



McNay Art Museum

Financial Statements Years Ended June 30, 2023 and 2022

The report accompanying these financial statements was issued by BDO USA, P.C., a Virginia professional corporation, and the U.S. member of BDO International Limited, a UK company limited by guarantee.



McNay Art Museum

Financial Statements
Years Ended June 30, 2023 and 2022

McNay Art Museum

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Independent Auditor's Report

The Board of Directors
McNay Art Museum
San Antonio, Texas

Opinion

We have audited the financial statements of McNay Art Museum (the Museum), which comprise the statements of financial position as of June 30, 2023 and 2022 and cash flows for the years ended June 30, 2023 and 2022, and the related statement of activities and changes in net assets and statement of functional expenses for the year ended June 30, 2023, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Museum as of June 30, 2023 and 2022, and the changes in its net assets for the year ended June 30, 2023 and its cash flows for the years ended June 30, 2023 and 2022, in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Financial Information

We have previously audited the Museum's 2022 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 14, 2022. In our opinion, the summarized comparative information on the statement of activities and changes in net assets and statement of functional expense presented herein and for the year ended June 30, 2023 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Museum and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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



In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Museum's ability to continue as a going concern within one year after the date that the financial statements are issued or available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Museum's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Museum's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

BDO USA, P.C.

October 18, 2023

Financial Statements

McNay Art Museum
Statements of Financial Position

<i>June 30,</i>	2023	2022
Assets		
Cash and cash equivalents	\$ 6,065,653	\$ 6,810,346
Accounts and interest receivable	446,232	439,262
Contributions receivable, current	597,292	184,600
Prepaid expense and other	361,144	306,169
Short-term investments	8,230,867	7,061,209
Long-term contributions receivable	480,000	250,000
Right-of-use assets	121,390	-
Land, buildings, and equipment, net	22,731,423	24,643,287
Long-term investments	54,207,047	49,129,210
Total Assets	\$ 93,241,048	\$ 88,824,083
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	\$ 403,282	\$ 292,190
Lease liability	121,390	-
Deferred revenue	134,491	180,255
Total Liabilities	659,163	472,445
Net Assets		
Without donor restrictions	46,592,590	45,617,214
With donor restrictions	45,989,295	42,734,424
Total Net Assets	92,581,885	88,351,638
Total Liabilities and Net Assets	\$ 93,241,048	\$ 88,824,083

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

McNay Art Museum

Statement of Activities and Changes in Net Assets (with summarized comparative totals for 2022)

	Without Donor Restrictions				Total	
	Operating	Non-Operating	Buildings, and Equipment	Land, Buildings, and Equipment		With Donor Restrictions
	2023	2022	2023	2022	2023	2022
Revenue, Gains, and Other Support						
Contributions	\$ 2,240,153	\$ 5,569	\$ -	\$ -	\$ 2,245,722	\$ 5,466,354
Contributed nonfinancial assets	98,040	682,696	-	-	98,040	-
Memberships					682,696	-
Special events, net of direct cost totaling \$206,829 in 2023 and \$177,204 in 2022	327,049		-	-	327,049	-
Investment income (loss), net	144,791	5,643,927	-	-	5,788,718	375,134
Rental income	387,843		-	-	387,843	-
Museum store	101,042		-	-	101,042	-
Exhibition income	166,500		-	-	166,500	135,000
Admission fees	323,919		-	-	323,919	-
Miscellaneous	206,620		-	-	206,620	-
Transfers/appropriations	2,112,112	(2,112,112)	-	-	-	-
	6,790,765	3,537,384	-	-	10,328,149	5,976,488
Net assets released from restrictions	1,601,908	1,119,709	-	-	2,721,617	(2,721,617)
Total Revenue, Gains, and Other Support	8,392,673	4,657,093	-	-	13,049,766	3,254,871
			16,304,637		16,304,637	963,763

McNay Art Museum

Statement of Activities and Changes in Net Assets (with summarized comparative totals for 2022)

	Without Donor Restrictions				Total		
	Operating	Non-Operating	Buildings, and Equipment	Land, Buildings, and Equipment	Total	With Donor Restrictions	Total
Expenses							
Program services:							
Curatorial and conservation	\$ 1,815,687	\$ -	\$ 349,060	\$ 2,164,747	\$ 2,164,747	\$ -	\$ 2,046,097
Exhibitions and presentations	3,548,562	-	739,186	4,287,748	4,287,748	-	4,006,798
Education	1,101,402	-	677,587	1,778,989	1,778,989	-	1,731,131
Public relations, marketing, and media	380,427	-	20,533	400,960	400,960	-	357,382
Support services:							
Management and general	834,631	-	225,862	1,060,493	1,060,493	-	976,331
Fundraising	685,543	-	41,066	726,609	726,609	-	731,509
Total Expenses	8,366,252	-	2,053,294	10,419,546	10,419,546	-	9,849,248
Change in Net Assets , before changes related to collection items not capitalized and non- operating transfers	26,421	4,657,093	(2,053,294)	2,630,220	2,630,220	3,254,871	(8,885,485)
Changes Related to Collection Items Not Capitalized	-	(1,654,844)	-	(1,654,844)	(1,654,844)	-	(405,306)
Net Gain on Disposal of Assets	-	-	-	-	-	-	1,790
Transfers Not Affecting Operations	133,912	-	(133,912)	-	-	-	-
Change in Net Assets	160,333	3,002,249	(2,187,206)	975,376	975,376	3,254,871	(9,289,001)
Net Assets, beginning of year	4,939,484	15,786,720	24,891,010	45,617,214	45,617,214	42,734,424	97,640,639
Net Assets, end of year	\$ 5,099,817	\$ 18,788,969	\$ 22,703,804	\$ 46,592,590	\$ 46,592,590	\$ 45,989,295	\$ 88,351,638
							\$ 88,351,638

