



FINANCIAL STATEMENTS

With Independent Auditor's Report

YEARS ENDED JUNE 30, 2022 AND 2021

TAM

TACOMA ART MUSEUM
FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2022 AND 2021

TABLE OF CONTENTS

INDEPENDENT AUDITOR'S REPORT	2 - 3
STATEMENTS OF FINANCIAL POSITION June 30, 2022 and 2021	4
STATEMENTS OF ACTIVITIES Years ended June 30, 2022 and 2021	5 - 6
STATEMENTS OF FUNCTIONAL EXPENSES Year ended June 30, 2022	7
Year ended June 30, 2021	8
STATEMENTS OF CASH FLOWS Years ended June 30, 2022 and 2021	9 - 10
NOTES TO FINANCIAL STATEMENTS	11 - 24

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Tacoma Art Museum
Tacoma, Washington

Opinion

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, 2022 and 2021 and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Tacoma Art Museum as of June 30, 2022 and 2021, 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.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with account 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.

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

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

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



Jacobson Jarvis & Co, PLLC
Tacoma, Washington
March 23, 2023

TACOMA ART MUSEUM
STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
<u>ASSETS</u>		
Current Assets		
Cash and cash equivalents	\$ 307,175	\$ 1,292,127
Promises to give, net (Note C)	237,179	445,500
Accounts and grants receivable	5,716	26,358
Prepays and deposits	90,912	283,214
Inventory	140,701	287,994
Total Current Assets	<u>781,683</u>	<u>2,335,193</u>
Other Assets		
Long-term promises to give, net (Note C)	1,158,817	343,469
Investments (Note D)	28,931,961	35,068,043
Assets held in trust (Note E)	1,331,161	1,433,627
Total Other Assets	<u>31,421,939</u>	<u>36,845,139</u>
Permanent Collection (Note G)	-	-
Property and Equipment, net (Note H)	<u>33,947,069</u>	<u>35,152,918</u>
Total Assets	<u>\$ 66,150,691</u>	<u>\$ 74,333,250</u>
<u>LIABILITIES AND NET ASSETS</u>		
Current Liabilities		
Accounts payable	\$ 298,179	\$ 122,527
Accrued expenses	8,579	8,984
Paycheck Protection Program loan	-	519,982
Total Current Liabilities	<u>306,758</u>	<u>651,493</u>
Line of Credit (Note J)	<u>6,650,000</u>	<u>6,650,000</u>
Total Liabilities	<u>6,956,758</u>	<u>7,301,493</u>
Net Assets		
Without donor restrictions	37,000,768	41,889,049
With donor restrictions	<u>22,193,165</u>	<u>25,142,708</u>
Total Net Assets	<u>59,193,933</u>	<u>67,031,757</u>
Total Liabilities and Net Assets	<u>\$ 66,150,691</u>	<u>\$ 74,333,250</u>

See notes to financial statements.

TACOMA ART MUSEUM

STATEMENTS OF ACTIVITIES

YEARS ENDED JUNE 30, 2022 AND 2021

	2022			2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
OPERATING:						
Support						
Contributions	\$ 628,222	\$ 120,981	749,203	\$ 478,023	\$ 42,179	\$ 520,202
Grants	1,018,256	20,000	1,038,256	1,213,703	170,000	1,383,703
Special events	183,930	15,000	198,930	244,236	25,000	269,236
Business contributions	209,950	5,000	214,950	108,475	94,035	202,510
In-kind contributions	7,965	-	7,965	2,500	1,500	4,000
Transfers from non-operating activity	791,959	-	791,959	767,402	-	767,402
Total Support	2,840,282	160,981	3,001,263	2,814,339	332,714	3,147,053
Revenue						
Retail income	367,846	-	367,846	45,288	-	45,288
Admissions and tours	160,780	-	160,780	32,090	-	32,090
Memberships	97,527	-	97,527	113,070	-	113,070
Facility rentals	36,831	-	36,831	(6,424)	-	(6,424)
Art loan fees and shipping	925	-	925	20,963	-	20,963
Other income	9,629	-	9,629	18,872	-	18,872
Total Revenue	673,538	-	673,538	223,859	-	223,859
Net Assets Released from Restrictions						
Satisfaction of purpose restrictions	390,821	(390,821)	-	791,642	(791,642)	-
Total Operating Support and Revenue	3,904,641	(229,840)	3,674,801	3,829,840	(458,928)	3,370,912
Expenses						
Program Services						
Exhibitions and curatorial	1,690,496		1,690,496	946,914		946,914
Museum services	1,317,124		1,317,124	446,996		446,996
Marketing	463,669		463,669	331,527		331,527
Education	386,107		386,107	442,310		442,310
Total Program Services Expenses	3,857,396		3,857,396	2,167,747		2,167,747
Administration	933,900		933,900	886,113		886,113
Development	913,968		913,968	690,249		690,249
Total Supporting Services Expenses	1,847,868		1,847,868	1,576,362		1,576,362
Total Operating Expenses	5,705,264		5,705,264	3,744,109		3,744,109
Operating Change in Net Assets	(1,800,623)	(229,840)	(2,030,463)	85,731	(458,928)	(373,197)

