



FINANCIAL STATEMENTS

With Independent Auditor's Report
YEARS ENDED JUNE 30, 2024 AND 2023

TAM

TACOMA ART MUSEUM
FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2024 AND 2023

TABLE OF CONTENTS

INDEPENDENT AUDITOR'S REPORT	2 - 3
STATEMENTS OF FINANCIAL POSITION June 30, 2024 and 2023	4
STATEMENTS OF ACTIVITIES Years ended June 30, 2024 and 2023	5 - 6
STATEMENTS OF FUNCTIONAL EXPENSES Year ended June 30, 2024	7
Year ended June 30, 2023	8
STATEMENTS OF CASH FLOWS Years ended June 30, 2024 and 2023	9 - 10
NOTES TO FINANCIAL STATEMENTS	11 - 23

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, 2024 and 2023 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, 2024 and 2023, 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 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
Seattle, Washington
May 15, 2025

TACOMA ART MUSEUM
STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2024 AND 2023

	<u>2024</u>	<u>2023</u>
<u>ASSETS</u>		
Current Assets		
Cash and cash equivalents	\$ 97,078	\$ 330,074
Promises to give, net (Note C)	590,545	516,958
Accounts and grants receivable	28,950	12,295
Prepays and deposits	100,113	125,788
Inventory	131,276	133,726
Total Current Assets	<u>947,962</u>	<u>1,118,841</u>
Other Assets		
Long-term promises to give, net (Note C)	954,976	1,135,767
Investments (Note D)	23,375,553	22,452,262
Assets held in trust (Note E)	1,790,151	1,554,278
Total Other Assets	<u>26,120,680</u>	<u>25,142,307</u>
Permanent Collection (Note G)	-	-
Property and Equipment, net (Note H)	<u>31,506,853</u>	<u>32,670,483</u>
Total Assets	<u>\$ 58,575,495</u>	<u>\$ 58,931,631</u>
<u>LIABILITIES AND NET ASSETS</u>		
Current Liabilities		
Accounts payable	\$ 417,821	\$ 266,263
Accrued expenses	7,480	6,764
Total Current Liabilities	<u>425,301</u>	<u>273,027</u>
Net Assets		
Without donor restrictions	32,392,864	34,924,710
With donor restrictions	25,757,330	23,733,894
Total Net Assets	<u>58,150,194</u>	<u>58,658,604</u>
Total Liabilities and Net Assets	<u>\$ 58,575,495</u>	<u>\$ 58,931,631</u>

TACOMA ART MUSEUM

STATEMENTS OF ACTIVITIES

YEARS ENDED JUNE 30, 2024 AND 2023

		2024			2023		
		Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
OPERATING:							
Support							
Contributions		\$ 375,689	\$ 58,500	\$ 434,189	\$ 377,127	\$ 95,606	\$ 472,733
Grants		535,417	44,748	580,165	653,750	588,000	1,241,750
Special events		217,812	25,500	243,312	323,993	-	323,993
Business contributions		74,395	26,500	100,895	530,430	-	530,430
In-kind contributions		49,531	-	49,531	70,593	-	70,593
Transfers from non-operating activity		920,125	381,814	1,301,939	1,101,508	-	1,101,508
	Total Support	<u>2,172,969</u>	<u>537,062</u>	<u>2,710,031</u>	<u>3,057,401</u>	<u>683,606</u>	<u>3,741,007</u>
Revenue							
Retail income		190,095	-	190,095	285,468	-	285,468
Admissions and tours		184,013	-	184,013	133,244	-	133,244
Facility rentals		163,816	-	163,816	69,578	-	69,578
Art loan fees and shipping		2,803	-	2,803	-	-	-
Other income		101,415	-	101,415	37,506	-	37,506
	Total Revenue	<u>642,142</u>	<u>-</u>	<u>642,142</u>	<u>525,796</u>	<u>-</u>	<u>525,796</u>
Net Assets Released from Restrictions							
Satisfaction of purpose restrictions		212,579	(212,579)	-	281,159	(281,159)	-
	Total Operating Support and Revenue	<u>3,027,690</u>	<u>324,483</u>	<u>3,352,173</u>	<u>3,864,356</u>	<u>402,447</u>	<u>4,266,803</u>
Expenses							
Program Services							
Exhibitions and curatorial		1,018,857		1,018,857	1,147,991		1,147,991
Museum services		798,289		798,289	1,015,499		1,015,499
Marketing		273,125		273,125	364,531		364,531
Education		245,049		245,049	337,587		337,587
	Total Program Services Expenses	<u>2,335,320</u>		<u>2,335,320</u>	<u>2,865,608</u>		<u>2,865,608</u>
Administration		1,401,870		1,401,870	1,081,134		1,081,134
Development		617,230		617,230	924,607		924,607
	Total Supporting Services Expenses	<u>2,019,100</u>		<u>2,019,100</u>	<u>2,005,741</u>		<u>2,005,741</u>
	Total Operating Expenses	<u>4,354,420</u>		<u>4,354,420</u>	<u>4,871,349</u>		<u>4,871,349</u>
	Operating Change in Net Assets	<u>(1,326,730)</u>	<u>324,483</u>	<u>(1,002,247)</u>	<u>(1,006,993)</u>	<u>402,447</u>	<u>(604,546)</u>