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

McNay Art Museum
Statement of Functional Expenses
(with summarized comparative totals for 2022)

	Program Services					Support Services			Total	
	Curatorial and Conservation	Exhibitions and Presentations	Education	Relations, Media, and Marketing	Total Program Services	Management and General	Fundraising	Total Support Services	2023	2022
Salaries and wages	\$ 1,071,025	\$ 1,926,282	\$ 570,342	\$ 175,863	\$ 3,743,512	\$ 232,088	\$ 374,397	\$ 606,485	\$ 4,349,997	\$ 4,089,048
Payroll taxes	77,340	139,099	41,185	12,699	270,323	16,759	27,036	43,795	314,118	282,855
Employee benefits	167,912	301,997	89,418	27,571	586,898	36,387	58,697	95,084	681,982	701,414
Professional fees	24,411	22,947	16,713	75,250	139,321	177,795	14,761	192,556	331,877	264,182
Supplies	15,384	44,087	22,422	18,010	99,903	42,872	8,588	51,460	151,363	108,981
Communications	3,954	3,489	1,390	1,040	9,873	31,720	1,651	33,371	43,244	39,456
Postage and freight	3,476	494	271	80	4,321	1,473	7,312	8,785	13,106	15,485
Occupancy	133,901	251,656	231,593	-	617,150	70,097	35,129	105,226	722,376	596,136
Equipment rental and maintenance	38,655	67,262	41,792	2,699	150,408	71,340	48,472	119,812	270,220	260,769
Printing and publication	9,908	10,537	9,455	195	30,095	5,569	31,982	37,551	67,646	72,626
Marketing, advertising, and publicity	-	-	1,643	38,092	39,735	-	23,120	62,855	102,975	40,412
Travel	4,785	5,734	2,572	-	13,091	62,793	5,600	68,393	81,484	18,670
School busing	-	-	6,579	-	6,579	-	-	-	6,579	4,112
Conferences, seminars, and meetings	4,430	7,861	16,932	-	29,223	23,563	2,368	25,931	55,154	34,394
Organization dues and subscriptions	3,087	1,929	829	13,468	19,313	15,776	749	16,525	35,838	28,392
Insurance	211,780	69,557	30,914	15,457	327,708	9,274	-	9,274	336,982	317,017
Store cost of sales	-	39,870	-	-	39,870	-	-	-	39,870	64,518
Maintenance of collection	33,033	19	-	-	33,052	-	-	-	33,052	48,006
Concerts, films, etc.	-	48,689	15,668	-	64,357	-	-	-	64,357	45,418
Exhibitions	-	524,275	-	-	524,275	-	-	-	524,275	534,595
Credit card fees	-	-	-	-	-	-	38,965	38,965	38,965	43,833
Assessments	-	-	-	-	-	-	-	-	-	30,404
Contributed nonfinancial assets	11,998	82,187	-	-	94,185	-	3,855	3,855	98,040	52,363
Miscellaneous	608	591	1,684	3	2,886	37,125	2,861	39,986	42,872	111,996
Special events expenses	-	-	-	-	-	-	206,829	206,829	206,829	177,204
Depreciation	1,815,687	3,548,562	1,101,402	380,427	6,846,078	834,631	892,372	1,727,003	8,573,081	7,982,286
Total Expenses	2,164,747	4,287,748	1,778,989	400,960	8,632,444	1,060,493	933,438	1,993,931	10,626,375	10,026,452
Less expenses netted in revenue:	-	-	-	-	-	-	(206,829)	(206,829)	(206,829)	(177,204)
Special events expenses	-	-	-	-	-	-	726,609	1,787,102	\$ 10,419,546	\$ 9,849,248
Total Functional Expenses	\$ 2,164,747	\$ 4,287,748	\$ 1,778,989	\$ 400,960	\$ 8,632,444	\$ 1,060,493	\$ 726,609	\$ 1,787,102	\$ 10,419,546	\$ 9,849,248