TACOMA ART MUSEUM

STATEMENTS OF ACTIVITIES (Continued)

YEARS ENDED JUNE 30, 2022 AND 2021

	2022			2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
NON-OPERATING:						
Endowment contributions	-	1,393,706	1,393,706	\$ -	\$ 671,816	\$ 671,816
Change in value of assets held in trust	-	(57,736)	(57,736)	-	206,829	206,829
Depreciation	(1,313,991)	-	(1,313,991)	(1,339,674)	-	(1,339,674)
Investment returns	(1,682,424)	(3,263,714)	(4,946,138)	2,859,805	4,606,000	7,465,805
Acquisition of collection items	(27,700)	-	(27,700)	(36,335)	-	(36,335)
Interest and fees	(63,477)	-	(63,477)	(73,536)	-	(73,536)
Gain (loss) on sale of assets	(66)	-	(66)	537	-	537
Satisfaction of purpose restrictions	791,959	(791,959)	-	767,402	(767,402)	-
Transfers to operating activity	<u>(791,959)</u>	<u>-</u>	<u>(791,959)</u>	<u>(767,402)</u>	<u>-</u>	<u>(767,402)</u>
Non-Operating Change in Net Assets	<u>(3,087,658)</u>	<u>(2,719,703)</u>	<u>(5,807,361)</u>	<u>1,410,797</u>	<u>4,717,243</u>	<u>6,128,040</u>
Total Change in Net Assets	(4,888,281)	(2,949,543)	(7,837,824)	1,496,528	4,258,315	5,754,843
Net Assets - beginning 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>
Net Assets - end of year	<u>\$ 37,000,768</u>	<u>\$ 22,193,165</u>	<u>\$ 59,193,933</u>	<u>\$ 41,889,049</u>	<u>\$ 25,142,708</u>	<u>\$ 67,031,757</u>

