KPMG

BUFFALO BILL MEMORIAL ASSOCIATION

Financial Statements

December 31, 2018 and 2017

(With Independent Auditors' Report Thereon)

KPMG LLP
Suite 1002
175 N 27th Street
Billings, MT 59101

Independent Auditors' Report

The Board of Trustees
Buffalo Bill Memorial Association:

We have audited the accompanying financial statements of Buffalo Bill Memorial Association, which comprise the statements of financial position as of December 31, 2018 and 2017, the related statements of activities and cash flows for the years then ended, and the statement of functional expenses for the year ended December 31, 2018, 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 U.S. generally accepted accounting principles; 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.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 Buffalo Bill Memorial Association as of December 31, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

Emphasis of Matter

As discussed in note 1(p) to the financial statements, in 2018, the Association adopted Accounting Standards Update No. 2016-14, *Presentation of Financial Statements for Not-for-Profit Entities*. Our opinion is not modified with respect to this matter.

KPMG LLP

June 20, 2019

BUFFALO BILL MEMORIAL ASSOCIATION

Statements of Financial Position

December 31, 2018 and 2017

Assets		**2018**	**2017**
Current assets:			
Cash and cash equivalents	$	1,035,241	3,116,200
Accounts receivable		429,884	261,929
Inventories		1,048,950	1,729,688
Prepaid expenses		129,745	139,987
Current portion of contributions receivable		671,749	1,251,316
Total current assets		3,315,569	6,499,120
Noncurrent assets:			
Contributions receivable, less current portion		2,598,376	2,975,127
Investments		60,788,309	64,984,562
Property and equipment, net		35,280,034	33,563,665
Property held for sale		1,300,000	—
Collections		90,169,595	88,896,658
	$	193,451,883	196,919,132
Liabilities and Net Assets			
Current liabilities:			
Accounts payable and accrued expenses	$	956,204	729,756
Revolving line of credit		900,335	—
Total current liabilities		1,856,539	729,756
Noncurrent liability:			
Note payable		1,572,912	—
Total liabilities		3,429,451	729,756
Net assets:			
Without donor restrictions		20,792,446	24,512,388
With donor restrictions		169,229,986	171,676,988
Total net assets		190,022,432	196,189,376
	$	193,451,883	196,919,132

See accompanying notes to financial statements.

BUFFALO BILL MEMORIAL ASSOCIATION

Statements of Activities

Years ended December 31, 2018 and 2017

	2018	2017
Changes in net assets without donor restrictions		
Revenue and investment income:		
Contributions	$ 2,809,012	5,508,210
Contributed services and property	268,511	1,268,108
Admissions charges	2,368,990	2,442,703
Auxiliary activities	2,913,704	2,897,877
Fees	228,268	217,884
Investment income	566,778	561,037
Realized and unrealized (losses) gains on investments, net	(2,771,659)	1,974,003
Other	11,733	38,489
Total revenue and investment income	6,395,337	14,908,311
Net assets released from restrictions:		
Satisfaction of time and program restrictions	4,053,738	3,867,631
Total revenue, investment income, and net assets released from restriction	10,449,075	18,775,942
Expenses, losses, and reclassifications:		
Program	10,444,113	10,063,037
General and administrative	2,586,439	1,931,568
Fundraising activities	1,138,465	1,514,779
Reclassification from net assets used to acquire property and equipment and other	—	15,096
Total expenses, losses, and reclassifications	14,169,017	13,524,480
Changes in net assets without donor restrictions	(3,719,942)	5,251,462
Changes in net assets with donor restrictions		
Contributions	3,401,947	7,977,025
Contributed services and property	934	3,605
Contributed collections	538,200	199,725
Auxiliary activities	82,910	22,000
Investment income	607,746	589,867
Realized and unrealized (losses) gains on investments, net	(3,020,943)	6,154,211
Gain (loss) on disposal of property and equipment	(4,058)	127,392
Reclassification to net assets used to acquire property and equipment	—	15,096
Net assets released from restrictions	(4,053,738)	(3,867,631)
Changes in net assets with donor restrictions	(2,447,002)	11,221,290
Change in net assets	(6,166,944)	16,472,752
Net assets at beginning of year	196,189,376	179,716,624
Net assets at end of year	$ 190,022,432	196,189,376

See accompanying notes to financial statements.