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

McNay Art Museum
Statements of Cash Flows

<i>Year ended June 30,</i>	2023	2022
Cash Flows from Operating Activities		
Change in net assets	\$ 4,230,247	\$ (9,289,001)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	2,053,294	2,044,166
Amortization of right-of-use assets	26,875	-
Contributions restricted in perpetuity	(3,239,010)	-
Net realized and unrealized losses (gains) on investments	(5,033,021)	7,015,248
Net (gain) loss on disposal of assets	-	(1,790)
Change in operating activities:		
Accounts and interest receivable	(6,970)	(356,275)
Contributions receivable	(642,692)	340,307
Prepaid expenses and other	(54,975)	(64,662)
Accounts payable and accrued expenses	111,092	27,581
Lease liability	(26,875)	-
Deferred revenue	(45,764)	(26,312)
Net Cash Used in Operating Activities	(2,627,799)	(310,738)
Cash Flows from Investing Activities		
Purchase of land, building, and equipment	(141,430)	(437,005)
Proceeds from sale of land, building, and equipment	-	1,790
Proceeds from sale of investments	18,750,987	29,372,734
Purchase of investments	(19,965,461)	(27,223,104)
Net Cash Provided by (Used in) Investing Activities	(1,355,904)	1,714,415
Cash Flows from Financing Activities		
Contributions restricted in perpetuity	3,239,010	-
Net Cash Provided by Financing Activities	3,239,010	-
Net Increase (Decrease) in Cash and Cash Equivalents	(744,693)	1,403,677
Cash and Cash Equivalents, beginning of year	6,810,346	5,406,669
Cash and Cash Equivalents, end of year	\$ 6,065,653	\$ 6,810,346
Supplemental Non-Cash Investing and Financing Disclosures		
Lease liability arising from obtaining right-of-use asset	\$ 148,265	\$ -

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

McNay Art Museum

Notes to Financial Statements

1. Organization and Summary of Significant Accounting Policies

Organization

The McNay Art Museum (the Museum) is a not-for-profit organization with the mission of engaging a diverse community in the discovery and enjoyment of the visual arts. The Museum is located in San Antonio, Texas.

Basis of Presentation

The financial statements of the Museum have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP).

Net Assets

The Museum reports information regarding its financial position and activities according to two classes of net assets:

Without Donor Restrictions - This class consists of net assets that are not subject to donor-imposed restrictions. Net assets without donor restrictions may be designated for specific purposes by action of the Board of Trustees and, accordingly, include operating and non-operating assets and land, buildings, and equipment. Non-operating activities consist of earnings on permanently endowed funds that the donor has designated as without donor restrictions to be utilized for operations and without donor restrictions activities not considered “operating” expenditures.

With Donor Restrictions - This class consists of net assets whose use by the Museum is subject to donor-imposed restrictions that can be fulfilled by actions of the Museum pursuant to those restrictions, that expire by the passage of time, or net assets subject to donor-imposed restrictions that must be maintained permanently by the Museum. In addition, donor-restricted net assets include earnings, both realized and unrealized, on funds whose earnings are restricted for a specific purpose by the donor (see Notes 10 and 14).

Comparative Financial Information

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with GAAP. Accordingly, such information should be read in conjunction with the Museum’s financial statements for the year ended June 30, 2022, from which the summarized information was derived.

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Museum considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents. Cash and cash equivalents that are part of the long-term investment pool are shown within investments as those resources are not used for daily operating purposes.

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Notes to Financial Statements

Accounts Receivable

Accounts receivable represent amounts due in less than one year. The Museum reviews all outstanding amounts and determines collectability of its receivables based on past experience with customers. Credit losses have been minimal and consistent with management's estimates. No allowance has been established based on its historical collections experience. The Museum recognized no bad debts from accounts receivable as of June 30, 2023 and 2022.

Contributions Receivable

Unconditional promises to give from grantors and donors are measured at fair value and recorded as revenues in the period in which the promise to give is received. Pledges receivable are recorded at the original pledge amount, net of a present value discount, which approximates net realizable value. Management reviews all outstanding amounts and determines collectability based on past experience with the Museum's donors. As of June 30, 2023 and 2022 no allowance has been established against these receivables as management considers them collectible. No bad debts from contributions receivable were recognized by the Museum as of June 30, 2023 and 2022.

Investments

Investments are reported at fair market value as of the date of the financial statements.

Prepaid Expenses and Other

Prepaid expenses are primarily comprised of advance payments made to vendors for insurance and exhibitions. Other assets of the Museum are recorded at cost when purchased or at the fair market value at the date of gift when assets are contributed.

Inventories consisting of items held for resale at the Museum store are carried at the lower of cost (first-in, first-out) or market.

Land, Buildings, and Equipment

Land, buildings, and equipment are recorded at cost or at the fair market value at the date of gift when assets are contributed. The Museum's capitalization policy requires that all items purchased with a useful life of greater than one year and a cost in excess of \$5,000 be capitalized. Depreciation is recorded in the land, buildings, and equipment fund using the straight-line method. Estimated useful lives used in computing depreciation are as follows:

Asset Category	Estimated Useful Lives (Years)
Buildings, improvements, and landscaping	25
Furniture and equipment	10

The Museum reviews the carrying values of land, buildings, and equipment for impairment whenever events or circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. When considered impaired, an impairment loss is recognized to the extent carrying value exceeds the fair

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value of the asset. There were no indicators of asset impairment during the years ended June 30, 2023 and 2022.

Art Collection

In conformity with industry practice, items purchased or donated for the collection are not recorded as assets in the accompanying statements of financial position. Purchases are reported as decreases in net assets without donor restrictions or as decreases in net assets with donor restrictions if the assets used to purchase the items were restricted by donors (see Note 12).

