

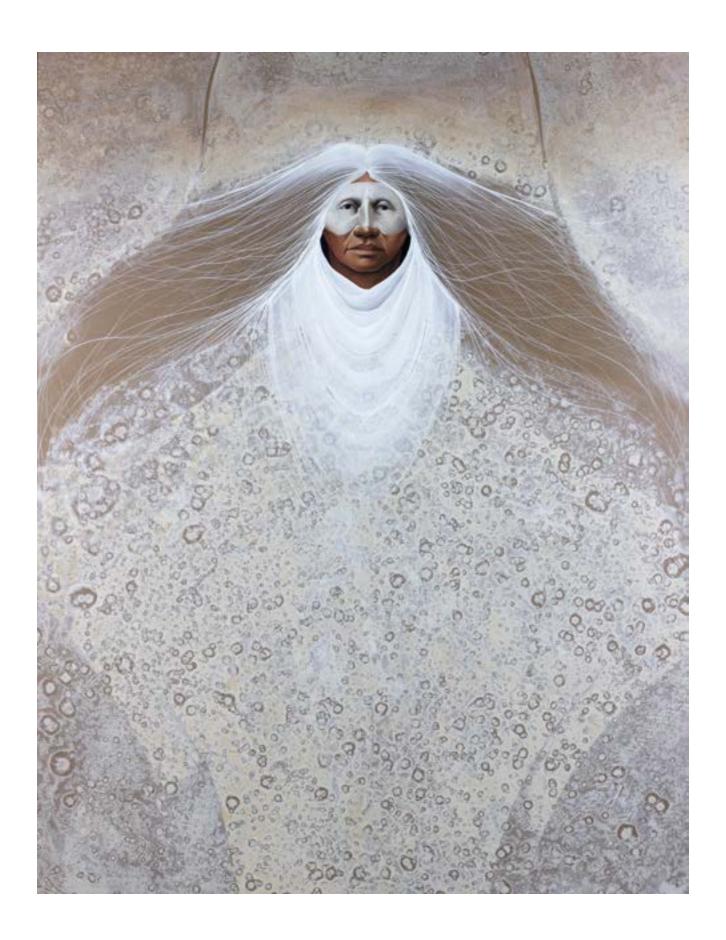
TMA is a 501(c)(3) private, nonprofit organization.

July 1, 2018–June 30, 2019 Tucson Museum of Art and Historic Block 140 N. Main Avenue Tucson, AZ 85701-8218

Phone: 520-624-2333 Fax: 520-624-7202 TucsonMuseumofArt.org The Tucson Museum of Art and Historic Block connects art to life, inspiring discovery, creativity, and cultural understanding through meaningful, engaging experiences.

MISSION

To achieve its mission, Tucson Museum of Art and Historic Block preserves and interprets its collections of Modern and Contemporary art, Native American art, art of the American West, Latin American, pre-Columbian, European, and Asian art; cares for and interprets five significant El Presidio historic properties; and produces related exhibitions, education programs, and publications which expand understanding and appreciation of these unique community resources.



Celebrating the 95th year of this organization provided many opportunities to look back at the dedication and foresight that made Tucson Museum of Art and Historic Block the community and cultural center it is today. We remembered those who first established the Tucson Fine Arts Association in 1924 and recognized the commitment and vision over nine decades that took the organization from the Kingan House on Franklin Street to the vibrant institution that now fills an entire city block bursting with Tucson history.

This celebratory year was also filled with accomplishments that laid the foundation for continued growth and innovation in the future, increasing the importance and efficacy of TMA in the community and the art world.

The museum's position as a regional leader for pre-Columbian and Latin American Art was bolstered by two important events. Construction began on the Kasser Family Wing of Latin American Art—a 6,000 square foot expansion to house works from ancient to contemporary. The Kassers' extensive pre-Columbian art collection, combined with pieces from the museum's collection and the collection of Alice and Paul Baker, will tell a story that covers nearly 3,000 years of creative and cultural production in Mesoamerica.

Along with this new facility for viewing Latin American art, **Kristopher Driggers joined TMA in spring 2019 as assistant curator and Schmidt Curator of Latin American Art**. Mr. Driggers' international research and experience provides the vision and practical skills to present, interpret and build TMA's pre-Columbian collection, install the Kasser Family Wing, and produce insightful publications, public lectures and symposia.