BUFFALO BILL MEMORIAL ASSOCIATION

Statements of Cash Flows

Years ended December 31, 2018 and 2017

		2018	2017
Cash flows from operating activities:			
Change in net assets	$	(6,166,944)	16,472,752
Adjustments to reconcile change in net assets to net cash provided by operating activities:			
Depreciation		1,325,400	1,421,957
Realized and unrealized losses and (gains) on investments, net		5,792,602	(8,128,214)
Loss (gain) on disposal of property and equipment and collections		630	(127,393)
Contributions of collections, services, and property		(807,646)	(1,471,438)
Contributions restricted for long-term investment		(287,819)	(3,518,868)
Write down of property held for sale		656,000	—
Changes in:			
Accounts receivable		(167,955)	57,850
Inventories		113,413	(878,997)
Prepaid expenses		10,242	80,236
Contributions receivable		956,318	(959,940)
Accounts payable and accrued expenses		226,448	279,519
Net cash provided by operating activities		1,650,689	3,227,464
Cash flows from investing activities:			
Proceeds from sales and maturities of investments		4,039,000	14,165,165
Purchases of investments		(5,635,349)	(19,154,555)
Purchases of property and equipment		(4,728,953)	(1,111,166)
Purchases of collections		(167,412)	(31,863)
Proceeds from the sale of property plant and equipment and collections		—	220,860
Net cash used in investing activities		(6,492,714)	(5,911,559)
Cash flows from financing activities:			
Contributions restricted for long-term investment		287,819	3,518,868
Payments on revolving line of credit		(1,432,164)	(1,225,000)
Draws on revolving line of credit		2,332,499	1,225,000
Draws on note payable		1,572,912	—
Net cash provided by financing activities		2,761,066	3,518,868
Net change in cash and cash equivalents		(2,080,959)	834,773
Cash and cash equivalents, beginning of year		3,116,200	2,281,427
Cash and cash equivalents, end of year	$	1,035,241	3,116,200
Supplemental disclosure of cash flow information:			
Cash paid during the year for interest	$	21,984	4,481
Noncash investing activities:			
Transfer of investments between alternative investment funds	$	—	3,441,324
Transfer of inventory to collections		567,325	—

See accompanying notes to financial statements.

BUFFALO BILL MEMORIAL ASSOCIATION

Statement of Functional Expenses

Year ended December 31, 2018

	Program services	Management and general	Fundraising	Total
Personnel	$ 5,397,518	1,370,312	871,005	7,638,835
Depreciation	1,227,077	94,160	4,163	1,325,400
Fees for services	631,398	316,784	125,575	1,073,757
Supplies	637,627	64,993	19,366	721,986
Cost of sales	814,048	—	—	814,048
Advertising and promotion	137,986	337,696	437	476,119
Occupancy	354,283	18,669	1,150	374,102
Repair and maintenance	326,118	8,232	1,157	335,507
Travel and lodging	210,574	67,711	28,039	306,324
Postage and shipping	232,887	6,384	9,201	248,472
Information technology expense	153,373	11,898	21,683	186,954
Insurance	52,584	119,419	2,232	174,235
Publications	120,054	531	18,716	139,301
Meals and entertainment	39,686	73,651	9,128	122,465
Credit card fees	86,480	1,986	21,286	109,752
Other	22,420	94,013	5,327	121,760
	$ 10,444,113	2,586,439	1,138,465	14,169,017

See accompanying notes to financial statements.

(1) Summary of Significant Accounting Policies

(a) Organization

Buffalo Bill Memorial Association (the Association), also known as Buffalo Bill Center of the West, located in Cody, Wyoming, is a not-for-profit entity, which serves the public by advancing knowledge about the American West through acquiring, exhibiting, and interpreting collections of artifacts and preserving their physical and contextual integrity. The Association depends upon contributions from the public, admissions charges, and auxiliary activities (museum store and restaurant) to fund current operations.

(b) Basis of Presentation

The Association classifies net assets, revenue, expenses, gains, and losses based on the existence or absence of donor-imposed restrictions.

Net assets without donor restrictions are those available for use in general operations and not subject to donor-imposed stipulations and donor-restricted contributions whose restrictions are met in the same reporting period as the contribution is made. The Board of Trustees has designated a portion of net assets without donor restrictions for a replacement reserve.

Net assets with donor restrictions are those subject to donor-imposed stipulations. Some restrictions are temporary in nature, such as those that may or will be met by actions of the Association and/or the passage of time. Other donor-imposed restrictions are perpetual in nature. Generally, the donors of these assets permit the Association to use the total return earned, including realized and unrealized gains on related investments for general or specific purposes.

