable	6	-

**The Nelson Gallery Foundation and
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Notes to Consolidated Financial Statements
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Note 1: Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

The Nelson Gallery Foundation (the Foundation) is a charitable trust created in 1954 by the trustees of The William Rockhill Nelson Trust (the Trust). The Foundation and the Trust are two separate legal entities; however, the Trust operates solely for the benefit of the Foundation. Consolidated financial statements are presented as a result of this relationship and the entities are collectively referred to as the “museum” in the accompanying consolidated financial statements.

A common Board of Trustees serve the Foundation and Trust. The Trust provides for acquisitions of art for public exhibitions as well as providing operational support for the Foundation. Support for the Foundation is provided through program fees, which are determined pursuant to the spending policy. For the years ended April 30, 2021 and 2020, the Trust provided \$1,795 and \$1,798, respectively, as support for the operation of the museum.

Basis of Presentation

The consolidated financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. The consolidated financial statements include the accounts of the Foundation and the Trust. All significant intercompany balances and transactions have been eliminated.

Use of Estimates

The preparation of financial statements in conformity with 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, expenses, gains, losses and other changes in net assets during the reporting period. Actual results could differ from those estimates.

Investments and Net Investment Return

The museum measures securities, other than investments that qualify for the equity method of accounting, at fair value. Investments in common trust funds and alternative investments are recorded at net asset value (NAV), as a practical expedient, to determine fair value of the investments.

The museum considers uninvested cash and cash equivalents included in investment accounts, including endowment accounts and board-designated reserve funds, to be a part of the investment portfolio and not cash and cash equivalents.

Investment return includes dividend, interest and other investment income; realized and unrealized gains and losses on investments carried at fair value; and realized gains and losses on other investments, less external and direct internal investment expenses.

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Investment returns are classified as with donor restrictions or without donor restrictions based on the donor's intentions for the use of the income. Certain accumulated investment gains are classified as with donor restrictions, rather than without donor restrictions, due to donor preferences for use of the museum's spending policy. The spending policy determines investment returns that can be spent and investment returns that are retained as with donor restricted funds functioning as endowment.

The museum maintains pooled investment accounts for its endowments. Investment income, net of external and direct internal investment expenses, and realized and unrealized gains and losses from securities in the pooled investment accounts are allocated monthly to the individual endowments based on the relationship of the fair value of the interest of each endowment to the total fair value of the pooled investments accounts, as adjusted for additions to or deductions from those accounts.

Short-term investments represent operating funds providing liquidity or funds that are intended to be added to long-term investments over time. These investments are invested in money market funds.

Property and Equipment

Property and equipment acquisitions over \$10,000 are stated at cost less accumulated depreciation. Depreciation is charged to expense using the straight-line method over the estimated useful life of each asset. Assets under leasehold improvements are depreciated over the shorter of the lease term or their respective estimated useful lives.

The estimated useful lives for each major depreciable classification of property and equipment are as follows:

Buildings and improvements	15-40 years
Furniture, fixtures and equipment	3-10 years

Long-lived Asset Impairment

The museum evaluates the recoverability of the carrying value of long-lived assets whenever events or circumstances indicate the carrying amount may not be recoverable. If a long-lived asset is tested for recoverability and the undiscounted estimated future cash flows expected to result from the use and eventual disposition of the asset is less than the carrying amount of the asset, the asset cost is adjusted to fair value and an impairment loss is recognized as the amount by which the carrying amount of a long-lived asset exceeds its fair value. No asset impairment was recognized during the years ended April 30, 2021 and 2020.

Trusts Held by Others

Trusts administered by third parties for the benefit of the museum are included in the consolidated financial statements, with changes in such amounts recorded in the consolidated statements of activities as changes in net assets with donor restrictions. Periodic distributions of income are received from these trusts and are reported in the consolidated statements of activities as revenues with or without donor restrictions based on donor stipulations within the original trust agreement. During the

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years ended April 30, 2021 and 2020, the museum received distributions of \$911 and \$679, respectively. During the year ended April 30, 2020, one of the trusts was liquidated with the remainder value of the trust being distributed to the museum during the years ended April 30, 2021 and 2020 for \$284 and \$9,470, respectively, for addition to an existing endowment.

Net Assets

Net assets, revenues, gains and losses are classified based on the existence or absence of donor or grantor restrictions.

Net assets without donor restrictions are available for use in general operations and not subject to donor or certain grantor restrictions. The governing board has designated, from net assets without donor or certain grantor restrictions, net assets for a board-designated endowment (see *Note 8*) and a capital/programs reserve fund (see *Note 7*).

Net assets with donor restrictions are subject to donor or certain grantor restrictions. Some restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other restrictions are perpetual in nature, where the donor or grantor stipulates that resources be maintained in perpetuity.

Contributions

Contributions are provided to the museum either with or without restrictions placed on the gift by the donor. Revenues and net assets are separately reported to reflect the nature of those gifts – with or without donor restrictions. The value recorded for each contribution is recognized as follows:

Nature of the Gift	Value Recognized
<i>Conditional gifts, with or without restriction</i>	
Gifts that depend on the museum overcoming a donor-imposed barrier to be entitled to the funds	Not recognized until the gift becomes unconditional, <i>i.e.</i> the donor-imposed barrier is met
<i>Unconditional gifts, with or without restriction</i>	
Received at date of gift – cash and other assets	Fair value
Received at date of gift – property, equipment and long-lived assets	Estimated fair value
Expected to be collected within one year	Net realizable value
Collected in future years	Reported at fair value by discounting the expected future cash flows

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When a donor stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statements of activities as net assets released from restrictions. Absent explicit donor stipulations for the period of time that long-lived assets must be held, expirations of restrictions for gifts of land, buildings, equipment and other long-lived assets are reported when those assets are placed in service.

Gifts and investment income that are originally restricted by donor stipulations and for which the restriction is met in the same time period the gift is received are recorded as revenue with donor restrictions and then released from restrictions.

Conditional contributions having donor stipulations which are satisfied in the period the gift is received are recorded as revenue and net assets without donor restrictions.

Contributed Services

Contributed services are recognized if the services received (a) create or enhance long-lived assets or (b) require specialized skills, are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. The museum received 26,951 and 46,669 (unaudited) hours of contributed time during the years ended April 30, 2021 and 2020, respectively, from unpaid volunteers. These hours do not meet the two recognition criteria described above. Accordingly, the value of this contributed time is not reflected in the accompanying consolidated financial statements.

