

Financial Statements and  
Independent Auditors' Report

THE SHERWIN MILLER  
MUSEUM OF JEWISH ART, INC.

December 31, 2015 and 2014

## INDEPENDENT AUDITORS' REPORT

The Board of Trustees  
The Sherwin Miller Museum of Jewish Art, Inc.  
Tulsa, Oklahoma

We have audited the accompanying financial statements of The Sherwin Miller Museum of Jewish Art, Inc. (an Oklahoma nonprofit organization), which comprise the statement of financial position as of December 31, 2015 and 2014, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

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

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

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

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Sherwin Miller Museum of Jewish Art, Inc. as of December 31, 2015 and 2014, 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.

*SES Group P.L.L.C.*

CERTIFIED PUBLIC ACCOUNTANTS

October 11, 2016

**THE SHERWIN MILLER MUSEUM OF JEWISH ART, INC.**  
STATEMENT OF FINANCIAL POSITION

ASSETS

	December 31,	
	2015	2014
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 126,415	\$ 62,392
Contributions receivable	103,625	153,625
Inventory	7,570	7,051
Endowment trust investments, at fair value	2,517,880	2,811,836
Prepaid expenses	7,567	4,893
Total current assets	2,763,057	3,039,797
<b>PROPERTY AND EQUIPMENT, net</b>	582,338	605,411
<b>PERMANENT COLLECTION</b>	325,404	325,404
<b>TOTAL ASSETS</b>	<b>\$ 3,670,799</b>	<b>\$ 3,970,612</b>

LIABILITIES AND NET ASSETS

<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 23,927	\$ 29,985
Accrued liabilities	70	0
Contributions payable	0	54,747
Total current liabilities	23,997	84,732
<b>NET ASSETS</b>		
Unrestricted	3,174,598	3,308,599
Temporarily restricted	285,838	384,441
Permanently restricted	186,366	192,840
Total net assets	3,646,802	3,885,880
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 3,670,799</b>	<b>\$ 3,970,612</b>

*See accompanying notes to financial statements.*

**THE SHERWIN MILLER MUSEUM OF JEWISH ART, INC.**  
STATEMENT OF ACTIVITIES

	<u>Year Ended December 31,</u>	
	<u>2015</u>	<u>2014</u>
Changes in unrestricted net assets:		
Public support:		
Contributions	\$ 50,172	\$ 76,362
Special fund-raising events	102,472	90,334
Grant revenue	9,655	33,000
Admissions and programs	13,635	15,177
Total public support	<u>175,934</u>	<u>214,873</u>
Other Revenues:		
Museum store revenue (net)	1,714	2,209
Membership revenue	34,202	35,685
Investment income	29,616	40,322
Realized and unrealized gains (loss) on investments	<u>(85,225)</u>	<u>85,176</u>
Total other revenue (loss)	<u>(19,693)</u>	<u>163,392</u>
Net assets released from restrictions	<u>131,683</u>	<u>528,016</u>
Total unrestricted revenues and public support	<u>287,924</u>	<u>906,281</u>
Expenses:		
General and administrative	151,162	92,679
Fund-raising and development	52,151	48,418
Programs and membership services	107,022	115,709
Exhibitions and permanent collection	111,590	160,990
Total unrestricted expenses	<u>421,925</u>	<u>417,796</u>
(Decrease) increase in unrestricted net assets	<u>(134,001)</u>	<u>488,485</u>
Changes in temporarily restricted net assets		
Donations	24,768	83,539
Fund-raising events	5,000	0
Investment income	2,196	8,351
Realized and unrealized gains (loss) on investments	(5,126)	12,175
Net assets released from restrictions	<u>(125,441)</u>	<u>(527,434)</u>
(Decrease) in temporarily restricted net assets	<u>(98,603)</u>	<u>(423,369)</u>
Changes in permanently restricted net assets		
Donations	3,935	4,700
Investment income	2,117	1,836
Realized and unrealized gains (loss) on investments	(6,284)	4,161
Net assets released from restrictions	<u>(6,242)</u>	<u>(582)</u>
(Decrease) increase in permanently restricted net assets	<u>(6,474)</u>	<u>10,115</u>
CHANGE IN NET ASSETS	<u>(239,078)</u>	<u>75,231</u>
NET ASSETS, BEGINNING OF YEAR	<u>3,885,880</u>	<u>3,810,649</u>
NET ASSETS, END OF YEAR	<u>\$ 3,646,802</u>	<u>\$ 3,885,880</u>

