



FINANCIAL STATEMENTS

With Independent Auditor's Report

YEARS ENDED JUNE 30, 2021 AND 2020

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TACOMA ART MUSEUM
FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2021 AND 2020

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INDEPENDENT AUDITOR'S REPORT

November 23, 2021

Board of Trustees
Tacoma Art Museum
Tacoma, Washington

We have audited the accompanying financial statements of Tacoma Art Museum (a nonprofit corporation), which comprise the statements of financial position as of June 30, 2021 and 2020 and the related statements of activities, functional expenses 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.

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 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 in the first paragraph of this letter present fairly, in all material respects, the financial position of Tacoma Art Museum as of June 30, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.



Jacobson Jarvis & Co, PLLC

TACOMA ART MUSEUM
STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
<u>ASSETS</u>		
Current Assets		
Cash and cash equivalents	\$ 1,292,127	\$ 1,210,003
Promises to give, net (Note C)	445,500	146,000
Accounts and grants receivable	26,358	19,563
Prepays and deposits	283,214	120,149
Inventory	287,994	280,077
Total Current Assets	<u>2,335,193</u>	<u>1,775,792</u>
Other Assets		
Long-term promises to give, net (Note C)	343,469	39,482
Investments (Note D)	35,068,043	30,187,813
Assets held in trust (Note E)	1,433,627	1,226,798
Total Other Assets	<u>36,845,139</u>	<u>31,454,093</u>
Permanent Collection (Note G)	-	-
Property and Equipment, net (Note H)	<u>35,152,918</u>	<u>36,382,392</u>
Total Assets	<u>\$ 74,333,250</u>	<u>\$ 69,612,277</u>
<u>LIABILITIES AND NET ASSETS</u>		
Current Liabilities		
Accounts payable	\$ 122,527	\$ 157,988
Accrued expenses	8,984	7,092
Paycheck Protection Program loan	519,982	520,283
Total Current Liabilities	<u>651,493</u>	<u>685,363</u>
Line of Credit (Note J)	<u>6,650,000</u>	<u>7,650,000</u>
Total Liabilities	<u>7,301,493</u>	<u>8,335,363</u>
Net Assets		
Without donor restrictions	41,889,049	40,392,521
With donor restrictions	25,142,708	20,884,393
Total Net Assets	<u>67,031,757</u>	<u>61,276,914</u>
Total Liabilities and Net Assets	<u>\$ 74,333,250</u>	<u>\$ 69,612,277</u>

See notes to financial statements.

TACOMA ART MUSEUM

STATEMENTS OF ACTIVITIES

YEARS ENDED JUNE 30, 2021 AND 2020

	2021			2020		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
OPERATING:						
Support						
Contributions	\$ 478,023	\$ 42,179	520,202	\$ 849,358	\$ 19,945	\$ 869,303
Grants	1,213,703	170,000	1,383,703	451,990	25,000	476,990
Special events	244,236	25,000	269,236	375,286	17,500	392,786
Business contributions	108,475	94,035	202,510	194,191	-	194,191
In-kind contributions	2,500	1,500	4,000	21,373	-	21,373
Transfers from non-operating activity	767,402	-	767,402	1,676,018	-	1,676,018
Total Support	2,814,339	332,714	3,147,053	3,568,216	62,445	3,630,661
Revenue						
Retail income	45,288	-	45,288	338,879	-	338,879
Admissions and tours	32,090	-	32,090	255,617	-	255,617
Memberships	113,070	-	113,070	169,528	-	169,528
Facility rentals	(6,424)	-	(6,424)	58,977	-	58,977
Art loan fees and shipping	20,963	-	20,963	10,228	-	10,228
Other income	18,872	-	18,872	41,528	-	41,528
Total Revenue	223,859	-	223,859	874,757	-	874,757
Net Assets Released from Restrictions						
Satisfaction of purpose restrictions	791,642	(791,642)	-	894,379	(894,379)	-
Total Operating Support and Revenue	3,829,840	(458,928)	3,370,912	5,337,352	(831,934)	4,505,418
Expenses						
Program Services						
Exhibitions and curatorial	946,914		946,914	1,034,018		1,034,018
Museum services	446,996		446,996	951,076		951,076
Marketing	331,527		331,527	278,911		278,911
Education	442,310		442,310	450,610		450,610
Total Program Services Expenses	2,167,747		2,167,747	2,714,615		2,714,615
Administration	886,113		886,113	876,632		876,632
Development	690,249		690,249	735,931		735,931
Total Supporting Services Expenses	1,576,362		1,576,362	1,612,563		1,612,563
Total Operating Expenses	3,744,109		3,744,109	4,327,178		4,327,178
Operating Change in Net Assets	85,731	(458,928)	(373,197)	1,010,174	(831,934)	178,240

TACOMA ART MUSEUM

STATEMENTS OF ACTIVITIES (Continued)