Two events this fiscal year increased educational potential now and in the future. Longtime museum benefactors Alice and Paul Baker gave a generous gift to completely renovate TMA's education building. Work is nearly complete on the Alice Chaiten Baker Center for Art Education, which includes four classrooms, a state-of-the-art community room that seats up to 200, a research library, conference rooms, new exterior finishes and renovated administrative offices.

Backing the programming to be provided in this wonderful facility, TMA received a \$75,000 grant from the Hearst Foundations to support and expand youth education programming over two years. The grant funding will ultimately enable TMA to reach 10,000 underserved youth and their families with field trips, in-school and after-school programs, interactive family programs, and expanded opportunities for teens.

Another infrastructure improvement came in the form of a \$100,000 technology grant by the Flinn Foundation. With this funding, TMA was able to implement another step toward future success. By upgrading to a new, comprehensive Customer Relations Management (CRM) system, the museum increased its ability to know and understand visitors and community needs. Efficiency and communication were increased across platforms.

We end this anniversary year filled with excitement for an even better future and gratitude for the support of donors, members, community partners and staff that made this possible. On behalf of the TMA Board of Trustees, I thank you all.

Frank Hamilton
President, Board of Trustees

FROM THE BOARD PRESIDENT

Frank Howell, *White Buffalo Woman*, 1991 Oil on canvas, 72 x 55.75 in. Collection of the Tucson Museum of Art. Gift of Bruce and Joy Ullock. 2018.45



Steve McCurry, *Tourists at a Resort, Bentota, Sri Lanka*, 1995
Fuji Crystal Archive print, edition 4/10 (printed 2018), 33.75 x 51 in.
Collection of the Tucson Museum of Art. Museum Purchase, funds provided by Robert and Sheryl Greenberg. 2018.35.2

In June of 2019, the Tucson Museum of Art and Historic Block closed a chapter in its history with a yearlong milestone celebration. Enclosed in this report, we look back with great admiration to the many captivating exhibitions, impactful programs, and exciting events that shaped our year. It also marked the start of new territories for TMA, as the museum embarked on two construction projects that will expand our campus and our ability to serve the public. Over the last 95 years, the museum has served as a civically engaged institution. This past year our mission was to bring together a new community of ideas, thoughts, representation, and impact to the people of Southern Arizona. It was indeed an anniversary for the ages.

A year packed with highlights, much of this transformational work was made possible by our dedicated staff, community partners, supportive board, and philanthropic donors. Guided by the museum's mission of "Connecting Art to Life," the season committed to providing access to diverse communities regardless of age, gender, religion, sexual orientation, ethnicity, race, ancestry, national origin, and physical ability. Opening our season, *30 Americans: The Rubell Family Collection* featured **30 of the top African-American artists of our time**. The exhibition was the first of its kind for TMA, and in addition to **breaking all-time attendance records**, ushered in a new type of audience dialogue for the institution.

TMA expanded its permanent collection significantly not only through the generosity of donors but also through acquisition purchases by TMA's Contemporary Art Society and Western Art Patrons. The museum received a significant collection of Mexican folk art from Vicki Ragan and Shepard Barbash. Additionally, Cuban-born artist Carlos Estevez donated the pivotal work *Noah II*, a visitor favorite featured in the exhibition *Carlos Estévez: Entelechy, Works from 1992 to 2018*. The museum's Collections Committee approved a major acquisition with the purchase of *La Primera Caida* by Paul Pletka, a pivotal work by the Santa Fe, New Mexico based painter.

This Annual Report attests to the strong commitment of individuals who believe in our mission and feel strongly about participating in the future of the museum. Many of TMA's new learning objectives emphasized the importance of relationships. I would like to recognize the **30 Americans Community Advisory Committee** including Debi Chess Mabie, Dr. Michael Engs, Wanda F. Moore, Sandra Nathan, John-Peter Wilhite, Barbea Williams, and Timothy Williams. This group of local citizens was instrumental in the success and impact of the exhibition. New to TMA this year, **the inaugural Teen Council** took shape. With thanks to the Hearst Foundations for funding, the Teen Council provides a platform for our youth to explore museum operations while honing their communication, critical thinking, and leadership skills.

From world-class exhibitions to inclusive learning experiences, the 95th anniversary season at TMA truly created exceptional experiences to bring people together. In the first half of our coming season, we anxiously await the completion of the Alice Chaiten Baker Center for Art Education including the Stonewall Foundation Community Room, James H. and Frances R. Allen Library, and the Anne E. and Jeffrey W. Gartner Reception Area. We believe the expanded opportunities and benefits of the renovated building will enhance the experience for all users and develop new opportunities for the community.