TACOMA ART MUSEUM

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2022

	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	\$ 684,598	\$ 828,799	\$ 214,446	\$ 256,435	\$ 1,984,278	\$ 559,845	\$ 585,801	\$ 1,145,646	\$ 3,129,924
Contracted services	201,752	133,196	133,751	67,841	536,540	133,346	58,172	191,518	728,058
Exhibition loan fees	283,000	-	-	-	283,000	-	-	-	283,000
Telephone and utilities	96,933	24,330	-	10,078	131,341	94,507	-	94,507	225,848
Printing and publications	156,260	8,242	34,802	2,131	201,435	7,929	15,012	22,941	224,376
Bad debt	209	372	84	104	769	387	146,977	147,364	148,133
Cost of goods sold	-	139,441	-	-	139,441	-	-	-	139,441
Supplies	43,375	33,163	4,458	17,498	98,494	15,910	8,738	24,648	123,142
Insurance	73,685	7,900	-	3,272	84,857	30,687	-	30,687	115,544
Miscellaneous	34,690	31,330	7,121	8,399	81,540	31,574	1,105	32,679	114,219
Catering	827	55,628	338	1,039	57,832	795	47,357	48,152	105,984
Building repairs and maintenance	29,305	7,356	-	3,047	39,708	28,572	-	28,572	68,280
Travel and entertainment	22,827	3,484	1,056	3,629	30,996	3,424	33,818	37,242	68,238
Postage and shipping	42,383	5,969	1,495	1,013	50,860	3,767	2,066	5,833	56,693
Publicity and advertising	88	-	55,444	-	55,532	-	-	-	55,532
Interest and bank charges	7,100	17,873	2,836	3,479	31,288	12,943	3,193	16,136	47,424
Dues and subscriptions	5,338	9,450	6,823	7,035	28,646	6,542	1,263	7,805	36,451
Professional development	2,455	3,537	1,015	1,107	8,114	3,672	2,034	5,706	13,820
Equipment rental/maintenance	453	7,054	-	-	7,507	-	467	467	7,974
Donated goods and services	-	-	-	-	-	-	7,965	7,965	7,965
Photography	5,218	-	-	-	5,218	-	-	-	5,218
Total Operating Expenses	1,690,496	1,317,124	463,669	386,107	3,857,396	933,900	913,968	1,847,868	5,705,264
Acquisition of collection items	27,700	-	-	-	27,700	-	-	-	27,700
Depreciation	563,965	141,517	-	58,604	764,086	549,905	-	549,905	1,313,991
Interest and fees	-	-	-	-	-	63,477	-	63,477	63,477
Total Expenses	<u>\$ 2,282,161</u>	<u>\$ 1,458,641</u>	<u>\$ 463,669</u>	<u>\$ 444,711</u>	<u>\$ 4,649,182</u>	<u>\$ 1,547,282</u>	<u>\$ 913,968</u>	<u>\$ 2,461,250</u>	<u>\$ 7,110,432</u>

TACOMA ART MUSEUM

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2021

	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	\$ 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
Exhibition loan fees	(21,132)	-	-	-	(21,132)	-	-	-	(21,132)
Telephone and utilities	91,805	23,485	-	8,540	123,830	89,670	-	89,670	213,500
Printing and publications	3,413	2,408	1,609	3,641	11,071	7,166	30,207	37,373	48,444
Bad debt	-	-	-	-	-	-	72,471	72,471	72,471
Cost of goods sold	-	14,651	-	-	14,651	-	-	-	14,651
Supplies	25,436	5,869	3,596	20,374	55,275	13,995	8,629	22,624	77,899
Insurance	69,979	6,728	-	2,447	79,154	25,689	-	25,689	104,843
Miscellaneous	18,885	4,608	2,760	4,534	30,787	11,091	293	11,384	42,171
Catering	188	2,489	93	164	2,934	416	1,657	2,073	5,007
Building repairs and maintenance	15,709	4,018	-	1,461	21,188	15,343	-	15,343	36,531
Travel and entertainment	6,351	543	329	1,035	8,258	1,466	(240)	1,226	9,484
Postage and shipping	37,316	3,188	706	1,333	42,543	3,143	8,873	12,016	54,559
Publicity and advertising	-	-	57,900	410	58,310	-	254	254	58,564
Interest and bank charges	4,645	3,700	2,303	4,080	14,728	10,260	5,074	15,334	30,062
Dues and subscriptions	3,686	6,321	6,043	7,743	23,793	6,302	2,505	8,807	32,600
Professional development	(25)	(68)	216	2,760	2,883	(202)	930	728	3,611
Equipment rental/maintenance	2,883	1,454	-	-	4,337	-	-	-	4,337
Donated goods and services	-	-	-	-	-	-	4,000	4,000	4,000
Photography	5,984	-	-	-	5,984	-	-	-	5,984
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

STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
Cash Flows from Operating Activities		
Cash received from:		
Donors	\$ 1,899,259	\$ 2,443,679
Retail income	388,488	38,493
Admissions and tours	160,780	32,090
Memberships	182,088	113,070
Facility rental	36,831	(6,424)
Other	10,554	39,835
Cash paid for:		
Personnel	(3,130,029)	(2,361,860)
Services and supplies	(2,110,495)	(1,673,029)
Interest and fees	<u>(63,477)</u>	<u>(73,536)</u>
Net Cash Used by Operating Activities	<u>(2,626,001)</u>	<u>(1,447,682)</u>
Cash Flows from Investing Activities		
Purchases of investments	(47,244,740)	(283,981)
Proceeds from sale of investments	48,434,684	2,869,556
Purchases of property and equipment	<u>(162,102)</u>	<u>(55,769)</u>
Net Cash Provided by Investing Activities	<u>1,027,842</u>	<u>2,529,806</u>
Cash Flows from Financing Activities		
Cash received from endowment contributions	613,207	-
Payments on line of credit	<u>-</u>	<u>(1,000,000)</u>
Net Cash Provided (Used) by Financing Activities	<u>613,207</u>	<u>(1,000,000)</u>
Changes in Cash and Cash Equivalents	(984,952)	82,124
Cash and Cash Equivalents - beginning of year	<u>1,292,127</u>	<u>1,210,003</u>
Cash and Cash Equivalents - end of year	<u>\$ 307,175</u>	<u>\$ 1,292,127</u>

TACOMA ART MUSEUM

STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
Reconciliation of Change in Net Assets to Net Cash		
Flows from Operating Activities		
Change in net assets	\$ (7,837,824)	\$ 5,754,843
Adjustments to reconcile change in net assets to net cash used by operating activities		
Depreciation	1,313,991	1,339,674
Interest and dividends reinvested	(518,495)	(681,307)
Loss (Gain) on investments	5,464,633	(6,784,498)
Change in value of assets held in trust	102,466	(206,829)
Loss (Gain) on sale of assets	66	(537)
Decrease (increase) in		
Promises to give	(1,220,234)	(603,487)
Accounts and grants receivable	20,642	(6,795)
Prepays and deposits	192,302	(163,065)
Inventory	147,293	(7,917)
(Decrease) increase in		
Accounts payable	229,546	(89,355)
Accrued expenses	(105)	1,591
Paycheck Protection Program loan	(520,282)	-
Net Cash Used by Operating Activities	<u>\$ (2,626,001)</u>	<u>\$ (1,447,682)</u>

TACOMA ART MUSEUM

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2022 AND 2021

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 5,300 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 western art 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, 2022 and 2021.

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, 2022 AND 2021

NOTE A - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

	<u>2022</u>	<u>2021</u>
Subject to expenditure for specific purpose:		
Assets held in trust (time restricted)	\$ 1,331,161	\$ 1,433,627
Other projects and programs	828,475	1,111,960
Imagine More Art collections storage	4,519	-
Art acquisition	<u>259,182</u>	<u>318,946</u>
	<u>2,423,337</u>	<u>2,864,533</u>
Endowments:		
Subject to endowment spending policy and appropriation:		
Haub endowment	8,189,472	9,975,893
Benaroya endowment	4,019,536	4,892,406
Museum operating endowment	2,397,312	2,996,387
Art endowment	1,007,211	1,199,430
Imagine More endowment	<u>204,195</u>	<u>-</u>
	<u>15,817,726</u>	<u>19,064,116</u>
Not subject to TAM endowment spending policy and appropriation:		
Museum operating endowment held in trust	2,227,894	2,545,203
Pledges receivable and in transit for future endowments	<u>1,724,208</u>	<u>668,856</u>
	<u>19,769,828</u>	<u>22,278,175</u>
Total Net Assets with Donor Restrictions	<u>\$ 22,193,165</u>	<u>\$ 25,142,708</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, 2022 AND 2021

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>2022</u>	<u>2021</u>
Endowment investments	\$ 27,675,459	\$ 33,830,629
Non-endowment investments	<u>1,256,502</u>	<u>1,237,414</u>
	<u>\$ 28,931,961</u>	<u>\$ 35,068,043</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, 2022 AND 2021

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, an 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 to receive annual membership benefits. Dues can be paid over a period of one year, or upon receipt at the option of the patron. Membership revenue is recognized ratably from the start of when the membership began.