A donor's gift may impose restrictions on otherwise net assets with no previous donor restriction. Such restrictions result in a reclassification of net assets without donor restriction to net assets with donor restriction depending on the nature of the restriction.

Revenue is reported as increases in net assets without donor restriction unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law.

(c) Cash and Cash Equivalents

The Association considers all highly liquid investments with original maturities of three months or less to be cash equivalents.

(d) Contributions

Contributions, including unconditional promises to give, are recognized as revenue in the period received. Promises to give that are scheduled to be received after the statement of financial position date are shown as increases in net assets with donor restrictions and are reclassified to net assets without donor restrictions when the cash is received and any purpose restrictions are met. Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their

(Continued)

estimated fair value. Contributions to be received after one year are discounted using a risk-adjusted interest rate applicable at the time the contribution is received. Amortization of the discount is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions.

It is the policy of the Association to report contributions of buildings and equipment as donor-restricted support. The Association reports expiration of restrictions as these assets are depreciated.

The Association reports contributions of collection items as donor-restricted support. Absent explicit donor stipulations about how long those collections must be maintained, the Association reports expiration of restrictions as the donated or acquired collections are deaccessioned.

The Association receives contributions in the form of donated securities. It is the policy of the Association to immediately sell the donated securities once received.

(e) Inventories

Inventories consist of museum store merchandise, publications, and food inventory for resale to the public. Inventories are valued at the lower of cost, computed on a weighted average, or net realizable value.

(f) Property and Equipment

Property and equipment are recorded at cost. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets, which generally approximates 15 to 75 years for buildings, 10 to 20 years for improvements, and 3 to 20 years for equipment. Applicable interest charges incurred during the construction of facilities are capitalized as one of the elements of cost. The Association capitalized interest expense of $21,984 and $4,481 for the year ended December 31, 2018 and 2017, respectively. Repairs and maintenance costs are expensed as incurred.

(g) Property Held for Sale

Noncurrent assets, or disposal groups comprising assets, are classified as held-for-sale if it is highly probable that they will be recovered primarily through sale rather than through continuing use.

Generally the assets, or disposal group, are measure at the lower of their carrying amount and fair value less costs to sell. Once classified as held-for-sale, assets are no longer depreciated. At December 31, 2018, the Association had one asset held-for-sale, which was a donated house. The Association determined the held-for-sale asset was impaired during the year ended December 31, 2018 and recorded an impairment loss of $656,000.

(h) Collections

The Association has adopted a full capitalization policy and capitalizes purchased collections at cost. Collections acquired by donation are capitalized at estimated fair value at the date of donation. Proceeds from collection items sold are used to purchase other items for collections or for the maintenance of collections following the guidelines of the American Alliance of Museums.

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(i) Investments

The Association reports its investment securities at estimated fair value with unrealized gains and losses included in the statements of activities.

The Association's investment in offshore investment funds-of-funds are presented in the accompanying financial statements at estimated fair value based on the net asset value of the funds, which represents the Association's interest in the underlying assets of the funds.

The Association has the intent and ability to hold its investments for greater than one year. Accordingly, all investments are classified as long-term.

(j) Allowance for Doubtful Accounts

An allowance for doubtful accounts is provided based upon management's assessment of the collectibility of accounts and contributions receivable. No allowance for doubtful accounts was recorded at December 31, 2018 or 2017.

(k) Income Taxes

The Association is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code, except for income from catering activities and the sale of certain items by the Association's museum store. Income taxes related to these sales were not material during the year ended December 31, 2018 or 2017.

The Association accounts for uncertainty in income taxes using a more-likely-than-not recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken. Tax positions are evaluated for recognition, derecognition, and measurement using consistent criteria. Based on an analysis prepared by the Association, there were no uncertain tax positions at December 31, 2018 or 2017.

(l) Use of Estimates

The preparation of the financial statements requires management of the Association to make a number of estimates and assumptions relating to the reported amount of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Significant items subject to such estimates and assumptions include the carrying amount of property and equipment, valuation of investments, valuation allowances for accounts and contribution receivables, net realizable value of inventory, and valuation of donated collections. Actual results could differ from those estimates.

(m) Impairment of Long-Lived Assets

Long-lived assets, such as property and equipment, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of the asset exceeds its estimated future cash flows, an impairment charge is recognized for the amount by which the carrying amount of the asset exceeds the fair value of the asset. There were no long-lived assets that were considered impaired at December 31, 2018 or 2017.