TACOMA ART MUSEUM

STATEMENTS OF ACTIVITIES (Continued)

YEARS ENDED JUNE 30, 2024 AND 2023

	2024			2023		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
NON-OPERATING:						
Endowment contributions	\$ -	\$ 309,009	\$ 309,009	\$ -	\$ 315,000	\$ 315,000
Change in value of assets held in trust	-	235,873	235,873	-	223,117	223,117
Depreciation	(1,281,560)	-	(1,281,560)	(1,299,170)	-	(1,299,170)
Investment returns	76,119	2,456,010	2,532,129	379,627	1,701,673	2,081,300
Acquisition of collection items	-	-	-	(41,350)	-	(41,350)
Interest and fees	-	-	-	(108,412)	-	(108,412)
Gain on sale of assets	325	-	325	240	-	240
Satisfaction of purpose restrictions	1,301,939	(1,301,939)	-	1,101,508	(1,101,508)	-
Transfers to operating activity	<u>(1,301,939)</u>	<u>-</u>	<u>(1,301,939)</u>	<u>(1,101,508)</u>	<u>-</u>	<u>(1,101,508)</u>
Non-Operating Change in Net Assets	<u>(1,205,116)</u>	<u>1,698,953</u>	<u>493,837</u>	<u>(1,069,065)</u>	<u>1,138,282</u>	<u>69,217</u>
Total Change in Net Assets	(2,531,846)	2,023,436	(508,410)	(2,076,058)	1,540,729	(535,329)
Net Assets - beginning of year	<u>34,924,710</u>	<u>23,733,894</u>	<u>58,658,604</u>	<u>37,000,768</u>	<u>22,193,165</u>	<u>59,193,933</u>
Net Assets - end of year	<u>\$ 32,392,864</u>	<u>\$ 25,757,330</u>	<u>\$ 58,150,194</u>	<u>\$ 34,924,710</u>	<u>\$ 23,733,894</u>	<u>\$ 58,658,604</u>

TACOMA ART MUSEUM

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2024

	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	\$ 556,464	\$ 622,951	\$ 170,039	\$ 181,411	\$ 1,530,865	\$ 766,011	\$ 380,797	\$ 1,146,808	\$ 2,677,673
Contracted services	147,051	20,667	31,371	29,257	228,346	218,045	102,602	320,647	548,993
Telephone and utilities	110,687	27,782	-	11,508	149,977	107,917	-	107,917	257,894
Supplies	35,426	26,683	1,590	8,843	72,542	42,445	7,358	49,803	122,345
Insurance	36,700	-	-	-	36,700	82,452	-	82,452	119,152
Miscellaneous	39,451	23	-	1,878	41,352	48,375	1,779	50,154	91,506
Catering	1,445	53,735	-	-	55,180	43	36,099	36,142	91,322
Building repairs and maintenance	-	-	-	-	-	77,834	-	77,834	77,834
Postage and shipping	51,327	43	-	-	51,370	5,770	12,919	18,689	70,059
Dues and subscriptions	19,732	3,272	6,043	9,723	38,770	25,295	2,426	27,721	66,491
Publicity and advertising	-	21	57,647	-	57,668	-	-	-	57,668
Donated goods and services	-	-	-	-	-	-	49,812	49,812	49,812
Cost of goods sold	-	35,908	-	-	35,908	87	-	87	35,995
Interest and bank charges	-	6,450	-	-	6,450	19,473	9,047	28,520	34,970
Travel and entertainment	17,630	74	115	1,179	18,998	7,762	179	7,941	26,939
Printing and publications	2,060	136	6,211	205	8,612	361	7,413	7,774	16,386
Equipment rental/maintenance	215	519	-	315	1,049	-	6,767	6,767	7,816
Professional development	314	25	109	282	730	-	-	-	730
Exhibition loan fees	-	-	-	448	448	-	-	-	448
Photography	355	-	-	-	355	-	32	32	387
Total Operating Expenses	1,018,857	798,289	273,125	245,049	2,335,320	1,401,870	617,230	2,019,100	4,354,420
Depreciation	550,046	138,024	-	57,158	745,228	536,332	-	536,332	1,281,560
Total Expenses	\$ 1,568,903	\$ 936,313	\$ 273,125	\$ 302,207	\$ 3,080,548	\$ 1,938,202	\$ 617,230	\$ 2,555,432	\$ 5,635,980