*See accompanying notes to financial statements.*

**THE SHERWIN MILLER MUSEUM OF JEWISH ART, INC.**  
STATEMENT OF CASH FLOWS

	Year Ended December 31,	
	2015	2014
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ (239,078)	\$ 75,231
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	26,204	8,005
Realized and unrealized (gains) loss on investments	96,635	(101,512)
Change in assets and liabilities:		
Decrease contributions receivable	50,000	50,758
(Increase) decrease in inventory	(519)	58
(Increase) in prepaid expenses	(3,309)	(287)
(Decrease) increase in accounts payable	(6,058)	22,061
(Decrease) in contributions payable	(54,747)	(442,059)
Increase in accrued liabilities	70	0
Net cash (used) provided in operating activities	(130,802)	(387,745)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Investment transactions (net)	197,321	433,157
Acquisition of property and equipment	(2,496)	(21,385)
Net cash provided by investing activities	194,825	411,772
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	64,023	24,027
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	62,392	38,365
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	\$ 126,415	\$ 62,392

*See accompanying notes to financial statements.*

**THE SHERWIN MILLER MUSEUM OF JEWISH ART, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015**

**NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

**Organization:**

The Sherwin Miller Museum of Jewish Art, Inc. (the Museum), in Tulsa, Oklahoma, was founded in 1966 as the Gershon & Rebecca Fenster Museum of Jewish Art, through the cooperative efforts of several local Jewish families. Their purpose was to bring the local Jewish community an understanding of its heritage through artifacts, as well as to serve as a resource center of Jewish history and culture. The Museum is dedicated to the collection and preservation of art and artifacts pertinent to the history of the Jewish people from its beginning to the present and around the world, the history of the Jewish settlement in Oklahoma and the American Southwest, art by Jewish artists and artisans and about matters Jewish, and the Holocaust and its lessons. The Museum's founding coincided with the acquisition of a collection of Judaica facilitated by Sherwin Miller, the museum's first curator. In 2000, the Fenster Museum was renamed the Sherwin Miller Museum in recognition of Mr. Miller's seminal vision.

Recognized by the Internal Revenue Service as a 501(c)(3) tax exempt, not-for-profit institution incorporated in the State of Oklahoma, The Sherwin Miller Museum is administered by a Board of Trustees representing the diverse Tulsa area in addition to the Jewish community. The Museum is a beneficiary agency of the Jewish Federation of Tulsa and relies upon the generosity of private donors and public support. The Museum's professional staff manage day-to-day operations with the assistance of volunteers who perform a variety of duties.

**Significant accounting policies:**

The accounting policies of the Museum conform to generally accepted accounting principles as required by FASB ASC 958, Not-For-Profit Entities. The significant accounting policies of the Museum are described below.

**Basis of accounting:**

The Museum prepares its financial statements on the accrual basis of accounting. Accordingly, revenues are recognized when earned, and expenses are recognized when incurred.

**Endowment:**

The Museum has an endowment trust established to (1) maintain the purchasing power of financial gifts to the institution and (2) fund the museum's operating budget. The unrestricted principal of the Trust may be distributed to the Museum with Board approval. Income from Trust assets may be distributed to the Museum and is available for unrestricted use unless restricted by donor.

**THE SHERWIN MILLER MUSEUM OF JEWISH ART, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015**

**NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
(CONTINUED):**

**Net assets:**

The net assets of the Museum have been classified as unrestricted, temporarily restricted, and permanently restricted, in accordance with FASB ASC 958, Not-For-Profit Entities.

**Estimates:**

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

**Endowment Investments, at fair market value:**

The fair market values of securities held in The Sherwin Miller Museum of Jewish Art, Inc. accounts at December 31, are as follows:

	2015		2014	
	Cost	Market Value	Cost	Market Value
Equities and mutual funds	<u>\$ 2,440,434</u>	<u>\$ 2,517,880</u>	<u>\$ 2,515,984</u>	<u>\$ 2,811,836</u>

The Museum has adopted FASB ASC 820, "Fair Value Measurements" as of December 31, 2010. ASC 820 defines fair value, establishes a framework for measuring fair value under GAAP and enhances disclosures about fair value measurements. Fair value is defined under ASC 820 as the price that would be received for an asset or paid to transfer a liability (an exit price) in the principal market for the asset or liability in an orderly transaction between market participants on the measurement date. Fair market values are based on the fair value hierarchy. The standard describes three levels of inputs that may be used to measure fair value as provided below.

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 asset or liability.

Level 3 Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the asset or liability.

All of the Museum's investments are recorded at fair value on a recurring basis and based on Level 1 inputs for the years ended December 31, 2015 and 2014.



**THE SHERWIN MILLER MUSEUM OF JEWISH ART, INC.**  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2015

**NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
(CONTINUED):**

**Inventory:**

The Museum's retail shop inventory is stated at the lower of cost (first-in, first-out) or market.