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(n) Functional Expense Allocation

The costs of providing the various programs and activities of the Association have been presented on a functional basis in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs benefited. Such allocations are determined by management on an equitable basis. Costs, such as salaries and benefits, occupancy, information technologies, and depreciation, are allocated on a time and effort or square footage basis, and are recorded accordingly in the statement of functional expenses.

(o) Recent Accounting Pronouncements Not Yet Adopted

The Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers,* in May 2014. ASU No. 2014-09 requires an entity to recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity should also disclose sufficient quantitative and qualitative information to enable users of financial statements to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The framework prescribed by ASU No. 2014-09 includes (a) identifying the contract, (b) identifying the related performance obligations, (c) determining the transaction price, (d) allocating the transaction price to the identified performance obligations, and (e) recognizing revenue as the identified performance obligations are satisfied. Based on our evaluations, we do not currently believe the adoption of ASU No. 2014-09 will have a material effect on the Association's financial statements. This standard is effective for annual reporting periods beginning after December 15, 2018, as amended in August 2015 by ASU No. 2015-14, *Deferral of the Effective Date*. The Association will implement the provisions of ASU No. 2014-09 as of January 1, 2019 under the modified retrospective method.

On February 25, 2016, FASB issued ASU No. 2016-02, *Leases*. This new standard will now require lessees to recognize most leases on the balance sheet. Lessor accounting remains substantially similar to current U.S. Generally Accepted Accounting Principles. ASU No. 2016-02 is effective for annual periods beginning after December 15, 2019, and mandates a modified retrospective transition method for all entities. The Association is evaluating the impact of the standard and does not expect the adoption of this standard to have a material impact on its financial statements.

In August 2016, the FASB issued ASU No. 2016-15, *Statement of Cash Flows (Topic 230)*, which amends Accounting Standards Codification Topic 230, *Statement of Cash Flows*, to clarify guidance on the classification of certain cash receipts and payments in the statement of cash flows. The FASB issued the ASU with the intent of reducing diversity in practice with respect to eight types of cash flows. The guidance in ASU No. 2016-15 is effective for fiscal years beginning after December 15, 2018, with early adoption permitted. The standard must be adopted retrospectively to all periods presented. The Association does not plan to early adopt the standard and does not expect the adoption of this standard to have a material impact on its financial statements.

The FASB issued ASU No. 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, in June 2018. ASU No. 2018-08 assists an entity in evaluating whether transactions should be accounted for as contributions within the scope of Topic 958, *Not-for-Profit Entities*, or as exchange transactions subject to other guidance including Topic 606, *Revenue from Contracts with Customers*. An entity will also receive guidance on determining whether a contribution is conditional. The guidance in ASU No. 2018-08 is effective for fiscal years beginning after December 15, 2018, with early adoption permitted. The Association does not plan to early adopt the standard and does not expect the adoption of this standard to have a material impact on its financial statements.

(p) Recently Adopted Accounting Pronouncements

These statements reflect the adoption of FASB-issued ASU No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. This ASU simplifies the classification of net assets and improves the disclosure of information a not-for-profit entity presents about its liquidity, financial performance, and cash flows. The most significant impact is the reporting of net assets in two classes, net assets without donor restrictions and net assets with donor restrictions, in the statements of financial position, and statements of activities, rather than the previous presentation of unrestricted, temporarily restricted and permanently restricted net assets. In addition, a statement of functional expenses was included in the financial statements. Additional disclosures were added regarding this ASU, including a disclosure over liquidity.

The effect of the adoption of this standard is shown in the table below:

	As previously reported	Changes made to adopt ASU No. 2016-14	Current presentation
Net assets as of December 31, 2017:			
Unrestricted	$ 24,512,388	(24,512,388)	—
Temporarily restricted	122,012,022	(122,012,022)	—
Permanently restricted	49,664,966	(49,664,966)	—
Without donor restrictions	—	24,512,388	24,512,388
With donor restrictions	—	171,676,988	171,676,988
Changes in net assets for the year ended December 31, 2017:			
Unrestricted	5,251,462	(5,251,462)	—
Temporarily restricted	5,539,629	(5,539,629)	—
Permanently restricted	5,681,661	(5,681,661)	—
Without donor restrictions	—	5,251,462	5,251,462
With donor restrictions	—	11,221,290	11,221,290
Total	$ 212,662,128	—	212,662,128

(q) Reclassifications

Certain reclassifications have been made to the prior year amounts in order to conform to the current year presentation.