Collections

In conformity with accounting policies generally followed by art museums, the collections that were acquired through purchases by the Board of Trustees and contributions since the inception are not recognized as assets on the consolidated 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 as decreases in net assets with donor restrictions if the assets used to purchase the items were restricted by donors. Contributed collection items are not reflected on the consolidated financial statements. Proceeds from deaccessions are reflected as increases in net assets with donor restrictions.

The museum maintains comprehensive fine arts collections of approximately 42,800 and 42,600 (unaudited) pieces for the years ended April 30, 2021 and 2020, respectively, spanning approximately 5,000 years and many cultures. The respective collections are used for the purposes of exhibition, education, study, research, publications and loans to other museums. The collections are kept under curatorial care, including extensive conservation practices and specialized fine arts insurance coverage, and are subject to the museum's policies that require proceeds from the sale of collection items to be used only for acquisition of additional, same-collection items.

All collection items deaccessioned during the years ended April 30, 2021 and 2020, were placed on consignment with art dealers to be sold in the ordinary course of business; as a consequence, some deaccessioned items remain unsold on consignment at year-end. No collection items were given away, destroyed, lost or stolen during the years ended April 30, 2021 and 2020.

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Income Taxes

The museum is exempt from income taxes under Section 501 of the Internal Revenue Code and a similar provision of state law. However, the museum is subject to federal income tax on any unrelated business taxable income. The museum files tax returns in the U.S. federal jurisdiction and the state of Missouri.

Fair Value Measurements

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. There is a hierarchy of three levels of inputs that may be used to measure fair value:

- Level 1** Quoted prices in active markets for identical assets or liabilities
- Level 2** Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities
- Level 3** Unobservable inputs supported by little or no market activity and are significant to the fair value of the assets or liabilities

Subsequent Events

In September 2021, the museum received notification of full forgiveness of their Paycheck Protection Program (PPP) loan for \$3,151.

Subsequent events have been evaluated through October 28, 2021, which is the date the consolidated financial statements were issued.

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Note 2: Contributions Receivable

Contributions receivable at April 30 consisted of the following unconditional promises to give with discount rates ranging from 1.9% to 8%:

	<u>2021</u>	<u>2020</u>
Due within one year	\$ 5,332	\$ 3,655
Due in one to five years	10,668	6,811
Due in more than five years	<u>65,206</u>	<u>67,068</u>
	81,206	77,534
Less		
Allowance for uncollectible contributions	(506)	(506)
Unamortized discount	<u>(14,695)</u>	<u>(16,265)</u>
	<u>\$ 66,005</u>	<u>\$ 60,763</u>

Bequests and other commitments amounting to \$27,580 and \$24,480 at April 30, 2021 and 2020, respectively, are considered to be conditional promises to give or intentions to give and, as such, have not been reflected in the accompanying consolidated financial statements.

Pursuant to an agreement entered into with a donor during the fiscal year ended April 30, 2004, the museum recorded a contribution receivable in the amount of \$60,000, net of discount. Under the terms of the agreement, the donor is unconditionally obligated to make contributions equal in amount to all required interest and principal payments as they become due on the outstanding Series 2004A tax-exempt bonds (see *Note 6*) for the purpose of meeting the museum's obligation to make such payments.

As permitted by Topic 825, the museum has elected to measure contributions receivable at fair value primarily due to the agreement discussed in the preceding paragraph. Under the fair value option, the contribution receivable associated with the agreement is adjusted on a recurring basis to correspond with the anticipated future cash flows for principle and interest payments on the related bonds payable based on current market interest rates. Changes in fair value of contributions receivable and the related offsetting changes in the unamortized discount in the table above resulted in no gains or losses on the accompanying consolidated statements of activities for the years ending April 30, 2021 and 2020.

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Note 3: Investments and Fair Value Measurements and Disclosures

The following tables present the fair value measurements of assets and liabilities recognized in the accompanying consolidated statements of financial position measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at April 30, 2021 and 2020:

	2021				
	Fair Value	Fair Value Measurements Using			Investments Measured at NAV (A)
		Level 1	Level 2	Level 3	
Short-term investments					
Money market funds	\$ 9,411	\$ 9,411	\$ -	\$ -	\$ -
Long-term investments					
Cash equivalents	44,597	44,597	-	-	-
Domestic equity securities	5,421	5,421	-	-	-
International equity securities	58	58	-	-	-
Fixed income mutual funds	16,407	16,407	-	-	-
Common trust funds - U.S. equity strategies	110,749	-	-	-	110,749
Common trust funds - international strategies	68,967	-	-	-	68,967
Alternative investments	150,409	-	-	-	150,409
Total long-term investments	396,608	66,483	-	-	330,125
Contributions receivable	66,005	-	66,005	-	-
Trusts held by others	38,470	-	5	38,465	-
	<u>\$ 510,494</u>	<u>\$ 75,894</u>	<u>\$ 66,010</u>	<u>\$ 38,465</u>	<u>\$ 330,125</u>

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	2020				
	Fair Value	Fair Value Measurements Using			Investments Measured at NAV (A)
	Fair Value	Level 1	Level 2	Level 3	
Short-term investments					
Money market funds	\$ 14,652	\$ 14,652	\$ -	\$ -	\$ -
Long-term investments					
Cash equivalents	23,183	23,183	-	-	-
Domestic equity securities	4,066	4,066	-	-	-
International equity securities	316	316	-	-	-
Fixed income mutual funds	31,073	31,073	-	-	-
Common trust funds - U.S. fixed income strategies	30,512	-	-	-	30,512
Common trust funds - U.S. equity strategies	68,191	-	-	-	68,191
Common trust funds - international strategies	27,500	-	-	-	27,500
Alternative investments	143,110	-	-	-	143,110
Total long-term investments	327,951	58,638	-	-	269,313
Contributions receivable	60,763	-	60,763	-	-
Trusts held by others	33,454	-	290	33,164	-
	<u>\$ 436,820</u>	<u>\$ 73,290</u>	<u>\$ 61,053</u>	<u>\$ 33,164</u>	<u>\$ 269,313</u>

(A) Certain investments that are measured at fair value using the net asset value per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy. The fair value amounts included above are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the consolidated statements of financial position.

Following is a description of the valuation methodologies and inputs used for assets measured at fair value on a recurring basis and recognized in the accompanying consolidated statements of financial position, as well as the general classification of such assets pursuant to the valuation hierarchy. There have been no significant changes in the valuation techniques during the year ended April 30, 2021. For assets classified within Level 3 of the fair value hierarchy, the process used to develop the reported fair value is described below.