YEARS ENDED JUNE 30, 2021 AND 2020

	2021			2020		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
NON-OPERATING:						
Endowment contributions	-	671,816	671,816	\$ -	\$ 11,100	\$ 11,100
Change in value of assets held in trust	-	206,829	206,829	-	163,240	163,240
Depreciation	(1,339,674)	-	(1,339,674)	(1,337,952)	-	(1,337,952)
Investment returns	2,859,805	4,606,000	7,465,805	(58,151)	(94,607)	(152,758)
Acquisition of collection items	(36,335)	-	(36,335)	(36,488)	-	(36,488)
Interest and fees	(73,536)	-	(73,536)	(208,947)	-	(208,947)
Gain on sale of assets	537	-	537	1,380	-	1,380
Satisfaction of purpose restrictions	767,402	(767,402)	-	1,676,018	(1,676,018)	-
Transfers to operating activity	<u>(767,402)</u>	<u>-</u>	<u>(767,402)</u>	<u>(1,676,018)</u>	<u>-</u>	<u>(1,676,018)</u>
Non-Operating Change in Net Assets	<u>1,410,797</u>	<u>4,717,243</u>	<u>6,128,040</u>	<u>(1,640,158)</u>	<u>(1,596,285)</u>	<u>(3,236,443)</u>
Total Change in Net Assets	1,496,528	4,258,315	5,754,843	(629,984)	(2,428,219)	(3,058,203)
Net Assets - beginning of year	<u>40,392,521</u>	<u>20,884,393</u>	<u>61,276,914</u>	<u>41,022,505</u>	<u>23,312,612</u>	<u>64,335,117</u>
Net Assets - end of year	<u>\$ 41,889,049</u>	<u>\$ 25,142,708</u>	<u>\$ 67,031,757</u>	<u>\$ 40,392,521</u>	<u>\$ 20,884,393</u>	<u>\$ 61,276,914</u>

TACOMA ART MUSEUM

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2021

	Program Services					Supporting Services			
	<u>Exhibitions/ Curatorial</u>	<u>Museum Services</u>	<u>Marketing</u>	<u>Education</u>	<u>Total Program Services</u>	<u>Administration</u>	<u>Development</u>	<u>Total Supporting Services</u>	<u>Total</u>
Operating Expenses									
Salaries and related expenses	\$ 539,999	\$ 303,608	\$ 198,324	\$ 285,095	\$ 1,327,026	\$ 521,354	\$ 515,372	\$ 1,036,726	\$ 2,363,752
Contracted services	141,792	63,994	57,648	98,693	362,127	180,420	40,224	220,644	582,771
Telephone and utilities	91,805	23,485	-	8,540	123,830	89,670	-	89,670	213,500
Insurance	69,979	6,728	-	2,447	79,154	25,689	-	25,689	104,843
Supplies	25,436	5,869	3,596	20,374	55,275	13,995	8,629	22,624	77,899
Bad debt	-	-	-	-	-	-	72,471	72,471	72,471
Publicity and advertising	-	-	57,900	410	58,310	-	254	254	58,564
Postage and shipping	37,316	3,188	706	1,333	42,543	3,143	8,873	12,016	54,559
Printing and publications	3,413	2,408	1,609	3,641	11,071	7,166	30,207	37,373	48,444
Miscellaneous	18,885	4,608	2,760	4,534	30,787	11,091	293	11,384	42,171
Building repairs and maintenance	15,709	4,018	-	1,461	21,188	15,343	-	15,343	36,531
Dues and subscriptions	3,686	6,321	6,043	7,743	23,793	6,302	2,505	8,807	32,600
Interest and bank charges	4,645	3,700	2,303	4,080	14,728	10,260	5,074	15,334	30,062
Cost of goods sold	-	14,651	-	-	14,651	-	-	-	14,651
Travel and entertainment	6,351	543	329	1,035	8,258	1,466	(240)	1,226	9,484
Photography	5,984	-	-	-	5,984	-	-	-	5,984
Catering	188	2,489	93	164	2,934	416	1,657	2,073	5,007
Equipment rental/maintenance	2,883	1,454	-	-	4,337	-	-	-	4,337
Donated goods and services	-	-	-	-	-	-	4,000	4,000	4,000
Professional development	(25)	(68)	216	2,760	2,883	(202)	930	728	3,611
Exhibition loan fees	(21,132)	-	-	-	(21,132)	-	-	-	(21,132)
Total Operating Expenses	946,914	446,996	331,527	442,310	2,167,747	886,113	690,249	1,576,362	3,744,109
Acquisition of collection items	36,335	-	-	-	36,335	-	-	-	36,335
Depreciation	574,988	59,749	-	144,283	779,020	560,654	-	560,654	1,339,674
Interest and fees	-	-	-	-	-	73,536	-	73,536	73,536
Total Expenses	<u>\$ 1,558,237</u>	<u>\$ 506,745</u>	<u>\$ 331,527</u>	<u>\$ 586,593</u>	<u>\$ 2,983,102</u>	<u>\$ 1,520,303</u>	<u>\$ 690,249</u>	<u>\$ 2,210,552</u>	<u>\$ 5,193,654</u>