(2) Contributions Receivable

Unconditional promises to give at December 31 are as follows:

		2018	2017
Total unconditional promises to give	$	3,925,812	5,056,315
Less discount		(655,687)	(829,872)
Total net contributions receivable		3,270,125	4,226,443
Less current portion		(671,749)	(1,251,316)
Long-term portion	$	2,598,376	2,975,127

Unconditional promises to give due in more than one year at the dates presented are recorded at their present value discounted at rates between 4.50% and 3.50% for both 2018 and 2017. The accretion of the discount in subsequent years is reported as additional contributions in the net asset class in which the original promise to give was made.

Contributions receivable (undiscounted) at December 31, 2018 are scheduled to be collected as follows:

Year:		
2019	$	671,749
2020		504,063
2021		350,000
2022		—
2023		—
Thereafter		2,400,000
	$	3,925,812

(3) Investments

Investments by investment type at December 31 consist of the following:

		2018	2017
Mutual funds	$	41,718,953	47,704,289
Investments in offshore investment of funds		11,777,223	10,829,773
Fixed-income securities		5,898,760	3,947,904
U.S. government debt securities		511,880	1,490,460
Other (including agency endowment)		881,493	1,012,136
	$	60,788,309	64,984,562

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In 1995, the Association established an agency endowment with the Wyoming Community Foundation. Under this arrangement, the Association granted the Wyoming Community Foundation variance power whereby the board of directors of the Wyoming Community Foundation has the power and the duty to modify any restriction or condition on the distribution of funds for any specified charitable purpose if, in the sole judgment of the Wyoming Community Foundation's board of directors, such restriction or condition becomes in effect, unnecessary, incapable of fulfillment, or inconsistent with the charitable needs of the state of Wyoming. However, as a further condition on this gift, in the event the Wyoming Community Foundation ceases to exist, the principle of the fund shall remain intact and be transferred to another cultural organization within the state of Wyoming.

The carrying amount of the investment in the Wyoming Community Foundation is $837,798 and $968,845 at December 31, 2018 and 2017, respectively. This investment is recorded in investments as a beneficial interest in assets held by others.

The Association has invested in offshore investment funds of funds, which invest in a diversified group of pooled funds domiciled both within and outside the United States. These investments are valued at $11,777,223 and $10,829,773 at December 31, 2018 and 2017, respectively. The funds' estimated fair value is based on the net asset value of the funds, which represents the Association's interest in the underlying assets of the funds. There is a possibility that actual sales of the funds would not occur at the net asset value.

The Association received gifts of securities valued at $161,389 and $171,286, which were immediately converted to cash and included in contributions in the statements of activities during the years ended December 31, 2018 and 2017, respectively.

Investment income and gains and losses on investments included in the statements of activities for the years ended December 31 consist of the following:

		2018	2017
Realized gain on investments	$	1,482,211	4,703,591
Unrealized (losses) gains on investments		(7,274,813)	3,424,623
Dividends and interest		1,174,524	1,150,904
	$	(4,618,078)	9,279,118

(4) Property and Equipment, net

Property and equipment, net at December 31 is summarized as follows:

		2018	2017
Land, buildings, and improvements	$	56,522,497	58,913,355
Furniture, fixtures, and equipment		2,565,458	2,521,505
Construction in progress		5,324,959	795,790
		64,412,914	62,230,650
Less accumulated depreciation		(29,132,880)	(28,666,985)
	$	35,280,034	33,563,665

Depreciation expense was $1,325,400 and $1,421,957 for the years ended December 31, 2018 and 2017, respectively.

(5) Collections

Collections at cost as of December 31 are summarized as follows:

		2018	2017
Artifacts, photos, memorabilia, etc.	$	55,821,117	55,666,317
Art and bronzes		34,348,478	33,230,341
	$	90,169,595	88,896,658

(6) Revolving Lines of Credit

The Association has a $2.0 million unsecured line of credit bearing interest at the greater of the prime rate or 4.25% (5.50% at December 31, 2018) payable at maturity. The line of credit matures on October 1, 2019. $900,335 was outstanding and $1,099,665 was available at December 31, 2018. No amounts were outstanding and $2.0 million was available at December 31, 2017.