Short- and Long-term Investments

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. If quoted market prices are not available, then fair values are estimated by using quoted prices of securities with similar characteristics or independent asset pricing services and pricing models, the inputs of which are market-based or independently sourced market parameters, including, but not limited to, yield curves, interest rates, volatilities, prepayments, defaults, cumulative loss projections and cash flows. Such securities are classified in Level 2 of the valuation hierarchy. In certain cases where Level 1 or Level 2 inputs are not available, securities are classified within Level 3 of the hierarchy.

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Contributions Receivable

The fair value of contributions receivable is estimated at the present value of the future payments expected to be received using rates of return on assets with similar cash flows and, therefore, are classified within Level 2 of the valuation hierarchy.

Trusts Held by Others

The fair value of the trusts held by others is estimated at the present value of the future distributions expected to be received over the term of the agreement, which is equivalent to the museum's beneficial interest in the fair value of the trust assets. Trusts held by others are classified within Level 2 of the hierarchy if the fair value of the underlying investments are determined through quoted market prices or other observable inputs and the museum expects to have the ability to redeem the trust assets in the near term. Beneficial interests in which the museum will never have the ability to redeem are classified within Level 3 of the hierarchy.

The following table presents quantitative information about unobservable inputs used in recurring Level 3 fair value measurements at April 30, 2021 and 2020:

	Fair Value 4/30/2021	Fair Value 4/30/2020	Valuation Technique	Unobservable Inputs	Range (Weighted Average)
Trusts held by others	\$ 38,465	\$ 33,164	Estimated value of the expected future cash flows	Fair value of the underlying assets as reported by the trustee	N/A

The change in fair value of trusts held by others for the years ended April 30, 2021 and 2020 was \$5,300 and (\$2,020), respectively.

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Long-term Investments at Net Asset Value

At April 30, 2021 and 2020, the museum held the following investments in certain entities that calculate net asset value per share as a practical expedient.

	<u>Fair Value</u>		<u>Unfunded Commitments</u>		<u>Redemption Frequency</u>	<u>Redemption Notice Period</u>
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>		
Common trust fund - U.S. fixed income strategies (A)	\$ -	\$ 30,512	N/A	N/A	Daily	2 days
Common trust fund - U.S. equity strategies (A)	110,749	68,191	N/A	N/A	Daily	2 days
Common trust funds - international strategies (A)	24,582	27,500	N/A	N/A	Daily/Monthly	2 - 30 days
Global equity marketable partnerships and funds (B)	78,207	46,049	N/A	N/A	Monthly/Semi- Monthly	10 - 30 days
Multi-strategy hedge funds (C)	12,460	19,905	N/A	N/A	Monthly	5 - 8 days
Multi-strategy hedge funds (C)	78,262	63,017	N/A	N/A	Limited	Quarterly/Semi- Annually/ Annually
Private equity funds (D)	25,007	13,105	\$ 28,736	\$ 18,934	Non-redeemable	None
Distressed opportunity funds (E)	858	1,034	3,131	3,131	Non-redeemable	None
	<u>\$ 330,125</u>	<u>\$ 269,313</u>	<u>\$ 31,867</u>	<u>\$ 22,065</u>		

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- (A) Common trust funds permit the commingling or pooling of investors' money into one account (known as a common fund) for the purpose of creating a single investment. Because they are a bank product, common trust funds are not required to be registered with the Securities and Exchange Commission and they are not considered to be a security under state and federal securities laws. Much like mutual funds, common trust funds strike a net asset value on a periodic basis and have varying investment strategies that primarily include investments in traditional assets such as domestic and international equity, fixed income securities and other securities. The museum's investments in common trust funds may be redeemed at net asset value on a daily or monthly basis, depending on the fund.
- (B) Marketable partnership interests include investments in limited partnerships that seek capital appreciation and income by managing assets in investment pools, investment partnerships and similar entities (*i.e.*, a fund of funds). Fair value has been estimated using the net asset value per share of the investments. The marketable partnership interests are available for redemption on a semi-monthly or monthly basis, depending on the fund.
- (C) Multi-strategy hedge funds include investments in hedge funds that pursue multiple strategies to diversify risks and reduce volatility. Investments representing approximately 86% and 76% as of April 30, 2021 and 2020, respectively, of the value of investments in this category may be redeemed on a limited basis quarterly, semi-annually or annually. The remaining value of investments may be redeemed on a monthly basis.
- (D) Private equity funds are structured as closed-end, commitment-based investment funds where the museum commits a specified amount of capital upon inception of the fund (*i.e.*, committed capital) which is then drawn down over a specified period of the fund's life. Such funds generally do not provide redemption options for investors and, subsequent to final closing, do not permit commitments by new or existing investors.
- (E) Distressed opportunity funds invest in direct and indirect investments in privately and publicly issued debt securities and privately issued equity securities of companies that are currently experiencing financial and/or operational distress. This fund will liquidate one year after the date by which all investments have been liquidated and all obligations have been terminated.

Note 4: Liquidity and Availability

The Nelson-Atkins Museum of Art receives significant contributions with donor restrictions to be used in accordance with a variety of specific purposes. It also receives gifts to establish endowments that will exist in perpetuity; the income generated from such endowments is used to support the restricted purpose designated by the donor, or to provide unrestricted support in the absence of a donor restriction, in accordance with the spending policy of the museum. The museum also receives gifts without restriction which are to be used at the discretion of the Board of Trustees. These gifts are viewed as quasi-endowment for those funds to which the spending policy is applied or a board-designated reserve. In addition, the museum receives support from contributions without donor restrictions, the sale of memberships, and earned auxiliary revenues generated through providing services to its visitors, in the course of fulfilling its mission.

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Per its spending policy, the museum considers appropriations of investment income from donor-restricted and board-designated (quasi) endowments, expected spending from the board-designated reserve, contributions without donor restrictions, and contributions with donor restrictions for use in current programs that are ongoing, major, and central to its annual operations to be available to meet cash needs for general expenditures. Those include administrative and general expenses, fundraising expenses, and grant commitments expected to be paid in the subsequent year. Annual operations are defined as activities occurring during the museum's fiscal year.

The museum manages its cash available to meet general expenditures following three guiding principles:

- Operating within a prudent range of financial soundness and stability,
- Maintaining adequate liquid assets, and
- Maintaining sufficient reserves to provide reasonable assurance that debt covenants, long-term grant commitments and obligations under endowment with donor restrictions and quasi endowment that support mission fulfillment will continue to be met, ensuring the sustainability of the museum.