The collections of the Museum represent one of its most valuable assets; therefore, the Museum employs full-time employees to manage stewardship of the collections in accordance with its collection and acquisition policy. Each item in the collection is numbered and catalogued in an electronic database. The Museum loans collection items to other museums from time to time for display purposes.

Contributions reflected in the financial statements include only recorded cash receipts and pledges, and do not include gifts of works of art received by the Museum, valued at \$3,563,616 and \$633,900 for the years ended June 30, 2023 and 2022, respectively.

Gifts of cash or other property restricted by donors for the purchase of items for the collection are classified as with donor restrictions until acquisitions are made in accordance with the terms of the gifts.

Revenue Recognition

The Museum follows Accounting Standards Codification (ASC) 606, *Revenue from Contracts with Customers (ASC 606)*. This standard applies to all contracts with customers, except for contracts that are within the scope of other standards, such as contributions, leases, insurance, collaborative arrangements, and financial instruments. Under ASC 606, an entity recognizes revenue when it transfers control of the promised goods or services to its customer, in an amount that reflects the consideration which the entity expects to receive in exchange for those goods or services. If control transfers to the customer over time, an entity selects a method to measure progress that is consistent with the objective of depicting its performance.

The majority of the Museum's revenue arrangements generally consist of a single performance obligation to transfer promised goods or services.

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

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

Deferred revenue represents revenue attributable to events that have not yet occurred.

Contributions

The Museum follows Accounting Standards Update (ASU) 2018-08, *Not-for-Profit Entities (Topic 958), Clarifying the Scope and Accounting Guidance for Contributions Received and*

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Contributions Made. This ASU provided guidance in evaluating whether transactions should be accounted for as contributions or as exchange transactions subject to other guidance. Based on this guidance, the Museum determined all contributions are nonreciprocal transactions, and as such are properly accounted for as contributions.

The Museum reports gifts of cash and other assets as restricted support if they are received with donor stipulations as to time or use of the donated assets. When a donor restriction expires—that is, when a stipulated time restriction ends, or purpose restriction is accomplished—net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities and changes in net assets as net assets released from restrictions.

The Museum reports gifts of land, buildings, and equipment as without donor restrictions support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used, and gifts of cash or other assets that must be used to acquire long-lived assets, are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Museum reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

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

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

Contributed Nonfinancial Assets

The Museum received in-kind contributions of goods and services. Donated services are recognized as contributions if the services (a) create or enhance non-financial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Museum. Contributed nonfinancial assets are reflected as contributions at their fair value at the date of donation and are reported as support without donor restrictions unless explicit donor stipulations specify how donated assets must be used. The amounts reflected in the accompanying financial statements as contributed nonfinancial assets are offset by like amounts included in expenses (see Note 11).

Fair Value of Financial Instruments

The *Fair Value Measurements and Disclosures* Topic, ASC 820-10, defines fair value, establishes a three-level valuation hierarchy for disclosure of fair value measurements, and expands disclosures about fair value measurements. An instrument's categorization within the hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

Level 1 - This level consists of inputs that utilize quoted prices (unadjusted) in active markets for identical assets that the Museum has the ability to access.

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Notes to Financial Statements

Level 2 - This level consists of inputs that include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument. Fair values for these instruments are estimated using pricing models, quoted prices of securities with similar characteristics, or discounted cash flows.

Level 3 - This level consists of inputs that are unobservable for the asset or liability, which are typically based on an entity's own assumptions, as there is little, if any, related market activity.

Privately held Limited Partnerships are valued using net asset value (NAV) of the partnership assets held as a practical expedient to estimate the fair value since they do not have a readily determinable fair value. Investments that are measured at fair value using NAV as a practical expedient are not classified in the fair value hierarchy.

Federal Income Tax Exemption

The Museum is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (IRC); therefore, no provision for income taxes has been made in these statements. The Museum follows the provisions of ASC 740-10, *Accounting for Uncertainty in Income Taxes*, which requires recognition and disclosure of uncertain tax positions in the financial statements. The Museum's management believes that it has appropriate support for any tax positions taken and that it has no material uncertain tax positions. Accordingly, it will not recognize any liability for uncertain tax benefits. For the years ended June 30, 2023 and 2022, the Museum did not recognize any interest or penalties in the financial statements.

Tax years 2020 to 2022 remain open to examination by the taxing jurisdictions to which the Museum is subject, and these periods have not been extended beyond the applicable statute of limitations.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities and changes in net assets and statement of functional expenses. Accordingly, certain costs have been allocated between the programs and supporting services benefited. The allocation of building, supplies, and maintenance are calculated using square footage used by the program. The allocation of salaries is calculated either by actual hours worked for special events and rentals or as a percentage of time worked for projects such as exhibitions.

Advertising

Advertising costs are expensed as incurred. Advertising expense was \$62,855 and \$40,412 for the years ended June 30, 2023 and 2022, respectively.

Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities, at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

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Notes to Financial Statements

Reclassifications

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

Recently Adopted Accounting Pronouncements

Leases (Topic 842)

In February 2016, the Financial Accounting Standards Board (FASB) issued ASU 2016-02, *Leases*, and issued subsequent amendments to the initial guidance, collectively referred to as Topic 842. Topic 842 replaces the guidance in ASC Topic 840, *Leases*. The new lease guidance increases transparency and comparability among organizations by requiring the recognition of the following for all leases (with the exception of short-term leases) at the commencement date: (1) a lease liability, which is a lessee's future obligation to make lease payments arising from a lease, measured on a discounted basis; and (2) a right-of-use (ROU) asset, which is an asset that represents the lessee's right to use, or control the use of, a specified asset for the lease term.

On July 1, 2022, the Museum adopted Topic 842 using the modified retrospective transition method with the initial application at the adoption date, and, therefore, has not adjusted the comparative period. The adoption of Topic 842 resulted in the recognition of ROU assets and operating lease liabilities of \$148,265 as of July 1, 2022.

In adopting the new guidance, the Museum elected to apply the package of practical expedients permitted under the transition guidance, which allows the Museum not to reassess (1) whether any expired or existing contracts contain leases under the new definition of a lease, (2) lease classification for any expired or existing leases, and (3) whether previously capitalized initial direct costs would qualify for capitalization under Topic 842. The Museum also elected the practical expedient to not separate lease components from non-lease components.

See Note 8 for additional information.

Contributed Nonfinancial Assets

The Museum adopted ASU 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets* (ASU 2020-07), which was effective for annual periods beginning after June 15, 2021. The update includes financial statement presentation and disclosure requirements for contributed nonfinancial assets received by not-for-profit entities. The ASU provides more transparency about the measurement and use of contributed nonfinancial assets recognized by not-for-profit entities and was applied retrospectively to all periods presented. The new standard did not have a material impact on the Museum's financial statements and the Museum has updated the disclosures as necessary (see Note 11).

Accounting Pronouncements Issued but Not Yet Adopted

Financial Instruments - Credit Losses (Topic 326)

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, including subsequent amendments issued

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thereafter which clarify the standard (collectively, Topic 326). This standard significantly changes the impairment model for most financial instruments. Current guidance requires the changes the recognition of credit losses based on an incurred-loss impairment methodology that reflects losses once the losses are probable. In accordance with Topic 326, the Museum will be required to use a current expected credit loss (CECL) model that will immediately recognize an estimate of credit losses that are expected to occur over the life of the financial instruments that are within the scope of this update, including trade receivables. The CECL model uses a broader range of reasonable and supportable information in the development of credit-loss estimates. This guidance becomes effective for the Museum beginning the fiscal year ended June 30, 2024. Management is currently evaluating the impact of this pronouncement.

2. Concentration Risk

Financial instruments that potentially subject the Museum to a concentration risk consist principally of cash.

The Museum maintains multiple bank accounts in San Antonio, Texas. Accounts at the institutions are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 for interest-bearing accounts, and without limit for non-interest-bearing transaction accounts. The Museum holds amounts over the \$250,000 insured limit at various levels during the year.

3. Liquidity

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

<i>Year ended June 30,</i>	2023	2022
Cash and cash equivalents	\$ 6,065,653	\$ 6,810,346
Accounts receivable	446,232	439,262
Contributions receivable - current	597,292	184,600
Investments appropriated for current use	8,230,867	7,061,209
	\$ 15,340,044	\$ 14,495,417

The Museum regularly monitors liquidity to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. The Museum has various sources of liquidity at its disposal, including cash and cash equivalents and various receivables. In addition, appropriation from the endowment of approximately \$2 million will be available in the next year.

The Museum's invested endowment supports general operations, specific program activity, and certain non-operating strategic activity. The Museum applies its spending policy to its invested endowment to determine the amount available for current use. The Museum's investment policy ensures that investment liquidity will satisfy its current endowment based on operating and programmatic needs.

In addition to the financial assets available to meet general expenditures over the next 12 months, the Museum operates with a balanced budget and anticipates earned revenues and annual support contributions sufficient to cover general expenditures not provided by endowment spending rate or

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other donor-restricted sources. The Museum's invested endowment includes Board-designated funds to support general operations based on its spending policy, and for other non-operating strategic purposes. Although the Museum does not intend to utilize these Board-designated funds beyond their budgeted usage, these funds could be made available by Board vote if necessary.

4. Contributions Receivable

Contributions receivable at June 30, 2023 and 2022 amounted to \$1,077,292 and \$434,600, respectively.

Pledges receivable are expected to be collected as follows:

Year ending June 30,

2024	\$	597,292
2025		200,000
2026		180,000
2027		50,000
2028		50,000
Total Contributions Receivable	\$	1,077,292

No discount has been applied to the contributions receivable at June 30, 2023 and 2022, as the amount is immaterial to the financial statements.

5. Investments

The carrying value of investments, which is the fair value, is based upon values provided by external investment managers. Fees paid to the external investment managers of \$376,201 and \$392,156 were withdrawn from the account during the years ended June 30, 2023 and 2022, respectively; therefore, valuation of the investments at year-end reflects value net of fees.