(7) Note Payable

The Association has an $8.8 million credit facility to bridge the Cody Firearms Museum renovation expenses and pledge payments. The note bears interest at a fixed rate of 4.55% and provides for construction period draws through February 1, 2020. Interest only is payable monthly through February 1, 2020. At that time, the note converts to a term loan with payments of principal plus outstanding interest due monthly. The loan matures August 1, 2024. The loan is collateralized by donor pledges. $1,572,912 was outstanding at December 31, 2018.

Principal payments on the outstanding note payable are to be made as follows:

Year:		
2019	$	—
2020		320,408
2021		349,536
2022		349,536
2023		349,536
Thereafter		203,896
	$	1,572,912

(8) Contributed Services and Property

The Association records contributed services at fair value if the services received create or enhance nonfinancial assets or require specialized skills are provided by individuals possessing those skills and would need to be purchased if not provided by donation. The Association records contributed property at estimated fair value at the date of contribution. Following is a summary of the nature of contributed services and property and their fair value during the years ended December 31:

		2018	2017
Accounting services	$	12,000	12,000
Program-related services and property		257,445	1,259,713
	$	269,445	1,271,713

The Association also receives contributions of services that do not meet the criteria for recognition in the financial statements. Following is a summary of the nature and fair values of contributed services not recognized during the years ended December 31 (unaudited):

		2018	2017
Curatorial services	$	64,939	53,571
Education docents services		60,592	37,423
Event support services		6,778	12,297
Administrative services		5,472	1,734
	$	137,781	105,025

(9) Net Assets with Donor Restrictions

Net assets with donor restrictions are available for the following purposes at December 31:

	2018	2017
Collections	$ 95,419,162	94,780,189
Physical plant and security	21,638,856	21,335,584
Educational programs	5,355,044	6,136,492
Curatorial and conservation	20,853,242	22,666,140
Research activities	566,429	1,170,431
General and administrative	25,397,253	25,588,152
	$ 169,229,986	171,676,988

(10) Endowment and Board-Directed (formerly Quasi-Endowment) Funds

The Association follows the provisions of FASB ASC Subtopic 958-250-45, *Not-for-Profit Organizations: Net Asset Classifications of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act*. The provision provides guidance on classifying net assets associated with donor-restricted endowment funds held by organizations that are subject to an enacted version of Uniform Prudent Management of Institutional Funds Act (UPMIFA). The state of Wyoming has enacted a version of UPMIFA. A key component of the provision is a requirement to classify the portion of a donor-restricted endowment fund that is not classified as net assets with permanent donor restrictions as net assets with temporary donor restrictions until appropriated for expenditure. Another key component of the provision is a requirement for expanded disclosures about all endowment funds.

The Association’s endowment consists of approximately 45 funds established for a variety of purposes. Its endowment includes both donor-restricted and governing-board-designated endowment funds and funds to be held for more than one year, which are subject to the investment policy. As required by U.S. generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the governing board to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law – The Association’s management has interpreted the UPMIFA enacted in the state of Wyoming as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Association classifies as net assets with permanent donor restrictions (a) the original value of the gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

The remaining portion of the donor-restricted endowment fund (primarily realized and unrealized gains and losses and investment income) is classified as net assets with temporary donor restrictions until those amounts are appropriated for expenditure by the Association in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Association considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purposes of the Association and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the Association
- The investment policies of the Association:

Endowment net asset composition by type of fund consists of the following as of December 31, 2018:

	Original endownment amount	Without donor restrictions	With donor restrictions	Total
Donor-restricted endowment funds	$ 31,854,621	—	52,633,845	52,633,845
Board-designated endowment funds	—	7,272,971	—	7,272,971
Total endowment net assets		$ 7,272,971	52,633,845	59,906,816

Endowment net asset composition by type of fund consists of the following as of December 31, 2017:

	Original endownment amount	Without donor restrictions	With donor restrictions	Total
Donor-restricted endowment funds	$ 29,924,351	—	53,666,454	53,666,454
Board-designated endowment funds	—	10,305,972	—	10,305,972
Total endowment net assets		10,305,972	53,666,454	63,972,426

Changes in endowment net assets for the year ended December 31, 2018 are as follows:

		Without donor restrictions	With donor restrictions	Total
Endowment net assets, December 31, 2017	$	10,305,972	53,666,454	63,972,426
Investment return:				
Investment income		565,986	584,458	1,150,444
Net realized and unrealized gains		(2,771,659)	(2,903,568)	(5,675,227)
Total investment return		(2,205,673)	(2,319,110)	(4,524,783)
Appropriation of endowment assets for expenditures		(1,723,645)	(643,769)	(2,367,414)
Contributions		896,317	1,930,270	2,826,587
Endowment net assets, December 31, 2018	$	7,272,971	52,633,845	59,906,816