The table below presents financial assets available for general expenditures within one year at April 30, 2021 and 2020 (in thousands):

	2021	2020
Cash	\$ 5,649	\$ 5,522
Short-term investments	9,411	14,652
Accounts receivable	33	48
Contributions receivable, at fair value	66,005	60,763
Other receivables	1,887	17
Investments	396,608	327,951
Trusts held by others	38,470	33,454
Total financial assets	518,063	442,407
Investments held in non-custodial trusts	38,470	33,454
Contributions receivable due after one year	60,219	57,117
Contributions receivable due within one year for capital project	2,000	-
Investments held for board designated Capital/Program reserve fund	65,732	-
Investments held for endowments	149,483	119,584
Investments held for quasi-endowments	150,577	179,116
Financial assets not available to be used within one year	466,481	389,271
Financial assets available to meet cash needs for general expenditures within one year	\$ 51,582	\$ 53,136

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The museum receives contributions and investment return from endowments restricted by donors and considers contributions and investment return generated from endowments restricted for programs which are ongoing, major and central to its annual operations to be available to meet cash needs for general expenditures. For the years ended April 30, 2021 and 2020, restricted contributions and restricted investment returns which have been appropriated in accordance with the museum's spending policy, but not yet spent, of \$11,441 and \$7,752, respectively, were included in financial assets available to meet cash needs for general expenditures within one year.

Note 5: Property and Equipment

Property and equipment at April 30 consisted of:

	<u>2021</u>	<u>2020</u>
Land	\$ 10,235	\$ 9,601
Buildings and improvements	289,581	283,346
Furniture, fixtures and equipment	2,266	2,027
Construction-in-progress	66	1,132
	<u>302,148</u>	<u>296,106</u>
Less accumulated depreciation	(112,461)	(104,730)
	<u>\$ 189,687</u>	<u>\$ 191,376</u>

Note 6: Bonds and Notes Payable

Bonds and notes payable at April 30 consisted of the following:

	<u>2021</u>	<u>2020</u>
Cultural Facilities Revenue Bonds, Series 2004A (A)	\$ 57,000	\$ 57,000
Cultural Facilities Revenue Bonds, Series 2008A (B)	60,000	60,000
Cultural Facilities Revenue Bonds, Series 2010A (C)	-	10,845
Cultural Facilities Revenue Bonds, Series 2012A (D)	16,490	20,225
Notes payable (E)	3,151	3,151
	<u>136,641</u>	<u>151,221</u>
Add unamortized premium	822	1,217
Less unamortized debt issuance costs	(885)	(1,003)
Less current maturities of bonds and notes payable, net	(23,002)	(24,232)
	<u>\$ 113,576</u>	<u>\$ 127,203</u>

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At the request of and for the benefit of the museum, the Missouri Development Finance Board (the MDFB), a bond issuer for Missouri nonprofit organizations, issued a total of six series of bonds and made the proceeds of such bonds available to the museum under separate loan agreements. Of these six series of bonds, two had been paid in full prior to April 30, 2020. Of the four remaining series, listed below, one was redeemed in full during the year ended April 30, 2021.

- (A) \$60,000 in tax-exempt, Variable Rate Demand Cultural Facilities Revenue Bonds were issued in April 2004. The proceeds were used to finance costs of improvements and additions to the museum, to pay interest during construction and other costs related to the issuance of the bonds. Payments on this series of bonds are secured by a donation agreement (see *Note 2*). The donor chose to make a voluntary \$3,000 reduction of the series balance in December 2014. Bonds are payable at various dates from 2029 through 2033 with daily interest rates ranging from 0.01% to 9.00% during fiscal years 2021 and 2020. The interest rates are reset daily by a remarketing agent based upon current market conditions.
- (B) \$108,500 in tax-exempt, Variable Rate Demand Cultural Facilities Revenue Bonds were issued in August 2008. The proceeds were used to refund and redeem variable rate bonds issued by the MDFB in 2001, to finance costs of improvements and additions to the museum, to pay interest during construction and other costs related to the issuance of the bonds. \$48,500 was refunded with the issuance of the Series 2012A Bonds. The bonds are payable December 1, 2037 with daily interest rates ranging from 0.01% to 9.00% during fiscal years 2021 and 2020. The interest rates are reset daily by a remarketing agent based upon current market conditions.
- (C) \$33,895 in tax-exempt, Cultural Facilities Revenue Bonds were issued in March 2010. The proceeds were used to refund and redeem a portion of the fixed rate bonds issued by the MDFB in 2001. The bonds were payable at various dates through 2022, with annual interest rates ranging from 3.50% to 5.00% during fiscal years 2021 and 2020. The museum executed full redemption of these bonds at the earliest possible date, December 1, 2020.
- (D) \$42,415 in tax-exempt, Cultural Facilities Revenue Bonds were issued in August 2012. The proceeds were used to refund and redeem a portion of the MDFB's \$108,500 Series 2008A Bonds. The bonds are payable at various dates through 2024, with annual interest rates ranging from 3.00% to 5.00% during fiscal years 2021 and 2020.
- (E) The museum received a Paycheck Protection Program (PPP) loan established by the CARES Act and has elected to account for the funding as a loan in accordance with ASC Topic 470, *Debt*. Interest is accrued in accordance with the loan agreement. The loan matures in April 2022. Monthly payments of \$394 begin after a seventeen-month deferment period and include interest at 1%. Any forgiveness of the loan is recognized as a gain in the consolidated financial statements in the period the debt is legally released. PPP loans are subject to audit and acceptance by the U.S. Department of Treasury, Small Business Administration or lender; as a result of such audit, adjustments could be required to any gain that may be recognized. The museum received notice on September 24, 2021 that the Small Business Administration granted full forgiveness of the loan.

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The Series 2004A and 2008A Bonds are also subject to daily optional tender by the holders thereof and may become due as a result of such tender. The Series 2004A and 2008A Bonds are each supported by liquidity facilities in the form of standby bond purchase agreements. These agreements support the payment of the tender price for the variable rate term bonds and require that the principal of these bonds purchased by the liquidity provider that are not remarketed must be paid over a five-year period in ten equal semiannual installments and over a three-year period in six equal semiannual installments, respectively, beginning the first June or December that is at least six months after the purchase. If a purchase was to occur under the liquidity facilities, the museum would be required to make one principal payment within the next fiscal year; therefore, \$15,700 is classified as a current liability. While the bonds are held by the liquidity provider, the bonds bear interest at a market-based rate. The liquidity facilities related to the Series 2004A Bonds expire on January 22, 2022, and will be renewed within the next fiscal year, and the Series 2008A Bonds expire on December 19, 2022.