TACOMA ART MUSEUM

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2023

	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	\$ 599,177	\$ 648,147	\$ 202,341	\$ 208,710	\$ 1,658,375	\$ 691,922	\$ 459,350	\$ 1,151,272	\$ 2,809,647
Contracted services	246,249	148,506	86,659	80,451	561,865	166,542	56,760	223,302	785,167
Telephone and utilities	109,996	27,609	-	11,436	149,041	107,244	-	107,244	256,285
Supplies	32,650	28,722	2,797	15,142	79,311	14,843	15,475	30,318	109,629
Insurance	79,147	8,352	-	3,460	90,959	32,442	-	32,442	123,401
Miscellaneous	26,494	15,607	3,068	3,577	48,746	17,857	1,387	19,244	67,990
Catering	3,058	57,178	424	746	61,406	1,693	16,168	17,861	79,267
Building repairs and maintenance	18,436	4,628	-	1,917	24,981	17,976	-	17,976	42,957
Postage and shipping	8,251	2,479	424	676	11,830	2,469	2,690	5,159	16,989
Dues and subscriptions	6,374	12,305	6,367	2,290	27,336	8,701	1,031	9,732	37,068
Publicity and advertising	-	-	57,227	-	57,227	-	-	-	57,227
Donated goods and services	-	-	-	-	-	-	70,593	70,593	70,593
Cost of goods sold	-	37,563	-	-	37,563	-	-	-	37,563
Interest and bank charges	5,295	13,612	1,562	2,076	22,545	9,096	9,348	18,444	40,989
Travel and entertainment	7,192	6,802	1,408	3,643	19,045	7,935	511	8,446	27,491
Printing and publications	1,459	1,986	2,239	1,042	6,726	2,326	12,605	14,931	21,657
Equipment rental/maintenance	560	1,666	-	-	2,226	-	-	-	2,226
Professional development	51	337	15	2,421	2,824	88	95	183	3,007
Exhibition loan fees	275	-	-	-	275	-	-	-	275
Photography	3,327	-	-	-	3,327	-	-	-	3,327
Bad debt	-	-	-	-	-	-	278,594	278,594	278,594
Total Operating Expenses	1,147,991	1,015,499	364,531	337,587	2,865,608	1,081,134	924,607	2,005,741	4,871,349
Acquisition of collection items	41,350	-	-	-	41,350	-	-	-	41,350
Depreciation	557,597	139,956	-	57,973	755,526	543,644	-	543,644	1,299,170
Interest and fees	-	-	-	-	-	108,412	-	108,412	108,412
Total Expenses	<u>\$ 1,746,938</u>	<u>\$ 1,155,455</u>	<u>\$ 364,531</u>	<u>\$ 395,560</u>	<u>\$ 3,662,484</u>	<u>\$ 1,733,190</u>	<u>\$ 924,607</u>	<u>\$ 2,657,797</u>	<u>\$ 6,320,281</u>