Changes in endowment net assets for the year ended December 31, 2017 are as follows:

		Without donor restrictions	With donor restrictions	Total
Endowment net assets, December 31, 2016	$	9,566,009	41,380,393	50,946,402
Investment return:				
Investment income		527,646	575,646	1,103,292
Net realized and unrealized gains		1,974,361	6,047,854	8,022,215
Total investment return		2,502,007	6,623,500	9,125,507
Appropriation of endowment assets for expenditures		(2,145,194)	(264,504)	(2,409,698)
Contributions		383,150	5,927,065	6,310,215
Endowment net assets, December 31, 2017	$	10,305,972	53,666,454	63,972,426

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 requires the Association to retain as a fund of perpetual duration. Deficiencies of this nature are reported as reductions in net assets without donor restrictions. At December 31, 2018, as a result of net realized and unrealized losses on investments, the aggregate amount by which the fair value of the permanently restricted assets was less than the level required by donor stipulations was $108,817. The funds with deficiencies had an original amount of $2,877,362 at the time of donation and a market value of $2,768,545 at December 31, 2018. At December 31, 2017, there were no funds with deficiencies.

Return Objectives and Risk Parameters – The Association has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowments while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Association must hold in perpetuity or for a donor-specified period(s) as well as board-designated funds. The Association seeks to earn a long-term total rate of return sufficient to produce realistic growth of endowment assets net of spending requirements, inflation, and investment expenses. The benchmark consists of the common industry benchmarks for the individual asset classes weighted according to the asset allocation policy. Actual returns in any year may vary from this amount.

Strategies Employed for Achieving Objectives – To satisfy its long-term rate-of-return objectives, the Association 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 Association targets a diversified asset allocation that places an emphasis on equity-based and alternative investments to achieve its long-term return objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy – The Association has a policy of appropriating for distribution each year 4.5% to 5.5% of its endowment fund's average fair value over the prior 12 quarters through the fiscal year-end preceding the fiscal year in which the distribution is planned. In establishing this policy, the Association considers the long-term expected return on its endowment. Since inception in January of 1980, the compound annual rate of return has been 11.9% after spending. This is consistent with the Association's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return. The effective spending rate for 2018 and 2017 was 5.22% and 4.7%, respectively.

Substantially all investments of the Association held for endowment are pooled for investment purposes. Income earned on endowment fund investments is allocated on the basis of each fund's proportionate interest in the pooled investment portfolio.

(11) Related Parties

Board members made contributions totaling $856,508 and $1,598,353 for the years ended December 31, 2018 and 2017, respectively. Some of these contributions are in the form of a contribution receivable. Contributions receivable from board members were $144,583 and $714,413 at December 31, 2018 and 2017, respectively, and are included in contributions receivable on the statements of financial position.

(12) Employee Benefit Plans

The Association sponsors a 403(b) retirement plan for the participation of eligible employees. All employees are eligible to defer salary dollars within the limits determined by the Internal Revenue Service. Employees who complete one year of service and work at least 1,000 hours are eligible for an Association-funded matching contribution. The Association matches the employee's deferral of up to 4% of salary. The Association made matching contributions of $137,467 and $131,581 in 2018 and 2017, respectively.

The Association has a medical benefit plan covering full-time employees of the Association and their dependents. The plan is a primarily self-funded plan under which participant claims are obligations of the plan. The plan is funded through employer and employee contributions at a level sufficient to pay for the benefits provided by the plan. The Association made contributions of $1,418,278 in 2018 and $908,702 in 2017 to the plan. The plan maintained individual stop-loss insurance policies of $50,000 in 2018 and 2017. The plan maintained aggregate stop-loss insurance policies of $1,355,303 in 2018 and $1,393,858 in 2017 (based on actual plan participants, adjusted monthly), to mitigate losses. There was no liability recorded at December 31, 2018 for incurred but not reported medical expenses as the Association reached the plan's aggregate stop-loss limit on the plan during the year.

(13) Fair Value Measurements

Fair value is defined as 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 and establishes a framework for measuring fair value. A three-level hierarchy for fair value measurements is based upon the transparency of inputs to the valuation of the asset or liability as of the measurement date. The three levels are defined as follows:

Level 1 – Inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 – Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. This includes quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, or inputs that are derived principally from or corroborated by observable market data.