Total investments are composed of the following:

<i>June 30,</i>	2023	2022
Money market funds	\$ 903,982	\$ 567,241
US Treasury Notes	3,408,469	4,275,827
US government agencies	757,716	-
Municipal bonds	160,939	-
Assets back securities	3,113,568	-
Corporate debt securities	12,500,323	14,289,265
Equity securities	35,916,245	31,955,799
Limited partnership - publicly traded	643,862	595,480
Limited partnership - privately held	3,390,802	3,235,834
Alternative investments	1,642,008	1,270,973
Total Investments, at fair value	\$ 62,437,914	\$ 56,190,419

The Museum's investment strategy is to hold the majority of their investments in securities that can be traded or sold at any time in order to meet the cash flow needs of the Museum. Management of the Museum classifies investments as short-term based on the following criteria: (1) estimated

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amounts to be appropriated from endowed funds based on the spending policy, (2) amounts to be released from restriction based on annual spending budgets, and (3) amount designated by the Board to be available for operational cash flow needs. This amount is determined annually.

In 2023, the Museum invested in partnership that required a capital commitment of \$3,000,000. At June 30, 2023, the remaining capital commitment is approximately \$2,800,000.

The partnership terms are ten years from the final close with two, optional one-year extensions. Early redemption of the investment is not allowed.

6. Fair Values of Financial Instruments

The Museum uses fair value measurements to record fair value adjustments to certain assets and liabilities to determine fair value disclosures. For additional information on how the Museum measures fair value, refer to Note 1.

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

June 30, 2023

	Level 1	Level 2	Level 3	Total
Money market funds	\$ 903,982	\$ -	\$ -	\$ 903,982
U.S. Treasury Notes	3,408,469	-	-	3,408,469
U.S. government agencies	-	757,716	-	757,716
Municipal bonds	160,939	-	-	160,939
Asset back securities	-	3,113,568	-	3,113,568
Corporate debt securities	12,500,323	-	-	12,500,323
Equity securities	35,916,245	-	-	35,916,245
Limited partnership publicly traded	643,862	-	-	643,862
Alternate investments	1,500,339	-	-	1,500,339
Total Assets, at fair value	\$ 55,034,159	\$ 3,871,284	\$ -	\$ 58,905,443
Limited Partnerships, measured at NAV				\$ 3,532,471

June 30, 2022

	Level 1	Level 2	Level 3	Total
Money market funds	\$ 567,241	\$ -	\$ -	\$ 567,241
U.S. Treasury Notes	4,275,827	-	-	4,275,827
Corporate debt securities	13,795,811	493,454	-	14,289,265
Equity securities	31,955,799	-	-	31,955,799
Limited partnership publicly traded	595,480	-	-	595,480
Alternate investments	1,270,973	-	-	1,270,973
Total Assets, at fair value	\$ 52,461,131	\$ 493,454	\$ -	\$ 52,954,585
Limited Partnerships, measured at NAV				\$ 3,235,834

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7. Land, Buildings, and Equipment

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

<i>Year ended June 30,</i>	2023	2022
Land	\$ 585,962	\$ 585,962
Buildings, improvements, and landscaping	56,484,724	56,407,330
Furniture and equipment	2,776,617	2,708,226
Total Land, Buildings, and Equipment	59,847,303	59,701,518
Accumulated depreciation	(37,143,496)	(35,090,202)
Net Land, Buildings, and Equipment, before construction in progress	\$ 22,703,807	\$ 24,611,316
Construction in progress	\$ 27,616	\$ 31,971

Depreciation expense totaled \$2,053,294 and \$2,044,166 for the years ended June 30, 2023 and 2022, respectively. For fiscal year 2023, the Museum had no sale of assets. For fiscal year 2022, the Museum sold a fully depreciated asset for \$1,790.

8. Leases

The Museum adopted ASC 842 effective July 1, 2022 (see Note 2). The Museum leases equipment under non-cancelable operating leases that expire at various dates through September 2027.

For operating leases, the operating lease liabilities are initially and subsequently recognized based on the present value of the remaining lease payments using a discount rate that represents the Museum's incremental borrowing rate.

The lease term includes the noncancelable period of the lease plus any additional periods covered by either an option to extend or to terminate the lease. The Museum includes these options in the lease term when it is reasonably certain of exercising them. ROU assets are further adjusted for any lease incentives. Operating lease cost for the year ended June 30, 2023 was \$26,875 and is recognized on a straight-line basis over the lease term and is recorded in management and general on the statement of activities and changes in net assets.

Under the previous lease accounting standard, ASC 840, *Leases*, the Museum incurred \$48,196 in management and general for the year ended June 30, 2022.

The following is the weighted-average term and discount rate for operating leases:

<i>Year ended June 30, 2023</i>	
Weighted-average remaining lease term	51 months
Weighted-average discount rate	6.5%

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The following table displays a maturity analysis of the undiscounted cash flows related to operating leases as of June 30, 2023, along with a reconciliation to the discounted amount recorded on the June 30, 2023 statement of financial position:

Year ending June 30,

2024	\$	33,031
2025		32,667
2026		32,667
2027		32,667
2028		8,167
Thereafter		-
Total Lease Payments		139,199
Less: imputed interest		(17,809)
Total Lease Liability	\$	121,390

Future minimum lease payments under noncancelable operating leases as of June 30, 2022 under ASC 840 were as follows:

Year ending June 30,

2023	\$	41,208
2024		41,208
2025		41,208
2026		41,208
2027		41,208
Thereafter		10,302
Total Operating Lease	\$	216,342