TACOMA ART MUSEUM

STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2024 AND 2023

	<u>2024</u>	<u>2023</u>
Cash Flows from Operating Activities		
Cash received from:		
Donors	\$ 1,436,577	\$ 2,486,473
Retail income	173,440	278,889
Admissions and tours	184,013	133,244
Facility rental	163,816	69,578
Other	104,218	37,506
Cash paid for:		
Personnel	(2,676,957)	(2,811,462)
Services and supplies	(1,464,445)	(2,076,198)
Interest and fees	<u>-</u>	<u>(108,412)</u>
Net Cash Used by Operating Activities	<u>(2,079,338)</u>	<u>(1,990,382)</u>
Cash Flows from Investing Activities		
Purchases of investments	(5,343,063)	(11,540,680)
Proceeds from sale of investments	6,951,901	20,101,679
Purchases of property and equipment	<u>(117,605)</u>	<u>(22,344)</u>
Net Cash Provided by Investing Activities	<u>1,491,233</u>	<u>8,538,655</u>
Cash Flows from Financing Activities		
Cash received from endowment contributions	355,109	124,626
Principal payments on line of credit	<u>-</u>	<u>(6,650,000)</u>
Net Cash Provided (Used) by Financing Activities	<u>355,109</u>	<u>(6,525,374)</u>
Changes in Cash and Cash Equivalents	(232,996)	22,899
Cash and Cash Equivalents - beginning of year	<u>330,074</u>	<u>307,175</u>
Cash and Cash Equivalents - end of year	<u>\$ 97,078</u>	<u>\$ 330,074</u>

TACOMA ART MUSEUM

STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2024 AND 2023

	<u>2024</u>	<u>2023</u>
Reconciliation of Change in Net Assets to Net Cash		
Flows from Operating Activities		
Change in net assets	\$ (508,410)	\$ (535,329)
Adjustments to reconcile change in net assets to net cash used by operating activities		
Depreciation	1,281,560	1,299,170
Interest and dividends reinvested	(601,640)	(667,271)
Gain on investments	(1,930,489)	(1,414,029)
Change in value of assets held in trust	(235,873)	(223,117)
Gain on sale of assets	(325)	(240)
(Increase) decrease in		
Promises to give	(247,905)	(381,355)
Accounts and grants receivable	(16,655)	(6,579)
Prepays and deposits	25,675	(34,876)
Inventory	2,450	6,975
Increase (decrease) in		
Accounts payable	151,558	(31,916)
Accrued expenses	<u>716</u>	<u>(1,815)</u>
Net Cash Used by Operating Activities	<u>\$ (2,079,338)</u>	<u>\$ (1,990,382)</u>

TACOMA ART MUSEUM

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2024 AND 2023

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 90 years of serving the Pacific Northwest, 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, 2024 and 2023.

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, 2024 AND 2023

NOTE A - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

	<u>2024</u>	<u>2023</u>
Subject to expenditure for specific purpose:		
Assets held in trust (time restricted)	\$ 1,790,151	\$ 1,554,278
Other projects and programs	677,284	666,865
Imagine More Art collections storage	774,017	486,453
Art acquisition	<u>406,048</u>	<u>335,135</u>
	<u>3,647,500</u>	<u>3,042,731</u>
Endowments:		
Subject to endowment spending policy and appropriation:		
Haub endowment	9,410,582	8,737,728
Benaroya endowment	4,612,022	4,298,286
Museum operating endowment	2,705,536	2,593,612
Art endowment	836,064	718,539
Imagine More endowment	<u>582,144</u>	<u>192,035</u>
	<u>18,146,348</u>	<u>16,540,200</u>
Not subject to TAM endowment spending policy and appropriation:		
Museum operating endowment held in trust	2,704,196	2,420,585
Pledges receivable and in transit for future endowments	<u>1,259,286</u>	<u>1,730,378</u>
	<u>22,109,830</u>	<u>20,691,163</u>
Total Net Assets with Donor Restrictions	<u>\$ 25,757,330</u>	<u>\$ 23,733,894</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.

TACOMA ART MUSEUM

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2024 AND 2023

NOTE A - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

The three tiers of inputs used for fair value measurements are as follows:

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.

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 \$5,000 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, 2024 AND 2023

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.

At June 30, 2024 a conditional grant totaling \$346,000 for which no amounts have been received in advance have not been recognized in the accompanying financial statements.