The liquidity facility supporting the Series 2008A Bonds requires the museum to comply with various covenants, including maintaining a liquidity ratio of at least 110% of puttable debt. At April 30, 2021 and 2020, the museum was in compliance with this financial covenant.

Aggregate annual maturities of bonds payable, assuming none of the bonds are tendered by the holder thereof and excluding the current portion amortization of bond premium and debt issuance costs of \$231, at April 30, 2021 are:

2022	\$	7,071
2023		4,040
2024		4,160
2025		4,370
2026		-
Thereafter		<u>117,000</u>
	<u>\$</u>	<u>136,641</u>

Total interest expense included in the consolidated statements of activities was \$1,524 and \$3,315 for the years ended April 30, 2021 and 2020, respectively.

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Note 7: Net Assets

Net Assets With Donor Restrictions

Net assets with donor restrictions at April 30 are restricted for the following purposes or periods:

	<u>2021</u>	<u>2020</u>
Subject to expenditure for specified purpose		
Art acquisition	\$ 9,597	\$ 8,875
Curators and collections management		
Curatorial programs and galleries	12,127	10,377
Publications	364	162
Special exhibitions	1,264	841
Education and library	992	512
Conservation science	498	492
Technology initiative	533	275
Building, equipment and other	880	2,359
Contributions receivable, the proceeds from which have been restricted by donors for		
Art acquisition	190	186
Curators and collections management	2,894	1,623
Special exhibitions	35	20
Education and library	69	120
Conservation science	-	10
Multiple program activities	275	1,266
Building, equipment and other	57,000	57,000
	<u>86,718</u>	<u>84,118</u>
Subject to the passage of time		
Contributions receivable that are not restricted by donors but which are unavailable for expenditure until received, included within the board-designated Capital/ Programs fund (FY2021) or the endowment (FY2020)	427	538
Contributions receivable that are not restricted by donors but which are unavailable for expenditure until received	2,160	-
	<u>2,587</u>	<u>538</u>
Subject to endowment spending policy and appropriation		
Curators and collections management		
Curatorial programs and galleries	44,296	34,471
Publications	1,771	1,404
Special exhibitions	9,049	7,147
Education and library	15,911	12,613
Conservation science	2,353	1,786
Art acquisition	9,477	7,144
Multiple program activities	22,464	17,449
General operations	50,941	40,596
Total endowments subject to spending policy	<u>156,262</u>	<u>122,610</u>
Not subject to endowment spending policy or appropriation		
Trusts held by others	38,470	33,454
Total net assets with donor restrictions	<u>\$ 284,037</u>	<u>\$ 240,720</u>

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Net Assets Released from Restrictions

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

	<u>2021</u>	<u>2020</u>
Satisfaction of purpose restrictions		
Art acquisition	\$ -	\$ 2
Curators and collections management		
Curatorial programs and galleries	1,646	923
Publications	52	332
Special exhibitions	39	1,381
Education and library	205	296
Conservation science	70	60
Technology initiative	92	736
Multiple program activities	285	1,112
Building, equipment and other	6,497	1,129
Distributions (proceeds are not restricted by donors)		
Trusts held by others	400	354
Purpose release of funds appropriated in accordance with spending policy		
Curators and collections management		
Curatorial programs and galleries	2,290	1,374
Publications	-	89
Special exhibitions	-	426
Education and library	315	703
Conservation science	30	116
Multiple program activities	13	1,032
Time release of funds appropriated in accordance with spending policy		
General operations	<u>2,788</u>	<u>2,342</u>
	<u>\$ 14,722</u>	<u>\$ 12,407</u>

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Net Assets Without Donor Restrictions

Net assets without donor restrictions at April 30 have been designated for the following purposes:

	<u>2021</u>	<u>2020</u>
Undesignated	\$ 1,147	\$ 3,330
Board designated endowment supporting operations	157,784	198,004
Board designated capital/program fund	70,615	-
Invested in property and equipment inclusive of gains on prior sales, net of related debt	<u>51,975</u>	<u>37,848</u>
Total net assets without donor restrictions	<u>\$ 281,521</u>	<u>\$ 239,182</u>

Note 8: Endowment

The museum's endowment consists of numerous individual funds established for a variety of purposes. The endowments include both donor-restricted endowment funds and a fund designated by the Board of Trustees to function as an endowment (board-designated endowment fund). As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds, including board-designated endowment funds, are classified and reported based on the existence or absence of donor-imposed restrictions.

The museum's governing body is subject to the State of Missouri Uniform Prudent Management of Institutional Funds Act (UPMIFA), and, thus, classifies amounts in its donor-restricted endowment funds as net assets with donor restrictions because those net assets are time restricted until the governing body appropriates such amounts for expenditures. Most of those net assets also are subject to purpose restrictions that must be met before reclassifying those net assets to net assets without donor restrictions. The governing body of the museum has interpreted UPMIFA as not requiring the maintenance of purchasing power of the original gift amount contributed to an endowment fund, unless a donor stipulates the contrary. As a result of this interpretation, when reviewing its donor-restricted endowment funds, the museum considers a fund to be underwater if the fair value of the fund is less than the sum of (a) the original value of initial and subsequent gift amounts donated to the fund and (b) any accumulations to the fund that are required to be maintained in perpetuity in accordance with the direction of the applicable donor gift instrument. The museum has interpreted UPMIFA to permit spending from underwater funds in accordance with the prudent measures required under the law. Additionally, in accordance with UPMIFA, the museum considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. Duration and preservation of the fund
2. Purposes of the museum and the fund
3. General economic conditions
4. Possible effect of inflation and deflation

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5. Expected total return from investment income and appreciation or depreciation of investments
6. Other resources of the museum
7. Investment policies of the museum

The composition of net assets by type of endowment fund at April 30 was:

	Without Donor Restrictions	With Donor Restrictions	Total
April 30, 2021			
Board-designated funds	\$ 157,784	\$ -	\$ 157,784
Donor-restricted funds			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	-	102,794	102,794
Accumulated investment gains	-	53,468	53,468
Total endowment funds	<u>\$ 157,784</u>	<u>\$ 156,262</u>	<u>\$ 314,046</u>
April 30, 2020			
Board-designated funds	\$ 198,004	\$ -	\$ 198,004
Donor-restricted funds			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	-	100,461	100,461
Accumulated investment gains	-	22,687	22,687
Total endowment funds	<u>\$ 198,004</u>	<u>\$ 123,148</u>	<u>\$ 321,152</u>

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Changes in endowment net assets for the years ended April 30 were:

	2021		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 198,004	\$ 123,148	\$ 321,152
Net investment return	39,554	40,072	79,626
Contributions	-	277	277
Transfer of board-designated endowment fund to expendable board-designated reserve fund	(72,474)	(538)	(73,012)
Appropriation of endowment assets for expenditure	(7,300)	(6,697)	(13,997)
Endowment net assets, end of year	<u>\$ 157,784</u>	<u>\$ 156,262</u>	<u>\$ 314,046</u>
	2020		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 224,054	\$ 128,748	\$ 352,802
Net investment loss	(8,822)	(8,236)	(17,058)
Contributions	-	9,569	9,569
Appropriation of endowment assets for expenditure	(17,228)	(6,933)	(24,161)
Endowment net assets, end of year	<u>\$ 198,004</u>	<u>\$ 123,148</u>	<u>\$ 321,152</u>

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Return Objectives and Risk Parameters

The museum adopted an investment and spending policy for endowment assets that attempts to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted endowment funds that the museum must hold in perpetuity or for a donor-specific period(s), as well as board-designated endowment funds. Under this policy, as approved by the Board of Trustees, the endowment assets are invested in a manner that is intended to produce an average annual real total return of at least 5%-6% with an appropriate level of risk. Actual returns in any given year may vary from this amount.

Strategies Employed for Achieving Objectives

To satisfy their 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). The museum targets a diversified asset allocation that places a greater emphasis on equity-based alternative investments to achieve their long-term objective within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The current spending policy of the museum is made up of support generated from the operating endowments and support generated from a separate board-designated endowment fund. Support from the operating endowments are calculated: (1) at approximately 30% of the long-term spending rate of 5% applied to the average of the four-calendar quarter, average market values of the endowments, plus (2) 70% of the endowment spending allowed for the previous fiscal year, adjusted for inflation. Support is appropriated from endowment gifts received after December 31 of the preceding calendar year at 5% of the gift amount, prorated on a monthly basis.

Historically, the museum managed a board-designated endowment fund to which the operational spending policy did not apply. The fund provided support for a variety of purposes, including capital projects, debt service, special projects and operations. The Finance Committee, as part of the annual budget proposal, recommended a level of capital, operational and special project support to be provided by the fund for the coming year. No operational support has been provided by this fund since the year ended April 30, 2015. For the fiscal year ended April 30, 2021, the spending policy for this fund was updated to clarify its purpose to support capital acquisitions / improvements, special projects and debt service. During the spending policy update, the Board of Trustees clarified the intent that this fund be considered an expendable board-designated reserve fund. With this clarification the fund is no longer considered quasi-endowment and has been transferred out of the board-designated endowment.

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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 the museum to retain as a fund of perpetual duration. At April 30, 2021 and 2020, funds with original gift values of \$5,000 and \$38,673; fair values of \$4,780 and \$33,539; and deficiencies of \$220 and \$5,134, respectively were reported in net assets with donor restrictions. These deficiencies resulted from unfavorable market fluctuations and continued appropriation for certain programs that was deemed prudent by the Board of Trustees.

Note 9: Functional Expense Allocation

The costs of supporting the various programs and other activities have been summarized on a functional basis below for the years ended April 30, 2021 and 2020. Below presents the natural classification detail of expenses by function. Certain costs have been allocated among program, management and general and fundraising categories based on the time expended, usage and other methods.

	Program Services				Support Services			Total
	Curatorial	Education	Exhibitions	Total Program Services	Management and General	Fundraising	Total Support Services	
April 30, 2021								
Salaries and benefits	\$ 6,111	\$ 4,030	\$ 1,557	\$ 11,698	\$ 3,946	\$ 1,900	\$ 5,846	\$ 17,544
Professional fees and services	556	586	500	1,642	1,144	155	1,299	2,941
Occupancy	855	732	732	2,319	423	134	557	2,876
Equipment and supplies	285	350	138	773	254	184	438	1,211
Advertising	6	6	10	22	14	14	28	50
Travel and events	8	8	8	24	28	7	35	59
Insurance	347	68	155	570	32	94	126	696
Costs of goods sold	147	147	147	441	-	8	8	449
Interest	335	332	332	999	346	61	407	1,406
Depreciation	2,129	2,129	2,129	6,387	1,014	389	1,403	7,790
Other	13	7	-	20	39	53	92	112
	<u>\$ 10,792</u>	<u>\$ 8,395</u>	<u>\$ 5,708</u>	<u>\$ 24,895</u>	<u>\$ 7,240</u>	<u>\$ 2,999</u>	<u>\$ 10,239</u>	<u>\$ 35,134</u>
	Program Services				Support Services			
	Curatorial	Education	Exhibitions	Total Program Services	Management and General	Fundraising	Total Support Services	Total
April 30, 2020								
Salaries and benefits	\$ 7,082	\$ 4,978	\$ 2,249	\$ 14,309	\$ 4,404	\$ 2,103	\$ 6,507	\$ 20,816
Professional fees and services	1,138	1,217	1,932	4,287	863	865	1,728	6,015
Occupancy	806	662	668	2,136	333	183	516	2,652
Equipment and supplies	410	729	1,377	2,516	391	501	892	3,408
Advertising	39	76	373	488	57	29	86	574
Travel and events	237	65	125	427	190	43	233	660
Insurance	213	82	97	392	44	18	62	454
Costs of goods sold	103	110	103	316	567	237	804	1,120
Interest	880	880	880	2,640	386	193	579	3,219
Depreciation	2,107	2,107	2,107	6,321	926	463	1,389	7,710
Other	60	132	1	193	26	146	172	365
	<u>\$ 13,075</u>	<u>\$ 11,038</u>	<u>\$ 9,912</u>	<u>\$ 34,025</u>	<u>\$ 8,187</u>	<u>\$ 4,781</u>	<u>\$ 12,968</u>	<u>\$ 46,993</u>

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Note 10: Defined Contribution Plan

The museum froze its employer-sponsored defined-benefit pension plan effective July 2, 2017 and terminated the Plan effective December 31, 2018. It was replaced with an employer-sponsored 403(b) plan covering substantially all employees, which became effective July 1, 2018. The museum provides a 2% non-discretionary contribution for all eligible employees and a 50% match of the employee's discretionary deferred contributions up to a maximum employee contribution of 10%. Pension expense for this plan was \$663 and \$875 for the years ended April 30, 2021 and 2020, respectively.