**Property and depreciation:**

The Museum follows the practice of capitalizing all expenditures for equipment in excess of \$1,000. Depreciation is computed using the straight-line method over the estimated useful life of the assets ranging from three to ten years for equipment and twenty-two years for the building improvements and permanent museum fixtures.

**Donated assets:**

Donated marketable securities and other non-cash donations are reflected as contributions in the accompanying statements at their estimated fair value at date of receipt.

**Contributions:**

All contributions are considered available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes.

The Museum also received 2,830 and 2,421 hours of volunteer services for the years 2015 and 2014, respectively, which are not recognized in the financial statements.

**Grants:**

Grants from private foundations are recorded as revenues and receivables when the related direct costs are incurred.

**Compensated absences:**

Museum employees are entitled to paid vacation depending on job classification, length of service and other factors. The amount of earned vacation is not material nor significant at year end and, accordingly, no liability has been recorded in the financial statements. The Museum policy is to recognize the costs of compensated absences when paid to employees.

**THE SHERWIN MILLER MUSEUM OF JEWISH ART, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015**

**NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONCLUDED):**

**Income taxes:**

The Museum is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code, but is required to file Form 990, Return of Organization Exempt from Income Tax. The Forms 990 for the tax years 2012 through 2015 are open to IRS examination.

**NOTE 2 - PERMANENT COLLECTION:**

The Museum adopted a comprehensive collections management policy in 1983, which was last revised and updated by trustees and staff in 2012. This document addresses procedures for accessioning, documentation, and other aspects of collection management. Under the policy, contribution of items to the permanent collection are not capitalized. The collection policy provides that permanent collections are (1) held for public exhibition, education or research in furtherance of public service rather than financial gain; (2) protected, kept unencumbered, cared for and preserved; and (3) subject to a policy that requires the proceeds from sales of collection items to be used only to acquire other collection items. The Museum did not deaccession any items during the years ended December 31, 2015 and 2014.

**NOTE 3 - PROPERTY AND EQUIPMENT:**

Property and equipment consists of the following:

	<u>Year Ended December 31,</u>	
	<u>2015</u>	<u>2014</u>
Building improvements and permanent museum fixtures	\$ 623,672	\$ 126,021
Furniture and equipment	186,539	184,888
Construction in progress	635	496,806
	<u>810,846</u>	<u>807,715</u>
Less accumulated depreciation	(228,508)	(202,304)
	<u>\$ 582,338</u>	<u>\$ 605,411</u>

Depreciation expenses for the year ended December 31, 2015 and 2014, were \$26,204 and \$8,005, respectively.

**THE SHERWIN MILLER MUSEUM OF JEWISH ART, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015**

**NOTE 4 - NET ASSETS:**

The Museum reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purposed restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Temporarily restricted net assets are released from restriction through expenditure for the purpose designated.

Permanently restricted net assets are restricted to investment in perpetuity, the income from which is expendable as designated.

At December 31, net assets consist of the following:

	<u>2015</u>	<u>2014</u>
Unrestricted net assets	\$ 910,645	\$ 848,419
Board designated endowment trust	2,263,953	2,460,180
Total unrestricted net assets	<u>3,174,598</u>	<u>3,308,599</u>
Total temporarily restricted net assets	285,838	384,441
Total permanently restricted net assets	<u>186,366</u>	<u>192,840</u>
Total net assets	<u>\$ 3,646,802</u>	<u>\$ 3,885,880</u>

**NOTE 5 - RELATED PARTY TRANSACTIONS:**

The Museum is a beneficiary agency of the Jewish Federation of Tulsa (the "Federation"). The Museum leases its building from the Federation. The lease agreement, executed in June 2002, is for an initial term of fifty years with five successive renewal options of ten years each. The rent payable pursuant to this lease is \$1 per year. Monthly occupancy assessments charged the Museum by the Federation, based on square footage and including maintenance, janitorial services, utilities and security, averaged \$5,431 and \$5,040 per month for the years 2015 and 2014, respectively.

**NOTE 6 - RECLASS OF NET ASSETS:**

The Financial/Audit Committee, as duly authorized representatives of the Board of Trustees, has determined that property and equipment and the permanent collection (net of any liabilities) that had previously been included in temporarily restricted net assets should more appropriately be included in unrestricted net assets. A reclassification in the amount of \$845,684 has thus been reflected in the previously reported balances as of December 31, 2014.

THE SHERWIN MILLER MUSEUM OF JEWISH ART, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2015

NOTE 7 - SUBSEQUENT EVENTS:

A review for subsequent events was conducted through October 11, 2016, the date the financial statements were available to be issued. No items were noted that required disclosure.