In-kind donations

Donated goods are recorded at their estimated fair value at the date of donation. Donated services are recorded as in-kind contributions and are recognized as revenue at estimated values at the date of receipt if they (a) create or enhance non-financial assets, or (b) require specialized skills and would need to be purchased if not provided by donation. Corresponding expenses are recognized as the assets and services are utilized. A number of volunteers have donated time to the TAM's programs and fundraising activities. The services of those volunteers are not recorded in the financial statements as they do not meet the criteria for recognition. TAM received approximately 425 and 450 volunteer hours during the years ended June 30, 2024 and 2023, respectively. The in-kind donations recognized by TAM for the years ending June 30, 2024 and 2023 were entirely comprised of donated goods for the annual gala fundraising event.

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.

TACOMA ART MUSEUM

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2024 AND 2023

NOTE A - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

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 \$57,668 and \$57,227 for the years ended June 30, 2024 and 2023, 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, 2024 AND 2023

NOTE A - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Reclassification

Certain accounts in the June 30, 2023 financial statements have been reclassified for comparative purposes to conform with the presentation in the current year financial statements. These reclassifications had no effect on the net assets or change in net assets as of or for the year ended June 30, 2023.

NOTE B - LIQUIDITY

Available cash balances are reviewed monthly by management. Cash on hand includes unrestricted and restricted cash holdings. 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>2024</u>	<u>2023</u>
Total Financial Assets	\$ 26,837,253	\$ 26,001,634
Add: Approved fiscal year endowment appropriation	1,033,485	1,009,546
Less: Endowment investments	(22,160,124)	(20,872,822)
Less: Donor-imposed purpose restrictions	(1,857,349)	(1,488,453)
Less: Assets held in trust	(1,790,151)	(1,554,278)
Less: Long-term pledge receivables	(832,000)	(1,169,947)
	<u>\$ 1,231,114</u>	<u>\$ 1,925,680</u>

NOTE C - PROMISES TO GIVE

Promises to give consisted of the following at June 30:

	<u>2024</u>	<u>2023</u>
Receivable in less than one year	\$ 983,794	\$ 888,901
Receivable in one to five years	<u>832,000</u>	<u>1,169,947</u>
	1,815,794	2,058,848
Less: present value discount	(80,922)	(109,822)
Less: allowance for doubtful accounts	<u>(189,351)</u>	<u>(296,301)</u>
	<u>\$ 1,545,521</u>	<u>\$ 1,652,725</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 uncollectability, 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, 2024 AND 2023

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, 2024				
Equities	\$ 14,668,398	\$ -	\$ -	\$ 14,668,398
Fixed Income Funds	4,351,132	-	-	4,351,132
Hedge Funds	3,680,201	-	-	3,680,201
Cash Equivalents	<u>675,822</u>	<u>-</u>	<u>-</u>	<u>675,822</u>
Investments	23,375,553	-	-	23,375,553
Assets Held in Trust	<u>-</u>	<u>-</u>	<u>1,790,151</u>	<u>1,790,151</u>
	<u>\$ 23,375,553</u>	<u>\$ -</u>	<u>\$ 1,790,151</u>	<u>\$ 25,165,704</u>
As of June 30, 2023				
Equities	\$ 13,440,786	\$ -	\$ -	\$ 13,440,786
Fixed Income Funds	4,759,799	-	-	4,759,799
Hedge Funds	3,313,005	-	-	3,313,005
Cash Equivalents	<u>938,672</u>	<u>-</u>	<u>-</u>	<u>938,672</u>
Investments	22,452,262	-	-	22,452,262
Assets Held in Trust	<u>-</u>	<u>-</u>	<u>1,554,278</u>	<u>1,554,278</u>
	<u>\$ 22,452,262</u>	<u>\$ -</u>	<u>\$ 1,554,278</u>	<u>\$ 24,006,540</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, 2024 AND 2023

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, 2022	\$ 1,331,161
Disbursements	-
Change in value	223,117
Fair Value as of June 30, 2023	1,554,278
Disbursements	-
Change in value	235,873
Fair Value as of June 30, 2024	<u>\$ 1,790,151</u>

NOTE E - ASSETS HELD IN TRUST

TAM has been named as a beneficiary of certain charitable remainder trusts as of June 30, 2024 and 2023. 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) donor-restricted endowment for operations, (3) donor-restricted Haub endowment for programming purposes, (4) donor-restricted art acquisition endowment, which is intended for the purchase of new items for the collection, (5) donor-restricted Benaroya endowment for programming purposes, and (6) 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, 2024 AND 2023

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.