We thank every one of you as visitors to the museum, supporters of our mission, and advocates for the essential role that this museum plays in the life of Southern Arizona.

Jeremy M. Mikolajczak Chief Executive Officer

FROM THE CEO



FEATURE EXHIBITIONS

Arizona Biennial 2018

July 6-September 16, 2018 Guest juror: Rebecca R. Hart

James G. Davis: A Tribute

July 6-September 16, 2018 Curated by Dr. Julie Sasse

30 Americans: The Rubell Family Collection

October 6, 2018-January 13, 2019

Carlos Estévez: Entelechy, Works from 1992 to 2018

January 26-May 5, 2019

Guest curated by Dr. Carol Damian

Blue Tears: Patricia Carr Morgan

January 26-April 21, 2019 Curated by Dr. Julie Sasse

Learning to See: Josef Albers, Selected prints from the

Formulation: Articulation Series

May 3-July 7, 2019

Curated by Jeremy Mikolajczak

Travelogue: Grand Destinations & Personal Journeys

May 18-September 29, 2019

Curated by Dr. Julie Sasse and Christine Brindza

Installation of the exhibition Carlos Estévez: Entelechy, Works from 1992 to 2018.







Burt & Brenda Lazar Gallery

Latin American Folk Art Curated by Dr. Julie Sasse

The Stonewall Gallery

Latin American Folk Art Curated by Dr. Julie Sasse

Anne Y. Snodgrass Gallery

Art of East Asia

Curated by Christine Brindza

Palice Gallery of European and Latin American Art

European, Pre-Columbian, and Spanish Colonial Art Curated by Dr. Julie Sasse and Jeremy Mikolajczak

Count Ferdinand Von Galen Gallery

Art of the American West Curated by Christine Brindza

Founders Gallery in the John K. Goodman Pavilion

Works of Art by Olaf Wieghorst Curated by Christine Brindza

Contemporary Art Society/Joyce Broan Gallery

Contemporary Art Curated by Dr. Julie Sasse

Kay Cauthorn/Berger-Hanft Gallery

Modern Art

Curated by Dr. Julie Sasse

Jon & Linda Ender Gallery

Watercolors from the Art of the American West Collection Curated by Christine Brindza

Mary Jo Brown Gallery

Selections from the Kasser Mochary Art Foundation Curated by Dr. Julie Sasse and Joanne Stuhr

Kenneth J. & Judith H. Riskind/ Patricia Carr Morgan & Peter F. Salomon Gallery

Arthur Lazar Photographs Curated by Christine Brindza

Sandra & Robert Maxfield Gallery

Art of the American Southwest Curated by Christine Brindza and Dr. Julie Sasse

Bernard & Jeanette Schmidt Gallery

Native American Culture and Arts Curated by Christine Brindza

Frank & Jean Hamilton Gallery

Art of the American West Curated by Christine Brindza

Free First Thursday attendees in the Contemporary Art Society/Joyce Broan Gallery.

PERMANENT

COLLECTION

GALLERIES

KASSER FAMILY WING OF LATIN AMERICAN ART

ALICE CHAITEN BAKER CENTER FOR ART EDUCATION

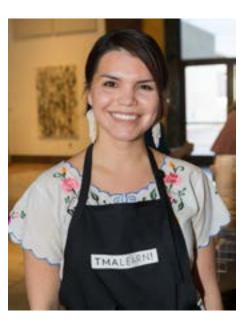


Architect's rendering, façade, Kasser Family Wing of Latin American Art.

In May 2019, TMA broke ground on the first expansion in more than a four decades. Slated for completion in spring 2020, the Kasser Family Wing will exhibit Latin American art spanning millennia from pre-Columbian to contemporary works.

Construction of the Kasser Family Wing was made possible by a gift from long time arts supporters I. Michael and Beth Kasser. It is the largest individual donor gift in the museum's history.

The 6000 sq. ft. expansion will enable TMA to better serve visitors and the community by unifying the main museum building with the John K. "Jack" Goodman Pavilion, connecting east and west entrances, and increasing exhibition space. Additional updates to TMA's four-acre campus include significant outdoor improvements to the sculpture garden, redesign of the plaza, improved accessibility of the main entrances, and completion of critical HVAC and safety measures.