TACOMA ART MUSEUM

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2020

	Program Services					Supporting Services			
	Exhibitions/ <u>Curatorial</u>	Museum <u>Services</u>	<u>Marketing</u>	<u>Education</u>	Total Program <u>Services</u>	<u>Administration</u>	<u>Development</u>	Total Supporting <u>Services</u>	<u>Total</u>
Operating Expenses									
Salaries and related expenses	\$ 562,766	\$ 683,326	\$ 172,319	\$ 321,310	\$ 1,739,721	\$ 472,261	\$ 522,195	\$ 994,456	\$ 2,734,177
Contracted services	95,040	80,185	34,132	60,861	270,218	71,198	64,555	135,753	405,971
Telephone and utilities	91,054	23,293	-	8,470	122,817	88,937	-	88,937	211,754
Insurance	42,302	-	-	-	42,302	65,369	-	65,369	107,671
Supplies	33,883	39,191	2,158	28,250	103,482	11,696	4,217	15,913	119,395
Bad debt	-	-	-	-	-	18,425	-	18,425	18,425
Publicity and advertising	-	47	52,271	187	52,505	-	626	626	53,131
Postage and shipping	41,543	1,362	-	-	42,905	10,917	3,401	14,318	57,223
Printing and publications	69,763	301	7,310	4,850	82,224	18,519	19,990	38,509	120,733
Miscellaneous	10,718	781	156	1,286	12,941	24,123	767	24,890	37,831
Building repairs and maintenance	330	-	-	1,360	1,690	-	48,424	48,424	50,114
Dues and subscriptions	2,478	3,496	6,930	2,548	15,452	15,101	1,102	16,203	31,655
Interest and bank charges	156	2,177	70	105	2,508	39,635	4,247	43,882	46,390
Cost of goods sold	-	67,168	-	-	67,168	-	-	-	67,168
Travel and entertainment	12,311	175	1,174	12,818	26,478	27,954	11,428	39,382	65,860
Photography	2,287	-	571	-	2,858	-	-	-	2,858
Catering	325	48,125	839	4,374	53,663	1,264	31,610	32,874	86,537
Equipment rental/maintenance	675	1,449	-	-	2,124	-	-	-	2,124
Donated goods and services	-	-	-	-	-	-	21,373	21,373	21,373
Professional development	3,306	-	981	4,191	8,478	11,233	1,996	13,229	21,707
Exhibition loan fees	65,081	-	-	-	65,081	-	-	-	65,081
Total Operating Expenses	1,034,018	951,076	278,911	450,610	2,714,615	876,632	735,931	1,612,563	4,327,178
Acquisition of collection items	36,488	-	-	-	36,488	-	-	-	36,488
Depreciation	574,249	144,097	-	59,673	778,019	559,933	-	559,933	1,337,952
Interest and fees	89,680	22,504	-	9,319	121,503	87,444	-	87,444	208,947
Total Expenses	<u>\$ 1,734,435</u>	<u>\$ 1,117,677</u>	<u>\$ 278,911</u>	<u>\$ 519,602</u>	<u>\$ 3,650,625</u>	<u>\$ 1,524,009</u>	<u>\$ 735,931</u>	<u>\$ 2,259,940</u>	<u>\$ 5,910,565</u>

TACOMA ART MUSEUM

STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
Cash Flows from Operating Activities		
Cash received from:		
Donors	\$ 2,443,679	\$ 3,263,853
Retail income	38,493	338,879
Admissions and tours	32,090	255,617
Membership	113,070	169,528
Facility rental	(6,424)	58,977
Other	39,835	51,756
Cash paid for:		
Personnel	(2,361,860)	(2,739,832)
Services and supplies	(1,673,029)	(1,672,208)
Interest and fees	<u>(73,536)</u>	<u>(208,947)</u>
Net Cash Used by Operating Activities	<u>(1,447,682)</u>	<u>(482,377)</u>
Cash Flows from Investing Activities		
Purchases of investments	(283,981)	(11,383,489)
Proceeds from sale of investments	2,869,556	13,742,542
Purchases of property and equipment	<u>(55,769)</u>	<u>(791,961)</u>
Net Cash Provided by Investing Activities	<u>2,529,806</u>	<u>1,567,092</u>
Cash Flows from Financing Activities		
Cash received from endowment contributions	-	100,000
Cash received from capital contributions	-	203,383
Payments on line of credit	<u>(1,000,000)</u>	<u>(1,000,000)</u>
Net Cash Used by Financing Activities	<u>(1,000,000)</u>	<u>(696,617)</u>
Changes in Cash and Cash Equivalents	82,124	388,098
Cash and Cash Equivalents - beginning of year	<u>1,210,003</u>	<u>821,905</u>
Cash and Cash Equivalents - end of year	<u><u>\$ 1,292,127</u></u>	<u><u>\$ 1,210,003</u></u>