TACOMA ART MUSEUM

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2022 AND 2021

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 500 and 1,000 volunteer hours during the years ended June 30, 2022 and 2021, 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 \$55,532 and \$58,564 for the years ended June 30, 2022 and 2021, 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, 2022 AND 2021

NOTE B - LIQUIDITY

Available cash balances are reviewed monthly by management. Cash on hand includes unrestricted and restricted cash holdings. TAM had approximately 20 days and 125 days of cash reserves as of June 30, 2022 and 2021, respectively. 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>2022</u>	<u>2021</u>
Total Financial Assets	\$ 31,972,009	\$ 38,609,124
Add: Approved fiscal year endowment appropriation	1,462,530	1,416,029
Less: Endowment investments	(27,675,459)	(33,830,629)
Less: Donor-imposed purpose restrictions	(1,087,657)	(1,430,906)
Less: Assets held in trust	(1,331,161)	(1,433,627)
Less: Long-term pledge receivables	<u>(812,845)</u>	<u>(426,334)</u>
	<u>\$ 2,527,417</u>	<u>\$ 2,903,657</u>

NOTE C - PROMISES TO GIVE

Promises to give consisted of the following at June 30:

	<u>2022</u>	<u>2021</u>
Receivable in less than one year	\$ 805,346	\$ 445,500
Receivable in one to five years	812,845	426,334
Receivable in more than five years	<u>-</u>	<u>-</u>
	1,618,191	871,834
Less: present value discount	(79,496)	(47,144)
Less: allowance for doubtful accounts	<u>(142,699)</u>	<u>(35,721)</u>
	<u>\$ 1,395,996</u>	<u>\$ 788,969</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, 2022 AND 2021

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, 2022				
Equities	\$ 19,139,654	\$ -	\$ -	\$ 19,139,654
Fixed Income Funds	2,341,037	-	-	2,341,037
Hedge Funds	5,263,038	-	-	5,263,038
Cash Equivalents	1,003,829	-	-	1,003,829
REITs	509,911	-	-	509,911
Commodities	674,492	-	-	674,492
Investments	28,931,961	-	-	28,931,961
Assets Held in Trust	-	-	1,331,161	1,331,161
	<u>\$ 28,931,961</u>	<u>\$ -</u>	<u>\$ 1,331,161</u>	<u>\$ 30,263,122</u>
	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>

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, 2022 AND 2021

NOTE D - FAIR VALUE MEASUREMENTS (Continued)

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

	Assets Held in Trust
Fair Value as of July 1, 2020	\$ 1,226,798
Disbursements	-
Change in value	206,829
Fair Value as of June 30, 2021	1,433,627
Disbursements	(44,730)
Change in value	(57,736)
Fair Value as of June 30, 2022	<u>\$ 1,331,161</u>

NOTE E - ASSETS HELD IN TRUST

TAM has been named as a beneficiary of certain charitable remainder trusts as of June 30, 2022 and 2021. 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 seven 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 and (7) donor-restricted Imagine More endowment for education programming, exhibitions, and collections storage.

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.

TACOMA ART MUSEUM

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2022 AND 2021

NOTE F - ENDOWMENT (Continued)

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.

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 three 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. During the fiscal year ended June 30, 2022, TAM transitioned from JP Morgan as the investment advisor for the investment assets to Bank of America.

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 \$429,592 and \$0 for the years ended June 30, 2022 and 2021, respectively. These deficiencies resulted from unfavorable market fluctuations.

TACOMA ART MUSEUM

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2022 AND 2021

NOTE F - ENDOWMENT (Continued)

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.

Endowment net assets by fund type as of June 30, 2022:

	Without Donor <u>Restrictions</u>	With Donor <u>Restrictions</u>	<u>Total</u>
Board-designated - operations	\$ 3,649,143	\$ -	\$ 3,649,143
Board-designated - debt	7,092,188	-	7,092,188
Board-designated - Imagine More	143,188	-	143,188
Donor-restricted - operations	-	2,397,312	2,397,312
Donor-restricted - operations, Held in Trust	-	2,227,894	2,227,894
Donor-restricted - Haub	-	8,189,472	8,189,472
Donor-restricted - Benaroya	-	4,019,536	4,019,536
Donor-restricted - art	-	1,007,211	1,007,211
Donor-restricted - Imagine More	-	204,195	204,195
	<u>\$10,884,519</u>	<u>\$ 18,045,620</u>	<u>\$ 28,930,139</u>