The TMA Education Center has enabled the museum to serve approximately 27,000 children and adults every year. However, the building—former City Court quarters—had several limiting factors directly impacting the museum's capacity to respond to children and community needs.

Alice and Paul Baker, long time museum benefactors, made a gift to support the renovation of the Education Center and established a fund for long-term financial sustainability.

The interior renovation, which began in early 2019, includes the consolidation and rearrangement of classrooms, a state of the art community room, and significant changes and upgrades to the research library, conference rooms and administrative offices. These changes will increase accessibility and enable TMA to serve more people with a broader range of programs and activities.

TMALearn! programs include docent-led tours and Art Talks, K-12 field trips, In-School Art for grades 1-8, Second SundAZe Family Day, Summer Art Camp, Little Tykes for preschoolers, and TMA Teen Council.

COMMUNITY ENGAGEMENT

30 AMERICANS: THE RUBELL FAMILY COLLECTION

October 6, 2018-January 13, 2019



FY19 Quick Facts:
Programs: 153
Partners: 97
Total Exposure: 12,324

BOTH PAGES: Installation of the exhibition 30 Americans: The Rubell Family Collection. Photo courtesy of Willo Art.

Community Engagement at TMA broadens the museum's impact in the community related to permanent collections, feature exhibitions, and programmatic endeavors. TMA develops internal and external strategies to embed inclusive practices in all activities, including exhibitions, interpretation and programs.

In 2018–19, TMA collaborated with scholars, community organizations, educators and artists to provide public programs at the museum and in the community to enhance opportunities for conversation and partnerships in support of the 95th anniversary season.

An important new initiative this year was the implementation of Community Advisory Committees to support selected exhibitions. These committees discuss works of art, identify exhibition presentation strategies for a wide variety of audiences, build local connections, find community partners and support trainings for TMA staff and volunteers.



30 Americans showcases works by many of the most important African American artists of the last three decades. This provocative exhibition focuses on issues of racial, sexual, and historical identity in contemporary culture while exploring the powerful influence of artistic legacy and community across generations.

A record-setting 1,902 people attended the opening of *30 Americans* at TMA. Total attendance for the exhibition was 28,111.

In conjunction with 30 Americans, TMA formed its first Community Advisory Committee comprised of seven individuals from the Tucson community who shared their expertise and brought new perspectives to TMA in order to make stronger and more relevant

connections between local communities and the exhibition. The seven members supported outreach and engagement strategies, promoted *30 Americans* throughout the community, and ensured that the museum engaged in meaningful and transformational dialogue in response to artworks on view.

Visitor quotes from the response wall:

- "For the first time I see myself hung in a museum in glory... not in/as spectacle, artifact, fiction or gaze. Thank you for bringing it to TMA."
- "The most striking and powerful exhibit I've seen at TMA. Tells me we are expanding into new territory."

"Talking is key."

FREE FIRST THURSDAY

SECOND SUNDAZE



FY19 Quick Facts:

Average visitors: 600+

Total participation: 7,235 visitors (44% increase over FY18)

66 unique Free First Thursday programs

93% of visitors to Free First Thursday are NOT museum members

55% of visitors are under the age of 44 50% of visitors have a household income of less than \$50,000 Free First Thursdays are admission-free evenings that position TMA as "the place to be" on the first Thursday of the month. Activities include: art-making, guided gallery experiences, live music, site-specific installations, lectures, special performances, strategic partnerships with community collaborators, and a cash bar serving local beer and wine.

While it is art-based, Free First Thursday is about people rather than objects. It is an ongoing series that reflects the diversity of the community, making art accessible and relevant to all.



FY19 Quick Facts:

Average visitors: 480+

Total participation: 5,784 visitors (57% increase over FY18)

59 unique Second SundAZe programs 89% of visitors to Second SundAZe are NOT museum members

47% of visitors are under the age of 44 29% of visitors have a household income under \$35,000; 61% are under \$74,999

In September 2016, Tucson Museum of Art launched a family-oriented program called Second SundAZe: Family Day @TMA. On the second Sunday of every month the museum provides an entire day of family-friendly programming with gallery activities, special performances, community collaborations, and hands-on art-making projects.

With a mission to connect art to life, TMA is committed to providing barrier-free access to Southern Arizona's largest visual arts museum. Second SundAZe offers free museum admission for residents of Arizona and Sonora, Mexico though the generous support of The Stonewall Foundation with additional support from the David and Lura Lovell Foundation.