TACOMA ART MUSEUM

STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
Reconciliation of Change in Net Assets to Net Cash		
Flows from Operating Activities		
Change in net assets	\$ 5,754,843	\$ (3,058,203)
Adjustments to reconcile change in net assets to net cash used by operating activities		
Depreciation	1,339,674	1,337,952
Interest and dividends reinvested	(681,307)	(754,565)
(Gain) loss on investments	(6,784,498)	907,323
Change in value of assets held in trust	(206,829)	616,760
Gain on sale of assets	(537)	(1,380)
Decrease (increase) in		
Promises to give	(603,487)	8,766
Accounts and grants receivable	(6,795)	10,434
Prepays and deposits	(163,065)	(21,079)
Inventory	(7,917)	(2,445)
(Decrease) increase in		
Accounts payable	(89,355)	(40,568)
Accrued expenses	<u>1,591</u>	<u>514,628</u>
Net Cash Used by Operating Activities	<u>\$ (1,447,682)</u>	<u>\$ (482,377)</u>

TACOMA ART MUSEUM

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2021 AND 2020

NOTE A - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Tacoma Art Museum (TAM) is a nonprofit corporation organized under the laws of the State of Washington for the purpose of promoting and cultivating the fine arts and arts education. Its primary sources of revenue and support are private contributions and grants.

Celebrating over 80 years of business, Tacoma Art Museum is an anchor in Tacoma's downtown with a mission of connecting people through art. TAM's collection contains more than 5,000 works, with an emphasis on the art and artists of the Northwest and broader Western region, 25% of which consists of studio glass. The collection includes the largest retrospective museum collection of glass art by Tacoma native Dale Chihuly on permanent view; the most significant collection of studio art jewelry by Northwest artists; key holdings in 19th century European and 20th century American art; one of the finest collections of Japanese woodblock prints on the West Coast; and more than 300 works of western American art from the Haub Family Collection, one of the premier such collections in the nation. In January 2019, TAM inaugurated the Rebecca and Jack Benaroya Wing which features the extensive Benaroya collection of studio glass as well as TAM's own collection of studio glass started in 1971. TAM is located in the heart of Tacoma's vibrant Museum District, which consists of six museums, including the Museum of Glass, a frequent collaborator.

Federal income taxes

The Internal Revenue Service has recognized TAM as exempt from federal income taxes under provision of Section 501(a) of the Internal Revenue Code as an entity described in Section 501(c)(3) and not as a private foundation. However, certain activities not directly related to TAM's tax-exempt purpose are not exempt and are subject to federal income tax. TAM incurred no income tax expense for the years ended June 30, 2021 and 2020.

Basis of presentation

TAM presents its financial statements on an accrual basis of accounting in accordance with FASB Accounting Standards Codification (ASC) 958, *Not-for-Profit Entities*. Under FASB ASC 958, TAM is required to report information regarding its financial position and activities based on the existence or absence of donor- or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor- (or certain grantor-) restrictions.

Net Assets With Donor Restrictions – Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

TACOMA ART MUSEUM

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2021 AND 2020

NOTE A - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net assets with donor restrictions are available as follows at June 30:

	<u>2021</u>	<u>2020</u>
Subject to expenditure for specific purpose:		
Assets held in trust (time restricted)	\$ 1,433,627	\$ 1,226,798
Other projects and programs	1,111,960	864,814
Debt redemption (2003 building campaign)	-	624,814
Art acquisition	<u>318,946</u>	<u>321,571</u>
	<u>2,864,533</u>	<u>3,037,997</u>
Endowments:		
Subject to endowment spending policy and appropriation:		
Haub endowment	9,975,893	8,261,277
Benaroya endowment	4,892,406	4,046,140
Museum operating endowment	2,996,387	2,516,389
Art endowment	<u>1,199,430</u>	<u>943,670</u>
	19,064,116	15,767,476
Not subject to TAM endowment spending policy and appropriation:		
Museum operating endowment held in trust	2,545,203	2,056,880
Pledges receivable for future endowment	<u>668,856</u>	<u>22,040</u>
	<u>22,278,175</u>	<u>17,846,396</u>
Total Net Assets with Donor Restrictions	<u>\$ 25,142,708</u>	<u>\$ 20,884,393</u>

Cash and cash equivalents

Cash and cash equivalents consist of checking and savings accounts. TAM considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents. TAM maintains cash deposits in bank accounts that exceed federally insured limits. TAM has not experienced any losses in these accounts, and management does not believe it is exposed to any significant credit risk.

Fair value measurements

In accordance with financial accounting standards, a three-tiered hierarchy of input levels is used for measuring fair value. Financial accounting standards defines fair value 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. Valuation techniques utilized to determine fair value are consistently applied. The three tiers of inputs used for fair value measurements are as follows:

TACOMA ART MUSEUM

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2021 AND 2020

NOTE A - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Level 1: Fair values are based on quoted prices in active markets for identical assets and liabilities.