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. There were no deficiencies of this nature during the years ended June 30, 2024 or 2023.

TACOMA ART MUSEUM

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2024 AND 2023

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, 2024:

	Without Donor <u>Restrictions</u>	With Donor <u>Restrictions</u>	<u>Total</u>
Board-designated - operations	\$ 1,309,580	\$ -	\$ 1,309,580
Donor-restricted - operations	-	2,705,536	2,705,536
Donor-restricted - operations, Held in Trust	-	2,704,196	2,704,196
Donor-restricted - Haub	-	9,410,582	9,410,582
Donor-restricted - Benaroya	-	4,612,022	4,612,022
Donor-restricted - art	-	836,064	836,064
Donor-restricted - Imagine More	-	582,144	582,144
	<u>\$ 1,309,580</u>	<u>\$ 20,850,544</u>	<u>\$ 22,160,124</u>

Change in endowment net assets for the year ended June 30, 2024:

	Without Donor <u>Restrictions</u>	With Donor <u>Restrictions</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 1,912,037	\$ 18,960,785	\$ 20,872,822
Investment return	76,119	2,411,597	2,487,716
Contributions, net	-	305,162	305,162
Appropriations	(678,576)	(827,000)	(1,505,576)
Endowment net assets, end of year	<u>\$ 1,309,580</u>	<u>\$ 20,850,544</u>	<u>\$ 22,160,124</u>

TACOMA ART MUSEUM

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2024 AND 2023

NOTE F - ENDOWMENT (Continued)

Endowment net assets by fund type as of June 30, 2023:

	Without Donor <u>Restrictions</u>	With Donor <u>Restrictions</u>	<u>Total</u>
Board-designated - operations	\$ 1,912,037	\$ -	\$ 1,912,037
Donor-restricted - operations	-	2,593,612	2,593,612
Donor-restricted - operations, Held in Trust	-	2,420,585	2,420,585
Donor-restricted - Haub	-	8,737,728	8,737,728
Donor-restricted - Benaroya	-	4,298,286	4,298,286
Donor-restricted - art	-	718,539	718,539
Donor-restricted - Imagine More	-	192,035	192,035
	<u>\$ 1,912,037</u>	<u>\$ 18,960,785</u>	<u>\$ 20,872,822</u>

Change in endowment net assets for the year ended June 30, 2023:

	Without Donor <u>Restrictions</u>	With Donor <u>Restrictions</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 10,884,519	\$ 18,045,620	\$ 28,930,139
Investment return	86,170	1,701,673	1,787,843
Contributions, net	-	315,000	315,000
Appropriations	<u>(9,058,652)</u>	<u>(1,101,508)</u>	<u>(10,160,160)</u>
Endowment net assets, end of year	<u>\$ 1,912,037</u>	<u>\$ 18,960,785</u>	<u>\$ 20,872,822</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.

TACOMA ART MUSEUM

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2024 AND 2023

NOTE G - PERMANENT COLLECTION (Continued)

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 5,300 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	2024	2023
Land		\$ 1,843,594	\$ 1,843,594
Building and renovations	30 – 40 years	44,460,842	44,342,912
Furniture and equipment	3 – 15 years	3,010,244	3,010,244
		49,314,680	49,196,750
Less: accumulated depreciation		(17,807,827)	(16,526,267)
		<u>\$ 31,506,853</u>	<u>\$ 32,670,483</u>

NOTE I - 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, 2024 and 2023, TAM contributed \$9,223 and \$43,848, respectively, in matching contributions.

TACOMA ART MUSEUM

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2024 AND 2023

NOTE J - SUBSEQUENT EVENTS

Management has evaluated events occurring subsequent to June 30, 2024 through May 15, 2025, 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, 2024, including the estimates inherent in the processing of financial statements.

Jacob Lawrence (born Atlantic City, New Jersey, 1917; died Seattle, Washington, 2000)

The Studio, 1996

Lithograph on paper

30 x 22 1/8 inches

Tacoma Art Museum, from the collection of Stephen Roy Lindstrom and donated by Christina Lindstrom