Free First Thursday attendees. Photo courtesy of Willo Art.

Printmaking with found materials at Second SundAZe Family Day.

FUNDRAISING EVENTS MEMBERSHIP





MEMBERSHIP NUMBERS

Ambassador Circle 29
Director Circle 78
President 26
Patron 65
Sustaining 367
Dual/Family 1444
Individual 751

Total Household Memberships 2760

Membership to Tucson Museum of Art and Historic Block is a commitment to the arts and cultural history of Tucson. Members' support means the museum endures as one of Arizona's most accessible, diverse, and innovative arts organizations. Members are important to help TMA extend the mission of Connecting Art to Life by providing world-class exhibitions, educational programming, and celebrations of culture.

Installation of the exhibition Carlos Estévez: Entelechy, Works from 1992 to 2018.

Crush Party November 9, 2018
Holiday Artisan Market November 16-18, 2018
Fashion Féte February 1, 2019

Spring Art Market & Flower Festival March 16-18, 2019

Crush Gala March 23, 2019

Crush Gala 2019. Photo courtesy of Willo Art.

TMALEARN! DOCENTS

TMA's 158 volunteer docents serve as a vital component of family, K–12 and adult programs, providing educational opportunities on campus and throughout the community. They share a knowledge of the museum's collections and historic properties, an understanding

of art history including major periods and important artists, and a passion for education. Activities include museum tours and Docent Art Talks on the museum campus and at Dusenberry-River Library and Joyner-Green Valley Library.



SUPPORT ORGANIZATIONS

Contemporary Art Society

The Contemporary Art Society (CAS) had a busy 2019 season, including trips to Phoenix and London to visit museums, galleries, studios and private collections. Highlights of the season include visits in Tucson to see the contemporary art collections of Jean and Jordon Neremberg, new board member John-Peter Wilhite, and Jim Tharp and Jim Lindheim. CAS also visited Creative Machines Public Art Production and the studio of noted photographer Kate Breakey, among other destinations.

Latin American Art Patrons

Latin American Art Patrons (LAAP) is dedicated to the support and expansion of the Museum's Latin American Art exhibits, publications and educational presentations. It provides acquisition funds to expand the permanent collection which encompasses the pre-Columbian, Spanish Colonial and contemporary periods, as well as a strong representation of folk and Indigenous art. Throughout the year the organization organizes special events including visits to private and public collections, lectures, and private home tours showcasing Latin American-themed collections and décor.

Tucson Museum of Art League

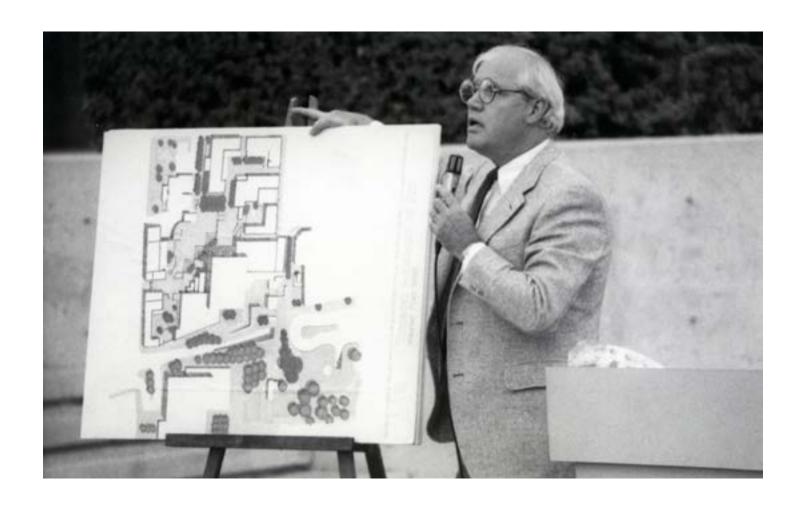
The Tucson Museum of Art League is a vibrant group sharing a passionate interest in the arts and supporting the Museum through a variety of events and fundraising activities. TMA League meetings often focus on local artists and include social luncheon and dinner gatherings. Annual fundraising events include Treasure House Estate Sale, Dinner A L'art, and Garden in the Galleries.