Level 2: Fair values are based on observable inputs that include: quoted market prices for similar assets or liabilities; quoted market prices that are not in an active market; or other inputs that are observable in the market and can be corroborated by observable market data for substantially the full term of the assets.

Level 3: Fair values are calculated by the use of pricing models and/or discounted cash flow methodologies, and may require significant management judgment or estimation. These methodologies may result in a significant portion of the fair value being derived from unobservable data.

Investments

Investments are carried at fair value. Dividend, interest, and other investment income are reported in the period earned as increases in net assets without donor restrictions unless the use of the assets is limited by donor-imposed restrictions. Realized and unrealized gains and losses on investments are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or law. Investments consist of the following at June 30:

	<u>2021</u>	<u>2020</u>
Endowment investments	\$ 33,830,629	\$ 29,145,908
Non-endowment investments	<u>1,237,414</u>	<u>1,041,905</u>
	<u>\$ 35,068,043</u>	<u>\$ 30,187,813</u>

Receivables

Receivables are stated at net realizable value.

Promises to give

Unconditional promises to give are stated at net realizable value. In accordance with financial accounting standards, unconditional promises to give are recognized as support in the period received.

Inventory

Inventory is stated at the lower of cost or market under the first-in, first-out method of accounting and consists of merchandise, café supplies, and museum catalogs.

Property and equipment

Land, building and equipment are stated at cost. Long-lived asset purchases that exceed \$2,500 are capitalized and depreciated using the straight-line method over the estimated useful lives of the assets. Planned major maintenance activities which significantly extend the useful life of the asset are capitalized.

TACOMA ART MUSEUM

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2021 AND 2020

NOTE A - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Support and revenue recognition

TAM recognizes revenue from ticket sales at the time of admission. TAM recognizes revenue from services when the services are provided. TAM recognizes contributions when cash, securities or other assets, and unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give, that is, those with a measurable performance or other barrier and a right of return or release, are not recognized until the conditions on which they depend have been met.

Donor-restricted support is reported as an increase in donor restricted net assets, depending on the nature of the restriction. When restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished), donor restricted net assets are reported as net assets released from restrictions.

Gifts of equipment are reported as net assets without donor restriction 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 assets must be maintained, expirations of donor restrictions are reported when the donated or acquired long-lived assets are placed in service.

Retail income

Retail income includes gross revenue originated from the museum store and museum café. All revenue generated from retail income goes to support TAM's mission of connecting people through art. All of these transactions are cash based and do not result in any accounts receivable.

Admissions and tours

Admissions and tours revenue includes ticket sales for admission into the museum, school tour income, and group tours. Revenue is recorded on an accrual basis. The majority of this revenue is paid upon receipt.

Memberships

Membership revenue represents amounts paid for by patrons of the museum one time annually. Dues can be paid over a period of one year, or upon receipt at the option of the patron. Regardless, membership revenue is recorded on a cash basis. Dues are not amortized over the course of the year, due to immateriality, even though benefits derived from the membership sale last for one year.

TACOMA ART MUSEUM

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2021 AND 2020

NOTE A - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Facility rentals

Facility rentals include income from the rental of spaces of the museum by the general public. Those include weddings, business meetings, holiday parties and other similar events. Revenue is recorded on an accrual basis. Generally, a refundable deposit is paid to reserve the space and is recorded as a liability. Monies are generally owed by the client after the event is concluded and paid within 30 days.

In-kind donations

In accordance with financial accounting standards, the financial statements reflect only those contributed services requiring specific expertise, which TAM would otherwise need to purchase. However, many individuals volunteer their time and perform a variety of tasks that assist TAM. TAM receives volunteer hours which are not recognized in the accompanying financial statements because they do not meet the recognition criteria. TAM received approximately 1,000 and 1,300 volunteer hours during the years ended June 30, 2021 and 2020, respectively.

Functional allocation of expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activities and functional expenses. Accordingly, certain costs have been allocated among the program and supporting services benefited.

Administrative expenses are allocated to program services based on a percentage of total FTE. Depreciation and amortization costs are allocated to departments based on building square footage.

Advertising

TAM uses advertising to promote its programs among the audiences it serves. The costs of advertising are expensed as incurred. Advertising costs totaled \$58,564 and \$53,131 for the years ended June 30, 2021 and 2020, respectively.

Non-operating activities

TAM's non-operating activities include endowment contributions, capital contributions, depreciation, investment returns, art acquisition and sales, interest and fees for debt, and certain endowment transfers.