Change in endowment net assets for the year ended June 30, 2022:

	Without Donor <u>Restrictions</u>	With Donor <u>Restrictions</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 13,384,342	\$ 21,609,319	\$ 34,993,661
Investment return	(1,940,826)	(3,005,313)	(4,946,139)
Contributions, net	162,908	233,573	396,481
Appropriation	(721,905)	(791,959)	(1,513,864)
Endowment net assets, end of year	<u>\$ 10,884,519</u>	<u>\$ 18,045,620</u>	<u>\$ 28,930,139</u>

TACOMA ART MUSEUM

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2022 AND 2021

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
Contributions, net	-	-	-
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>

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.

TACOMA ART MUSEUM

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2022 AND 2021

NOTE G - PERMANENT COLLECTION (Continued)

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 5,300 artworks, approximately 70% 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.

NOTE H - PROPERTY AND EQUIPMENT

Property and equipment consist of the following at June 30:

	Estimated Useful Lives	<u>2022</u>	<u>2021</u>
Land		\$ 1,843,594	\$ 1,843,594
Building and renovations	30 – 40 years	44,320,329	44,320,329
Furniture and equipment	3 – 15 years	<u>3,010,244</u>	<u>2,902,103</u>
		49,174,167	49,066,026
Less: accumulated depreciation		<u>(15,227,098)</u>	<u>(13,913,108)</u>
		<u>\$ 33,947,069</u>	<u>\$ 35,152,918</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"), provided 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 were subject to forgiveness after 24 weeks as long as the qualifying organization used the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintained its payroll levels. The amount of loan forgiveness would be reduced if the qualifying organization terminated employees or reduced salaries during the 24-week period.

The loan was funded on March 15, 2021 and had a maturity date of March 15, 2026. TAM entered into the program with the intention of complying with the terms for forgiveness and had recognized the loan as a conditional grant. On June 28, 2022, TAM received notice from the Small Business Administration that its Paycheck Protection Program loan was forgiven in full.

TACOMA ART MUSEUM

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2022 AND 2021

NOTE J - LINES OF CREDIT

At June 30, 2021, TAM had one line of credit with JP Morgan in the amount of \$10,000,000, which would expire on December 31, 2021. Each borrowing bore interest at Variable LIBOR (0.09% at June 30, 2021) plus 1%. This line of credit was collateralized by the portion of TAM's investment portfolio that is without donor restrictions. The balance outstanding on this line of credit was \$0 and \$6,650,000 at June 30, 2022 and 2021, respectively.

On November 2, 2021 TAM entered into a line of credit agreement with Bank of America in the amount of \$8,500,000, which would be payable on demand by Bank of America in its sole discretion. This new line of credit fully paid off the open balance of the JP Morgan line of credit. The Bank of America line of credit bore interest at the variable Bloomberg Short-Term Bank Yield Index Daily Floating Rate (1.61% at June 30, 2022) plus .75%. 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 \$0 at June 30, 2022 and 2021, respectively.

TAM maintains a board-designated fund with a balance of \$7,092,188 and \$8,890,120 as of June 30, 2022 and 2021, respectively, for the purposes of debt repayment. Subsequent to year end, in December of 2022, the Bank of America line of credit was fully paid off using TAM's debt repayment fund.

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, worked 1,000 hours or more, and were employed by TAM at year-end. For the years ended June 30, 2022 and 2021, TAM contributed \$16,471 and \$15,415, 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.

TACOMA ART MUSEUM

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2022 AND 2021

NOTE M - SUBSEQUENT EVENTS

Management has evaluated events occurring subsequent to June 30, 2022 through March 23, 2023 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, 2022, including the estimates inherent in the processing of financial statements.

Julie Speidel (born Seattle, Washington, 1941)

Malinmore , 1997

Bronze

29 x 24 x 7 inches

Tacoma Art Museum, Gift of the artist, 1997.17