Western Art Patrons

The mission of the Western Art Patrons (WAP) is to encourage interest and foster knowledge of art of the American West through educational and social programs, trips, exhibition underwriting, and support of museum acquisitions. WAP was a major contributor this year to the purchase of Paul Pletka's *La Primera Caida*, which the museum will receive in fall 2019. Travel in FY19 included "Artists of the Hidden Canyons and Open Skies," a trip to the Four Corners area. Photographer Jay Dusard, mixed media painter Tony Abeyta (Diné), and watercolor and travel artist Chuck Albanese spoke at WAP events.

Bill Dambrova, YOU ARE THE NEXT TO BE EATEN, 2017
Mixed media on canvas, 84 x 48 in.
Collection of the Tucson Museum of Art.
Gift of the Artist. 2018.21

AMBASSADOR CIRCLE LIFETIME ACHIEVEMENT AWARD



Andy Anderson

The Ambassador Circle Lifetime Achievement Award, first presented in 2017, celebrates the career of an artist, patron or community member who has demonstrated a passion and commitment to the advancement of Southern Arizona arts and the Tucson Museum of Art and Historic Block.

Andy Anderson has provided decades of Board of Trustees participation and pro bono expertise to TMA, helping to improve TMA facilities and promote success. In addition to serving on the Board, being a former Board president and current Trustee emeritus, Anderson has been integral to TMA's design, renovation and master planning for nearly 50 years. He helped to design the downtown museum while with William Wilde and Associates in the 1970s. He later created a master plan and designed renovations in 1983 and 2017. He designed the Kasser Family Wing of Latin American Art, currently under construction, and the new Alice Chaiten Baker Center for Art Education, slated to open in fall 2019.

THANK YOU TO OUR DONORS

\$1.000.000+

I. Michael and Beth Kasser** Alice and Paul Baker

\$100,000+

Jim and Fran Allen James J. and Louise R. Glasser** Frank and Jean Hamilton** The Stonewall Foundation**

\$50,000 to \$99,999

Mary Jo Brown

Patricia Carr Morgan and Dr. Peter F. Salomon

Jon and Linda Ender**

Flinn Foundation

Tucson Museum of Art League

Western Art Patrons

William Randolph Hearst Foundation

\$25,000 to \$49,999

Richard and Linda Anderson Joyce G. Broan/Greater Milwaukee Foundation**

Jeffrey W. and Anne E. Gartner

Shervl and Robert Greenberg

Michael and Christine Hanson

Estate of Jeanette H. and L. Bernard Schmidt

Anne Y. Snodgrass**

\$10,000 to \$24,999

Amy Adams

Bank of America

Shepard Barbash and Vicki Ragan

Connie Hillman Family Foundation

Contemporary Art Society

Imago Dei Middle School

James Huntington Foundation

Marilyn and Clayton R. Joyce

Kautz Family Foundation

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Anne S. and Edward W. Lyman

Sandra C. Maxfield/Frances Chapin Foundation of the United Way of Tucson and Southern Arizona

Charles Northrup

Kenneth and Judith Riskind** Alan Willenbrock and Peggy Jones

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\$5,000 to \$9,999

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Lenore Hanauer Foundation Long Realty Cares Foundation

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Nancy K. Strauss

Drs. Mark and Kathleen Sublette/Medicine Man Gallery Dr. Sheldon L. Trubatch and Ms. Katharina Phillips

Jane and Bob Wienke

\$2,500 to \$4,999

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\$1,000 to \$2,499

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Suzanne and Ron Scharf

Ronald and Karen Schutz

Jeannette Segel

Simply Bits

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\$500 to \$999

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Brenda S. Tobin Jessie and Gary Van Ness

Walter & Juliet J. Absolon Foundation

\$250 to \$499

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Patricia and Charles Erickson

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Lucy Gomez George and Diane Gordon

Jennifer Gross

C. Donald Hatfield Mr. and Mrs. John Hoos

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Alba Rojas-Sukkar and Nizar Sukkar

Rachel and Stephen Sattinger

Ed and Robyn Schwager Kim and Chris Sparling

Joseph Tabor

Janice Warne and Joe Douglas Caron Weinstein

Neil and Carol Weinstein Mary Lou Wood

Century Naming Opportunity. For a listing of all contributions made in Fiscal Year 2019, please visit tucsonmuseumofart.org.