Use of 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 disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

TACOMA ART MUSEUM

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2021 AND 2020

NOTE B - LIQUIDITY

Available cash balances are reviewed monthly by management. Cash on hand includes unrestricted and restricted cash holdings. TAM maintains an operating line of credit of \$350,000 for use during the year. TAM has at least 120 days of cash reserves as of June 30, 2021. During the year ended June 30, 2017, TAM established a capital reserve fund for the maintenance and preservation of its facilities. The following table presents financial assets available for general expenditures within one year at June 30:

	<u>2021</u>	<u>2020</u>
Total Financial Assets	\$ 38,609,124	\$ 32,829,659
Add: Approved fiscal year 2021 endowment appropriation	1,416,029	1,490,889
Less: Endowment investments	(33,830,629)	(29,145,908)
Less: Donor-imposed purpose restrictions	(1,430,906)	(1,186,385)
Less: Assets held in trust	(1,433,627)	(624,814)
Less: Long-term pledge receivables	(426,334)	(39,450)
	<u>\$ 2,903,657</u>	<u>\$ 3,323,991</u>

NOTE C - PROMISES TO GIVE

Promises to give consisted of the following at June 30:

	<u>2021</u>	<u>2020</u>
Receivable in less than one year	\$ 445,500	\$ 158,000
Receivable in one to five years	426,334	39,450
Receivable in more than five years	-	-
	<u>871,834</u>	<u>197,450</u>
Less: present value discount	(47,144)	(3,968)
Less: allowance for doubtful accounts	(35,721)	(8,000)
	<u>\$ 788,969</u>	<u>\$ 185,482</u>

Promises to give for endowment and capital purposes are included in long-term promises to give on the statements of financial position, as the assets are considered for long-term use. Promises to give due in more than one year are recorded at the present value of estimated future cash flows using a discount rate of 4%. When considered necessary, an allowance is recorded based on management's estimate of uncollectibility, including such factors as prior collection history, type of contribution, and the nature of fundraising activity.

TACOMA ART MUSEUM

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2021 AND 2020

NOTE D - FAIR VALUE MEASUREMENTS

Fair value of assets measured on a recurring basis (at least annually) are as follows:

	Quoted Prices (Level 1)	Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)	Total
As of June 30, 2021				
Equities	\$ 23,968,666	\$ -	\$ -	\$ 23,968,666
Fixed Income Funds	5,803,345	-	-	5,803,345
Hedge Funds	3,221,655	-	-	3,221,655
Cash Equivalents	627,394	-	-	627,394
REITs	1,104,845	-	-	1,104,845
Commodities	342,138	-	-	342,138
Investments	35,068,043	-	-	35,068,043
Assets Held in Trust	-	-	1,433,627	1,433,627
	<u>\$ 35,068,043</u>	<u>\$ -</u>	<u>\$ 1,433,627</u>	<u>\$ 36,501,670</u>
	Quoted Prices (Level 1)	Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)	Total
As of June 30, 2020				
Equities	\$ 18,388,943	\$ -	\$ -	\$ 18,388,943
Fixed Income Funds	7,763,513	-	-	7,763,513
Hedge Funds	2,442,821	-	-	2,442,821
Cash Equivalents	745,865	-	-	745,865
REITs	525,086	-	-	525,086
Commodities	321,585	-	-	321,585
Investments	30,187,813	-	-	30,187,813
Assets Held in Trust	-	-	1,226,798	1,226,798
	<u>\$ 30,187,813</u>	<u>\$ -</u>	<u>\$ 1,226,798</u>	<u>\$ 31,414,611</u>

Assets and liabilities carried at fair value on a nonrecurring basis using level 2 inputs generally include donated goods, facilities, and services. Long-term promises to give are valued on a nonrecurring basis using the net present value of future cash flows discounted at a risk-free rate of return which is a level 3 input.

TACOMA ART MUSEUM

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2021 AND 2020

NOTE D - FAIR VALUE MEASUREMENTS (Continued)

Assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3):

	Assets Held <u>in Trust</u>
Fair Value as of July 1, 2019	\$ 1,843,558
Disbursements	(780,000)
Change in value	<u>163,240</u>
Fair Value as of June 30, 2020	1,226,798
Change in value	<u>206,829</u>
Fair Value as of June 30, 2021	<u>\$ 1,433,627</u>

NOTE E - ASSETS HELD IN TRUST

TAM has been named as a beneficiary of certain charitable remainder trusts as of June 30, 2021 and 2020. The trusts have been recognized at the present value of the contributions to be received, using a discount rate of 4%. Changes in the value of these trusts have been reported in the statements of activities as increases or decreases in net assets with donor restrictions.

NOTE F - ENDOWMENT

TAM's endowment fund consists of six funds: (1) board-designated quasi-endowment for operations, (2) board-designated quasi-endowment for debt repayment, (3) donor-restricted endowment for operations, (4) donor-restricted Haub endowment for programming purposes, (5) donor-restricted art acquisition endowment, which is intended for the purchase of new items for the collection, and (6) donor-restricted Benaroya endowment for programming purposes.