Note 11: Pension Plan

The museum had a noncontributory defined-benefit pension plan covering all of its salaried and certain hourly employees. The benefits were based on years of service and the participant's final average earnings as defined by the plan. Effective December 31, 2017, the museum froze the plan, effective December 31, 2018, the museum terminated the plan and full liquidation occurred on October 31, 2019. During the year ended April 30, 2020, a settlement loss of \$1,906 was recognized as the only component of net periodic benefit costs due to the full liquidation.

Reconciliation of beginning and ending benefit obligation:

	<u>2021</u>	<u>2020</u>
Benefit obligation, beginning of year	\$ -	\$ 7,451
Benefits paid	-	(7,451)
	<u>-\$</u>	<u>-\$</u>
Benefit obligation, end of year	<u>-\$</u>	<u>-\$</u>

Reconciliation of beginning and ending fair value of plan assets:

	<u>2021</u>	<u>2020</u>
Fair value of plan assets, beginning of year	\$ -	\$ 9,498
Employer contributions (repayments)	-	(2,047)
Benefits paid	-	(7,451)
	<u>-\$</u>	<u>-\$</u>
Fair value of plan assets, end of year	<u>-\$</u>	<u>-\$</u>

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April 30, 2021 and 2020
(Dollars in thousands)

Note 12: Significant Estimates, Concentrations and Uncertainties

Accounting principles generally accepted in the United States of America require disclosure of certain significant estimates and current vulnerabilities due to certain concentrations. Those matters include the following:

Cash

At April 30, 2021 and 2020, the museum's cash accounts exceeded federally insured limits by \$5,238 and \$5,289, respectively.

Contributions Receivable

Approximately 86% and 94% of all contributions receivable were from one donor in 2021 and 2020, respectively. As discussed in *Notes 2 and 6* the large outstanding contribution receivable relates to the guarantee received on the Series 2004A tax-exempt bonds.

Investments

The museum invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such change could materially affect the amounts reported in the accompanying consolidated statements of financial position.

General Litigation

The museum is subject to claims and lawsuits that arose primarily in the ordinary course of its activities. It is the opinion of management the disposition or ultimate resolution of such claims and lawsuits will not have a material adverse effect on the financial position, change in net assets and cash flows of the museum. Events could occur that would change this estimate materially in the near term.

Functional Expense

Significant estimates relating to the allocation of expenses on a functional basis are described in *Note 9*.

Curtailed of Operations

As a result of the spread of the SARS-CoV-2 virus and the incidence of COVID-19, the state of Missouri issued shelter-in-place orders and other measures around public gatherings and business operations to slow the spread of the virus. As a result of this guidance, the museum has significantly curtailed its operations. Effective March 14, 2020, the museum closed access to the public. Effective September 12, 2020, the museum reopened to the general public with significant attention to the safety of staff and guests. The duration of these uncertainties and the ultimate financial effects cannot be reasonably estimated at this time.

Supplementary Schedules

**The Nelson Gallery Foundation and
The William Rockhill Nelson Trust**
Consolidating Statement of Financial Position
April 30, 2021
(Dollars in thousands)

	The Nelson Gallery Foundation	The William Rockhill Nelson Trust	Consolidated
Assets			
Current assets			
Cash	\$ 3,149	\$ 2,500	\$ 5,649
Short-term investments	6,119	3,292	9,411
Accounts receivable	33	-	33
Contributions receivable, at fair value	5,786	-	5,786
Other receivables	1,887	-	1,887
Bookstore inventory and prepaid expenses	235	-	235
Total current assets	17,209	5,792	23,001
Investments, pooled	339,050	41,151	380,201
Investments, outside pool	16,407	-	16,407
Contributions receivable, at fair value	60,219	-	60,219
Property and equipment, net	189,657	30	189,687
Trusts held by others	12,637	25,833	38,470
Total assets	<u>\$ 635,179</u>	<u>\$ 72,806</u>	<u>\$ 707,985</u>
Liabilities and Net Assets			
Current liabilities			
Accounts payable and accrued liabilities	\$ 5,571	\$ -	\$ 5,571
Bond interest payable	278	-	278
Bonds and notes payable	23,002	-	23,002
Total current liabilities	28,851	-	28,851
Bonds and notes payable	113,576	-	113,576
Total liabilities	<u>142,427</u>	<u>-</u>	<u>142,427</u>
Net Assets			
Without donor restrictions			
General undesignated	1,147	-	1,147
Board designated	280,374	-	280,374
With donor restrictions	211,231	72,806	284,037
Total net assets	<u>492,752</u>	<u>72,806</u>	<u>565,558</u>
Total liabilities and net assets	<u>\$ 635,179</u>	<u>\$ 72,806</u>	<u>\$ 707,985</u>

**The Nelson Gallery Foundation and
The William Rockhill Nelson Trust**
Consolidating Statement of Financial Position
April 30, 2020
(Dollars in thousands)

	The Nelson Gallery Foundation	The William Rockhill Nelson Trust	Consolidated
Assets			
Current assets			
Cash	\$ 3,025	\$ 2,497	\$ 5,522
Short-term investments	11,407	3,245	14,652
Accounts receivable	48	-	48
Contributions receivable, at fair value	3,646	-	3,646
Other receivables	17	-	17
Bookstore inventory and prepaid expenses	408	-	408
Total current assets	18,551	5,742	24,293
Investments, pooled	264,358	32,520	296,878
Investments, outside pool	31,073	-	31,073
Contributions receivable, at fair value	57,117	-	57,117
Property and equipment, net	191,346	30	191,376
Trusts held by others	9,738	23,716	33,454
Total assets	<u>\$ 572,183</u>	<u>\$ 62,008</u>	<u>\$ 634,191</u>
Liabilities and Net Assets			
Current liabilities			
Accounts payable and accrued liabilities	\$ 2,290	\$ -	\$ 2,290
Bond interest payable	564	-	564
Bonds and notes payable	24,232	-	24,232
Total current liabilities	27,086	-	27,086
Bonds and notes payable	127,203	-	127,203
Total liabilities	<u>154,289</u>	<u>-</u>	<u>154,289</u>
Net Assets			
Without donor restrictions			
General undesignated	3,330	-	3,330
Board designated	235,852	-	235,852
With donor restrictions	178,712	62,008	240,720
Total net assets	<u>417,894</u>	<u>62,008</u>	<u>479,902</u>
Total liabilities and net assets	<u>\$ 572,183</u>	<u>\$ 62,008</u>	<u>\$ 634,191</u>

**The Nelson Gallery Foundation and
The William Rockhill Nelson Trust
Consolidating Statement of Activities
Year Ended April 30, 2021**
(Dollars in thousands)