9. Net Assets

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

<i>Year ended June 30,</i>	2023	2022
Perpetual in nature:		
Auditorium and gallery maintenance	\$ 700,000	\$ 700,000
Art acquisitions	2,457,690	737,691
Educational programs, exhibitions, and presentations	10,658,402	10,497,744
Curatorial and conservation	2,664,239	2,664,239
Director's Chair	1,000,000	1,000,000
Any activities of the museum	20,703,694	19,184,684
Subject to expenditure for specified purpose and time:		
Art acquisitions/conservation**	3,184,224	3,491,449
Educational programs, exhibitions, and presentations**	2,718,894	3,060,394
Capital campaign	169,967	226,109
Other**	1,732,185	1,172,114
Net Assets with Donor Restrictions	\$ 45,989,295	\$ 42,734,424

** Noted items include accumulated earnings on donor restricted endowments totaling \$5,218,681 and \$5,823,617 as of June 30, 2023 and 2022, respectively (see Note 14).

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Net assets without donor restrictions consist of the following:

<i>Year ended June 30,</i>	2023	2022
Undesignated	\$ 21,173,227	\$ 17,992,258
Designated for land, buildings, and equipment	22,703,807	24,891,010
Board-designated	2,715,556	2,733,946
Net Assets Without Donor Restrictions	\$ 46,592,590	\$ 45,617,214

10. Net Assets Released from Restrictions

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

<i>Year ended June 30,</i>	2023	2022
Art acquisitions	\$ 1,773,531	\$ 405,306
Exhibitions, presentation, and education	780,900	1,333,135
Capital campaign	56,142	102,804
Other	111,044	221,158
Total Net Assets Released from Restrictions	\$ 2,721,617	\$ 2,062,403

Transfers and appropriations on the statement of activities and change in net assets reflect investment returns appropriated from endowments of \$2,112,112 (see Note 14).

11. Contributed Nonfinancial Assets

During the fiscal year 2023 and 2022, the Museum received donated goods and services. The Museum recognizes the fair value of goods and services based on the value that the Museum would pay for similar goods and services.

June 30, 2023

<i>Program or Supporting Service</i>	<i>Donated Goods</i>	<i>Donated Services</i>	<i>Total</i>
Program services	\$ 69,637	\$ 12,550	\$ 82,187
Management and general	-	1,080	1,080
Fundraising	4,820	9,953	14,773
Total Nonfinancial Contributions and Contributed Services	\$ 74,457	\$ 23,583	\$ 98,040

June 30, 2022

<i>Program or Supporting Service</i>	<i>Donated Goods</i>	<i>Donated Services</i>	<i>Total</i>
Program services	\$ 50,253	\$ -	\$ 50,253
Management and general	-	2,110	2,110
Total Nonfinancial Contributions and Contributed Services	\$ 50,253	\$ 2,110	\$ 52,363

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The Museum also received a significant amount of donated services from unpaid volunteers who assist in the development of the Museum, especially its fundraising and educational programs. There were 6,323 and 6,559 volunteer hours contributed during the years ended June 30, 2023 and 2022, respectively. The value of these services is not reflected in these financial statements because the services do not meet the criteria for recognition as a contribution under GAAP.

All donated services and goods were utilized by the Museum's programs and supporting services. There were no donor-imposed restrictions associated with the donated services and goods for both fiscal years ended 2023 and 2022.

12. Objects Held for Display

Objects held for display (the Museum collection) consist primarily of a strong collection of 19th and 20th century European and American paintings, prints, sculptures, and one of the leading collections of theatre arts in the country. The Museum collection is essential to its mission. The Museum has established stewardship procedures for the accession (acquisition), deaccession (disposal), loan, and care of the collection.

As noted in Note 1, objects held for display are not recorded in the statements of financial position of the Museum. The proceeds received as a result of any deaccessions are used to acquire other works of art for the collection.

13. Retirement Plan

The Museum has a defined contribution 403(b) retirement plan (the Plan) effective April 2003 through January 1, 2020, when the plan was frozen. No new participants or contributions will be accepted into this plan.

Effective January 1, 2020, the Museum established a Safe-Harbor 403(b) Thrift Plan (the Safe-Harbor Plan) and makes bi-weekly contributions to the Safe-Harbor Plan on behalf of eligible employees. The Plan investments are employee-directed. Under the Safe-Harbor Plan, eligible employees working more than 20 hours per week are eligible for a 100% matching employer contribution up to 6%, beginning on the first anniversary of their hire date, after completion of 1000 hours of service, and attaining the age of 20 years.

The Museum contributed \$114,180 and \$93,721 to the plans for the fiscal years ended June 30, 2023 and 2022, respectively.

14. Endowment Funds

General Information

The Museum maintains various endowment funds established for a variety of purposes. These endowments include both endowment contributions with donor restrictions, and funds designated by the Board of Trustees to function as endowments. The endowment funds with donor restrictions fall under the provisions of the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA), which was adopted by the state of Texas with an effective date of September 1, 2008. This policy defines the Museum's interpretation of the provisions of this law as they relate to the prudent management of its endowment fund.