Under generally accepted accounting principles, the net assets of endowment funds, including funds designated by the Board to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

TAM's investment policy complies with the rules of Uniform Prudent Management of Institutional Funds Act (UPMIFA). UPMIFA provides uniform and fundamental rules for the prudent investment of funds held by charitable institutions and the expenditure of funds donated as endowments to those institutions. The Board of Trustees of TAM has interpreted the law as requiring the preservation of the fair value of the corpus of donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, TAM classifies as net assets with donor restrictions (a) the original value of gifts donated to the endowment, (b) the original value of any subsequent gifts to the endowment, and (c) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

TACOMA ART MUSEUM

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2021 AND 2020

NOTE F - ENDOWMENT (Continued)

In accordance with UPMIFA, TAM considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

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

Investment and Spending Policies

TAM's spending policy is to expend three to five percent of the average investment balance of the last five years annually as approved by the Board. TAM has adopted this policy in order to provide a predictable stream of funding for programs supported by the endowment, which include education, exhibitions, and general operations support for programming and community engagement. TAM's investment policy for all investments is reviewed and reconfirmed or revised on an annual basis. JP Morgan is the investment advisor for the investment assets.

A portion of the endowment is held in the Tacoma Art Museum living trust (the trust). The trust is an irrevocable, perpetual fund and distributions to TAM from the trust are limited by the terms of the trust. Income and net appreciation in the fair value of the assets above historical dollar value are available for distribution and use for the activities of TAM.

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 TAM to retain as a fund of perpetual duration. Deficiencies of this nature were \$0 and \$329,890 for the years ended June 30, 2021 and 2020, respectively. These deficiencies resulted from unfavorable market fluctuations.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, TAM 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). TAM 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.

TACOMA ART MUSEUM

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2021 AND 2020

NOTE F - ENDOWMENT (Continued)

Endowment net assets by fund type as of June 30, 2021:

	Without Donor <u>Restrictions</u>	With Donor <u>Restrictions</u>	<u>Total</u>
Board-designated - operations	\$ 4,494,222		\$ 4,494,222
Board-designated - debt	8,890,120		8,890,120
Donor-restricted - operations	-	\$ 2,996,387	2,996,387
Donor-restricted - operations, Held in Trust	-	2,545,203	2,545,203
Donor-restricted - Haub	-	9,975,893	9,975,893
Donor-restricted - Benaroya	-	4,892,406	4,892,406
Donor-restricted - art	-	1,199,430	1,199,430
	<u>\$ 13,384,342</u>	<u>\$ 21,609,319</u>	<u>\$ 34,993,661</u>

Change in endowment net assets for the year ended June 30, 2021:

	Without Donor <u>Restrictions</u>	With Donor <u>Restrictions</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 11,321,552	\$ 17,824,356	\$ 29,145,908
Investment return	2,854,432	4,552,365	7,406,797
Appropriation	(791,642)	(767,402)	(1,559,044)
Endowment net assets, end of year	<u>\$ 13,384,342</u>	<u>\$ 21,609,319</u>	<u>\$ 34,993,661</u>

Endowment net assets by fund type as of June 30, 2020:

	Without Donor <u>Restrictions</u>	With Donor <u>Restrictions</u>	<u>Total</u>
Board-designated - operations	\$ 3,771,263		\$ 3,771,263
Board-designated - debt	7,550,289		7,550,289
Donor-restricted - operations	-	\$ 2,516,389	2,516,389
Donor-restricted - operations, Held in Trust	-	2,056,880	2,056,880
Donor-restricted - Haub	-	8,261,277	8,261,277
Donor-restricted - Benaroya	-	4,046,140	4,046,140
Donor-restricted - art	-	943,670	943,670
	<u>\$ 11,321,552</u>	<u>\$ 17,824,356</u>	<u>\$ 29,145,908</u>

TACOMA ART MUSEUM

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2021 AND 2020

NOTE F - ENDOWMENT (Continued)

Change in endowment net assets for the year ended June 30, 2020:

	Without Donor <u>Restrictions</u>	With Donor <u>Restrictions</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 12,176,717	\$ 18,425,611	\$ 30,602,328
Investment return	(58,150)	(87,723)	(145,873)
Contributions, net	-	150,000	150,000
Appropriation	(797,015)	(663,532)	(1,460,547)
Endowment net assets, end of year	<u>\$ 11,321,552</u>	<u>\$ 17,824,356</u>	<u>\$ 29,145,908</u>

NOTE G - PERMANENT COLLECTION

TAM's collection is primarily American art with an emphasis on art created in the Northwest. TAM does not capitalize its collection, nor does it recognize contributions of collection items as contribution revenue. TAM has stewardship policies for its collection regarding: accessioning and deaccessioning of collection items, care of the collection, access and control of the collection, risk management, and loans to and from other institutions. Each collection item is catalogued and activities verifying the existence and assessing the condition of the collection are performed continuously.