	The Nelson Gallery Foundation			The William Rockhill Nelson Trust			Consolidated
	Without Donor Restrictions	With Donor Restrictions	Total Foundation	Without Donor Restrictions	With Donor Restrictions	Total Trust	
Support and Revenue							
Contributions	\$ 2,188	\$ 9,931	\$ 12,119	\$ -	\$ -	\$ -	\$ 12,119
Membership dues and fees	3,505	-	3,505	-	-	-	3,505
Admission fees	200	-	200	-	-	-	200
Program fees, royalties and other	1,548	-	1,548	-	-	-	1,548
Auxiliary activities	855	-	855	-	-	-	855
Program fees from The William Rockhill Nelson Trust	1,795	-	1,795	(1,795)	-	(1,795)	-
Net investment return designated for current use	23,146	5,665	28,811	-	(6)	(6)	28,805
Net assets released from restrictions							
Satisfaction of program restrictions	5,037	(5,037)	-	-	-	-	-
Satisfaction of time restrictions	1,393	(1,393)	-	1,795	(1,795)	-	-
Satisfaction of capital acquisition restrictions	6,497	(6,497)	-	-	-	-	-
Total support and revenue	<u>46,164</u>	<u>2,669</u>	<u>48,833</u>	<u>-</u>	<u>(1,801)</u>	<u>(1,801)</u>	<u>47,032</u>
Expenses							
Curators, design and conservation	6,427	-	6,427	-	-	-	6,427
Special exhibitions	222	-	222	-	-	-	222
Education and library	2,825	-	2,825	-	-	-	2,825
Administration	4,976	-	4,976	-	-	-	4,976
Operations and security	7,795	-	7,795	-	-	-	7,795
Auxiliary activities	1,473	-	1,473	-	-	-	1,473
Membership services	393	-	393	-	-	-	393
Development and public information	1,827	-	1,827	-	-	-	1,827
Depreciation	7,790	-	7,790	-	-	-	7,790
Interest and debt issuance cost amortization	1,406	-	1,406	-	-	-	1,406
Total expenses	<u>35,134</u>	<u>-</u>	<u>35,134</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>35,134</u>
Change in Net Assets Before Other Items	11,030	2,669	13,699	-	(1,801)	(1,801)	11,898
Other Items							
Contributions for works of art / library volumes	-	448	448	-	-	-	448
Cost of acquisition of art objects / library volumes	-	(562)	(562)	-	(393)	(393)	(955)
Net investment return designated for art / library acquisitions	-	-	-	-	448	448	448
Net investment return in excess of amounts designated for current operations and art / library acquisitions	31,309	26,782	58,091	-	10,426	10,426	68,517
Change in value of trusts held by others	-	3,182	3,182	-	2,118	2,118	5,300
Change in Net Assets	42,339	32,519	74,858	-	10,798	10,798	85,656
Net Assets, Beginning of Year	239,182	178,712	417,894	-	62,008	62,008	479,902
Net Assets, End of Year	<u>\$ 281,521</u>	<u>\$ 211,231</u>	<u>\$ 492,752</u>	<u>\$ -</u>	<u>\$ 72,806</u>	<u>\$ 72,806</u>	<u>\$ 565,558</u>

**The Nelson Gallery Foundation and
The William Rockhill Nelson Trust
Consolidating Statement of Activities
Year Ended April 30, 2020**
(Dollars in thousands)

	The Nelson Gallery Foundation			The William Rockhill Nelson Trust			Consolidated
	Without Donor Restrictions	With Donor Restrictions	Total Foundation	Without Donor Restrictions	With Donor Restrictions	Total Trust	
Support and Revenue							
Contributions	\$ 6,168	\$ 4,486	\$ 10,654	\$ -	\$ -	\$ -	\$ 10,654
Membership dues and fees	4,103	-	4,103	-	-	-	4,103
Admission fees	936	-	936	-	-	-	936
Program fees, royalties and other	354	-	354	-	-	-	354
Auxiliary activities	3,491	-	3,491	-	-	-	3,491
Program fees from The William Rockhill Nelson Trust	1,798	-	1,798	(1,798)	-	(1,798)	-
Net investment return designated for current use	17,396	5,628	23,024	-	(18)	(18)	23,006
Net assets released from restrictions							
Satisfaction of program restrictions	8,582	(8,582)	-	-	-	-	-
Satisfaction of time restrictions	898	(898)	-	1,798	(1,798)	-	-
Satisfaction of capital acquisition restrictions	1,129	(1,129)	-	-	-	-	-
Total support and revenue	44,855	(495)	44,360	-	(1,816)	(1,816)	42,544
Expenses							
Curators, design and conservation	7,619	-	7,619	-	-	-	7,619
Special exhibitions	2,821	-	2,821	-	-	-	2,821
Education and library	4,484	-	4,484	-	-	-	4,484
Administration	5,748	-	5,748	-	-	-	5,748
Operations and security	8,394	-	8,394	-	-	-	8,394
Auxiliary activities	3,200	-	3,200	-	-	-	3,200
Membership services	927	-	927	-	-	-	927
Development and public information	2,871	-	2,871	-	-	-	2,871
Depreciation	7,710	-	7,710	-	-	-	7,710
Interest and debt issuance cost amortization	3,219	-	3,219	-	-	-	3,219
Total expenses	46,993	-	46,993	-	-	-	46,993
Change in Net Assets Before Other Items	(2,138)	(495)	(2,633)	-	(1,816)	(1,816)	(4,449)
Other Items							
Proceeds from sale of works of art / library volumes	-	-	-	-	102	102	102
Net assets released to fund art / library acquisitions	-	-	-	-	-	-	-
Cost of acquisition of art objects / library volumes	-	(1,015)	(1,015)	-	(310)	(310)	(1,325)
Net investment return designated for art / library acquisitions	-	-	-	-	592	592	592
Net investment return in excess of amounts designated for current operations and art / library acquisitions	(26,050)	(11,998)	(38,048)	-	(2,064)	(2,064)	(40,112)
Change in value of trusts held by others	-	(43)	(43)	-	(1,327)	(1,327)	(1,370)
Pension-related changes other than net periodic pension cost	1,906	-	1,906	-	-	-	1,906
Change in Net Assets	(26,282)	(13,001)	(39,283)	-	(4,823)	(4,823)	(44,106)
Net Assets, Beginning of Year	265,464	191,713	457,177	-	66,831	66,831	524,008
Net Assets, End of Year	\$ 239,182	\$ 178,712	\$ 417,894	\$ -	\$ 62,008	\$ 62,008	\$ 479,902