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Endowment “Principal” Interpretation

The Museum has interpreted UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the endowment funds with donor restrictions, absent explicit donor stipulations to the contrary. As a result of this interpretation, the Museum classifies as net assets with donor restrictions the original value of gifts donated to the endowment (the Principal) in perpetuity. The remaining portion of the endowment fund with donor restrictions that is not classified as held in perpetuity is classified as non-operating or with donor restrictions and held until appropriated for expenditure by the Museum in a manner consistent with the standard of prudence prescribed by UPMIFA.

Endowment Investment Objectives

Endowment investments are managed by professional money manager(s) under the direction of the Investment Committee of the Board of Trustees of the Museum. Funds are invested in a manner that seeks to produce results that meet or exceed the performance of generally recognized market indices, while assuming a moderate level of investment risk.

To satisfy this performance objective, the Museum relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Museum targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Endowment “Income” Appropriation (Spending Policy)

The Museum’s policy is to appropriate for distribution each year a percentage of its endowment fund’s average fair value based on a 12-quarter rolling average as of March 31 of the preceding year. For the fiscal years ended June 30, 2023 and 2022, the distribution percentage was 4.5%. In establishing this policy, the Museum considered the long-term expected return on its endowment.

Accordingly, over the long term, the Museum expects the spending policy to allow its endowment to grow at an average of 4% annually. This is consistent with the Museum’s objective to maintain the purchasing power of the endowment assets held in perpetuity, or for a specified term, as well as provide additional real growth through new gifts and investment return.

In accordance with UPMIFA, in all its endowment spending activity, the Museum considers the following factors in making a determination to appropriate (spend) or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund.
- The purposes of the Museum and the endowment fund with donor restrictions.
- General economic and investment market conditions.
- The possible effect of inflation and deflation.
- The expected total return from income and the appreciation of investments.
- Other resources of the Museum.
- The investment policies of the Museum.

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Notes to Financial Statements

Endowment Composition by Type of Fund

June 30, 2023

	Without Donor Restrictions*	With Donor Restrictions	Total
Board-designated endowment funds	\$ 2,715,556	\$ -	\$ 2,715,556
Donor endowment funds	11,591,814	43,402,706	54,994,520
Total Funds	\$ 14,307,370	\$ 43,402,706	\$ 57,710,076

June 30, 2022

	Without Donor Restrictions*	With Donor Restrictions	Total
Board-designated endowment funds	\$ 2,733,946	\$ -	\$ 2,733,946
Donor endowment funds	8,473,260	40,607,975	49,081,235
Total Funds	\$ 11,207,206	\$ 40,607,975	\$ 51,815,181

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

Changes in Endowment

Year ended June 30, 2023

	Without Donor Restrictions*	With Donor Restrictions	Total
Endowment, beginning of year	\$ 11,207,206	\$ 40,607,975	\$ 51,815,181
Investment return:			
Interest and dividends	635,626	253,453	889,079
Net appreciation (realized and unrealized)	4,521,822	88,155	4,609,977
Endowment Including Investment Return	16,364,654	40,949,583	57,314,237
Contributions	-	3,239,010	3,239,010
Transfers/appropriations	(2,057,284)	-	(2,057,284)
Release from restriction:			
Art acquisitions	-	(360,035)	(360,035)
Exhibitions, presentation, and education	-	(399,565)	(399,565)
Other	-	(26,287)	(26,287)
Endowment, end of year	\$ 14,307,370	\$ 43,402,706	\$ 57,710,076

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Year ended June 30, 2022

	Without Donor Restrictions*	With Donor Restrictions	Total
Endowment , beginning of year	\$ 20,380,004	\$ 39,959,312	\$ 60,339,316
Investment return:			
Interest and dividends	489,477	222,146	711,623
Net (depreciation) appreciation (realized and unrealized)	(7,725,460)	1,219,594	(6,505,866)
Endowment Including Investment Return	13,144,021	41,401,052	54,545,073
Contributions	1,526	4,650	6,176
Transfers/appropriations	(1,938,341)	-	(1,938,341)
Release from restriction:			
Art acquisitions	-	(120,469)	(120,469)
Exhibitions, presentation, and education	-	(648,704)	(648,704)
Other	-	(28,554)	(28,554)
Endowment , end of year	\$ 11,207,206	\$ 40,607,975	\$ 51,815,181

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

15. Employee Retention Credit

The CARES Act provided an Employee Retention Credit (ERC), which was a refundable tax credit against certain employment taxes for eligible employers. Additional relief provisions were passed by the United States government, which extended and expanded the qualified wage caps on those credits through December 31, 2021. Based on these additional provisions, the tax credit equaled 70% of qualified wages paid to employees during a quarter. The limit on qualified wages per employee was capped at \$10,000. During the fiscal year ended June 30, 2022, the Museum applied for \$814,663 and received \$468,759 in ERCs under the CARES Act as of June 30, 2022. The ERCs were recorded as contributions in the statement of activities and changes in net assets. As of June 30, 2022, the remaining ERC amount of \$345,904 was recorded in accounts and interest receivable in the statement of financial position and received subsequent to June 30, 2023 year end.

16. Subsequent Events

Management has evaluated events subsequent to June 30, 2023 and through October 18, 2023, which is the date the financial statements were available to be issued.