TAM's collection is subject to internal policies and guidelines which requires TAM to use proceeds from the sale of collection items for the following purposes: acquisition of additional works of art or to cover expenses incurred that are directly related to the deaccession process in a manner consistent with TAM's policy on the use of restricted acquisition funds. The funds shall not be used to support general operating expenses or capital purchases.

Since its founding in 1935, TAM has focused on the art and artists of the Northwest in both its exhibitions and collecting. A key goal in TAM's strategic plan is to build the premier collection of Northwest art and be a leader in the preservation and scholarship of the region's visual arts. TAM's rich collection now includes 5,000 artworks, 3,300 of which are by Northwest artists or related to the region. They range across all media and span from the 19th century to the present.

In addition, TAM has and continues to selectively acquire works by national and international artists. These artworks provide connections to broader contexts in which to understand Northwest art, such as how it relates to national and international art movements, compares and contrasts with other regional expressions, reflects important historical moments and trends, and reveals key influences on its development.

TACOMA ART MUSEUM

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2021 AND 2020

NOTE H - PROPERTY AND EQUIPMENT

Property and equipment consist of the following at June 30:

	Estimated Useful Lives	<u>2021</u>	<u>2020</u>
Land		\$ 1,843,594	\$ 1,843,594
Building and renovations	30 – 40 years	44,320,329	44,289,875
Furniture and equipment	3 – 15 years	<u>2,902,103</u>	<u>2,822,356</u>
		49,066,026	48,955,825
Less: accumulated depreciation		<u>(13,913,108)</u>	<u>(12,573,433)</u>
		<u>\$ 35,152,918</u>	<u>\$ 36,382,392</u>

NOTE I - PAYCHECK PROTECTION PROGRAM LOAN

In March 2021, TAM applied for and received loan proceeds in the amount of \$520,282 under the Paycheck Protection Program (“PPP”). The PPP, established as part of the Coronavirus Aid, Relief and Economic Security Act (“CARES Act”), provides loans to qualifying organization for amounts up to 2.5 times of the average monthly payroll expenses of the qualifying organization. The loan and accrued interest are subject to forgiveness after 24 weeks as long as the qualifying organization uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its payroll levels. The amount of loan forgiveness will be reduced if the qualifying organization terminates employees or reduces salaries during the 24-week period.

The loan was funded on March 15, 2021 and has a maturity date of March 15, 2026. TAM entered into the program with the intention of complying with the terms for forgiveness and has recognized the loan as a conditional grant. Should TAM fail to meet the terms for forgiveness, interest at a rate of 1% will be added to the amount owing and the first monthly payment of \$9,719 would be due September 1, 2021.

NOTE J - LINES OF CREDIT

TAM has one line of credit with JP Morgan in the amount of \$10,000,000, which expires on December 31, 2021. Each borrowing shall bear interest at Variable LIBOR (0.09% at June 30, 2021) plus 1%. This line of credit is collateralized by the portion of TAM's investment portfolio that is without donor restrictions. The balance outstanding on this line of credit was \$6,650,000 and \$7,650,000 at June 30, 2021 and 2020, respectively.

TAM maintains a quasi board-designated fund with a balance of \$8,890,120 and donor restricted funds with a balance of \$0 as of June 30, 2021 for the purposes of debt repayment.

TACOMA ART MUSEUM

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2021 AND 2020

NOTE K - DEFINED CONTRIBUTION PLAN

TAM sponsors a 403(b) defined contribution pension plan. Employees may contribute up to the Internal Revenue Service limits each year. TAM matches \$0.25 for each \$1.00 contributed by an eligible employee up to 6% of total compensation. Eligible employees include all employees who have reached the age of 18, have worked for a period of one year, defined as 1,000 hours or more, and were employed by TAM at year-end. For the years ended June 30, 2021 and 2020, TAM contributed \$15,415 and \$12,495, respectively, in matching contributions.

NOTE L - RISKS AND UNCERTAINTIES

On March 11, 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a pandemic which continues to spread throughout the United States. On March 23, 2020 the Governor of Washington declared a health emergency and issued a stay at home order. TAM closed the museum in mid-March 2020 and it remained closed through April 2021. The extent of the impact of COVID-19 on TAM's operational and financial performance will depend on certain developments, including the duration and spread of new variant outbreaks, impact on the government, our donors, and employees all of which are uncertain and cannot be predicted. At this point, the extent to which COVID-19 may impact our financial condition or results of operations is uncertain.

NOTE M - SUBSEQUENT EVENTS

Management has evaluated events occurring subsequent to June 30, 2021 through November 23, 2021, which is the date the financial statements were available to be issued, and has recognized in the financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at June 30, 2021, including the estimates inherent in the processing of financial statements.

MARGIE LIVINGSTON

(BORN VANCOUVER, WASHINGTON, 1953)

WACKED GRID

2017, ACRYLIC PAINT AND STRING

59 X 42 X 17 IN. (149.9 X 106.7 X 43.2 CM)

GIFT OF GREG KUCERA GALLERY IN HONOR OF STEPHANIE STEBICH