Level 3 – Inputs are unobservable for the asset or liability. Unobservable inputs reflect the reporting entity's own assumptions about the assumptions that market participants would use in pricing the asset or liability developed based on the best information available in the circumstances.

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

The Association follows the measurement provisions of FASB ASC Paragraph 820-10-35-59, *Fair Value Measurements of Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)*, for certain investments in funds that do not have readily determinable fair values, including private investments, hedge funds, real estate, and other funds. This guidance allows for the estimation of the fair value of investments in investment companies for which the investment does not have a readily determinable fair value using net asset value per share or its equivalent. The carrying value at December 31, 2018 and 2017 of investments valued using these measurements is $11,777,223 and $10,829,773, respectively.

Although the fund manager uses its best judgment in estimating the fair value of investments in investment funds, there are inherent limitations in any estimation technique. Therefore, the net asset values presented are not necessarily indicative of the amount that the fund could realize in a current transaction. These estimated values may differ significantly from the values that would have been used had a ready market for the investments in investment funds existed and the difference could be material. Some of the factors considered by the fund manager in valuing the investment funds are types of investments owned by the investment funds, information contained in audited financial statements, and other relevant matters.

The Association’s offshore hedge funds contain certain redemption and lock-up provisions. The initial lock-up period for the offshore hedge funds is one year. The lock-up period has passed in both 2017 and 2018 for the Association’s offshore hedge funds as the funds have been held for over one year. There is a quarterly liquidity provision that is allowed with a 60-day notice based on calendar-year quarters. There are no limitations to liquidating the funds. However, in the case of a full liquidation, 90% of the funds are disbursed at the requested quarter-end. The remaining 10% of the funds can be redeemed after the completion of the funds’ audited financial statements. The carrying value at December 31, 2018 and 2017 of offshore hedge funds is $9,847,252 and $9,743,505, respectively.

The Association’s offshore private equity funds contain certain redemption and lock-up provisions. There are no provisions for voluntary redemptions; the funds may be redeemed only with permission of the funds’ boards of directors and the boards do not expected to grant such consent given the nature of the funds. The carrying value at December 31, 2018 and 2017 of offshore private equity funds is $1,929,971 and $1,086,268, respectively.

Financial assets and liabilities measured at fair value on a recurring basis at December 31, 2018 consisted of the following:

		Fair value measurements		
	Total	**Level 1**	**Level 2**	**Level 3**
Investments:				
Mutual funds	$ 41,718,953	41,718,953	—	—
U.S. government debt securities	511,880	511,880	—	—
Fixed-income securities	5,898,760	—	5,898,760	—
Agency endowment	837,798	—	837,798	—
Other	43,695	—	43,695	—
	49,011,086	42,230,833	6,780,253	—
Offshore investments fund of funds (at net asset value)	11,777,223			
	$ 60,788,309			

Financial assets and liabilities measured at fair value on a recurring basis at December 31, 2017 consisted of the following:

			Fair value measurements		
		Total	**Level 1**	**Level 2**	**Level 3**
Investments:					
Mutual funds	$	47,704,289	47,704,289	—	—
U.S. government debt securities		1,490,460	1,490,460	—	—
Fixed-income securities		3,947,904	—	3,947,904	—
Agency endowment		968,845	—	968,845	—
Other		43,291	—	43,291	—
		54,154,789	49,194,749	4,960,040	—
Offshore investments fund of funds (at net asset value)		10,829,773			
	$	64,984,562			

(14) Liquidity and Availability

The Association regularly monitors liquidity required to meet its operating needs, liabilities, and other obligations as they become due. As of December 31, 2018, the Association has cash and cash equivalents, inventories, and investments to cover operating expenses. The following assets could be readily made available within one year of the statements of financial position to meet general expenditures:

		2018
Financial assets:		
Cash and cash equivalents	$	1,035,241
Accounts receivable		429,884
Inventories		1,048,950
Prepaid expenses		129,746
Current portion of contributions receivable		671,749
Investments		60,788,309
Less those unavailable for general expenditures:		
Investments with restrictions		(52,633,845)
Contributions receivable with restrictions		(447,833)
Financial assets available to meet cash needs for general expenditures within one year	$	11,022,201

(15) Subsequent Events

Management has updated their evaluation of conditions and events existing that would require adjustment to or disclosure in the financial statements through June 20, 2019, the date the financial statements were available to be issued.