**Includes TMA/100: A Vision for the 21st

LEGACY SOCIETY

The Tucson Museum of Art and Historic Block wishes to thank the following founding members of our Legacy Society:

Bonnie Bradford

Joyce G. Broan

Michael S. Bylsma

Carolyn Brown and Tim Wernette

The Estate of Earl Kai Chann

Marilyn and Clayton R. Joyce

Michael and Susie Kennedy

Dr. Robert and Jana Knight Roy Kurtz

Dan Leach

William D. Sawyer

Howard and Marilyn Steele Loren A. Vance and Virginia Long Vance

GIFTS OF ART

Nancy Albertson Davis Andres

Gary Auerbach Shepard Barbash and Vicki Ragan

Charlotte "Charlie" Burton Bill Dambrova

Carlos Estévez

Judy and Mirle Freel Jr. Gloria Giffords James J. and Louise R. Glasser Paul Gold and Greer Warren The Estate of Joseph Gross

Annie Helmericks-Louder Jean Honeman

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Mary Peachin James Pray Julie Sasse

Mary Sasse

Svlvia Noble Tesh Sara Tomchin

Sheldon L. Trubatch and Katharina Phillips Bruce and Joy Ullock Virginia Johnson Fund



Santiago Soriano and father, Racoon, 1989 Wood, pigment, 9.5 x 17 x 4 in.

Collection of the Tucson Museum of Art. Gift of Shepard Barbash and Vicki Ragan. 2018.22.327

FINANCIALS

STATEMENT OF ACTIVITIES

Support and Revenue	
Gifts and Grants	\$1,140,477
Fundraising Events	\$638,958
Membership	\$284,087
Admissions	\$159,532
Program Income	\$185,218
Rental Income	\$177,266
Retail Income	\$227,234
Investment Income	\$163,041
Restricted Income	\$38,039
Total Support and Revenue	\$3,013,852

Expense

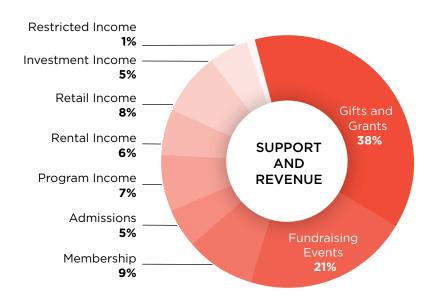
Program Services	\$2,651,979
Fundraising	\$697,364
Fundraising Event Expense	\$384,448
Management & General	\$436,698
Total Expense	\$4,170,489

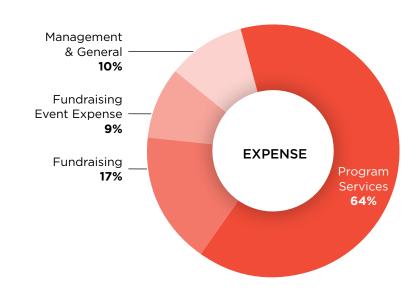
Change in Net Assets \$(1,156,637)

FINANCIAL POSITION

Assets

Current Assets Fixed Assets	\$4,254,191 \$4,077,119
Total Assets	\$8,331,310
Liabilities	\$477,080
Net Assets	
Permanently Restricted	\$3,513,725
Restricted	\$1,792,420
Unrestricted	\$2,548,085
Total Net Assets	\$7,854,230
Total Assets & Liabilities	\$8,331,310





Robert Cocke, *Events*, 2016 Oil on panel, 7 x 44 in. Collection of the Tucson Museum of Art. Museum Purchase, funds provided by Robert and Sheryl Greenberg. 2018.35.1

BOARD OF TRUSTEES

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Larry Adamson
Merlin Cohen
The Honorable Jean Cooper
Jon Ender
Jeffrey Gartner
Michael Hanson

Marilyn Joyce I. Michael Kasser Kit Kimball

The Honorable Steve Leal

Anne Lyman Sandra Maxfield

Jeremy Mikolajczak

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Jane Wienke

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Alice Baker

James Glasser

Joan Jacobson

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David Andres, Contemporary Art Society, President
Deborah Curran, Docent Council President
Stevie Mack, Latin American Art Patrons, President
Linda Ender, Western Art Patrons, President
Sharon Hessoun, Tucson Museum of Art League President

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Jeremy Mikolajczak, Chief Executive Officer Cami Cotton, Chief of Staff Debra Zeller, Special Projects Assistant

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Christine Brindza, Senior Curator, Glasser Curator of Art of the American West Kristopher Driggers, Assistant Curator, Schmidt Curator of Latin American Art Dr. Marianna Pegno, Curator of Community Engagement Denisse Brito, Assistant Curator of Community Engagement

Morgan Wells, Curator of Education

Kendall Crabbe, Assistant Curator of Education (through May 2019)

Rachel Adler, Collection Manager/Registrar

Katie Jones-Weinert, Assistant Registrar

External Affairs

Alba Rojas-Sukkar, CFRE Chief Development Officer (through March 2019)
Andrea Dillenburg, Chief Development Officer (beginning May 2019)
Kelly Wiehe, Director of Communication & External Affairs (through October 2018)
Dr. Anne Thwaits, Director of Marketing and Communications (beginning May 2019)
Jordan Bohannon, Digital Content & Marketing Coordinator
Jessica Nenadic, Events & Development Director (through December 2018)
Leah Majalca, Events & Development Director (beginning January 2019)
Lisa Jensen, Membership Manager
Nancy Weant, Grants Manager





Tucson Museum of Art and Historic Block, Inc. Financial Statements

For the Year Ended June 30, 2019

Tucson Museum of Art and Historic Block, Inc.

Financial Statements Year Ended June 30, 2019

TUCSON MUSEUM OF ART AND HISTORIC BLOCK, INC. YEAR ENDED JUNE 30, 2019 TABLE OF CONTENTS

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INDEPENDENT AUDITOR'S REPORT

The Board of Trustees
Tucson Museum of Art and Historic Block, Inc.

Report on Financial Statements

We have audited the accompanying financial statements of Tucson Museum of Art and Historic Block, Inc. (Museum) which comprise the statement of financial position as of June 30, 2019, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Tucson Museum of Art and Historic Block, Inc. as of June 30, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As described in Note 1, the Tucson Museum of Art and Historic Block, Inc. implemented the provisions of the Financial Accounting Standards Board (FASB) Accounting Standards Update 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities* (Topic 958), for the year ended June 30, 2019, which represents a change in accounting principle. Our opinion is not modified with respect to this matter.

Heinfeld Meach & Co. PC

Heinfeld, Meech & Co., P.C. Tucson, Arizona April 30, 2020

TUCSON MUSEUM OF ART AND HISTORIC BLOCK, INC. STATEMENT OF FINANCIAL POSITION JUNE 30, 2019

Assets		
Cash and cash equivalents	\$	46,425
Cash and cash equivalents - with donor restrictions	•	817,841
Accounts receivable		133,805
Pledges receivable		146,610
Pledges receivable - with donor restrictions		1,250,000
Investments - with donor restrictions		1,764,348
Inventory		39,279
Prepaid expenses		63,556
Property and equipment, net		4,062,150
Intangible assets, net		19,100
Total assets	\$	8,343,114
	_	
<u>Liabilities</u>		
Accounts payable	\$	193,331
Accrued payroll		75,919
Deferred revenue		235,152
Total liabilities	_	504,402
Net assets		
Without donor restrictions:		
Undesignated		1,634,558
With donor restrictions:		0.000.400
Purpose restricted		2,690,429
Perpetual in nature	_	3,513,725
Total not assets		7 020 740
Total net assets	_	7,838,712
Total liabilities and net assets	Ф	8 3/3 11/
TOTAL HAVIIILIES AND HEL ASSELS	Φ=	8,343,114

TUCSON MUSEUM OF ART AND HISTORIC BLOCK, INC. STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2019

		Without Donor		With Donor		
Revenue, support, and gains:		Restrictions	_	Restrictions	_	Total
Admissions	\$	160,193	\$		\$	160,193
Contributions and bequests		721,942		38,039		759,981
Exhibition revenues		192,470				192,470
Fundraising revenues		638,853				638,853
Grant revenues		222,499				222,499
Membership dues		287,673				287,673
Retail operations revenues		227,268				227,268
Other income		150,553				150,553
Rental income		177,866				177,866
Support organization income		232,949				232,949
Tuition		38,160		100 011		38,160
Net investment income				163,041		163,041
Net assets released from restrictions		398,249		(398,249)	_	0.054.500
Total revenue, support, and gains		3,448,675	-	(197,169)	_	3,251,506
Expenses and losses:						
Program services						
Curatorial and exhibitions		1,508,000				1,508,000
Education		511,666				511,666
Museum shop		314,374				314,374
Support organizations		229,602	_		_	229,602
Total program expenses		2,563,642	_			2,563,642
Supporting services						
Management and general		858,022				858,022
Fundraising Special events		155,197				155,197
Direct		728,716				728,716
Total fundraising		883,913	-		-	883,913
Total supporting services	•	1,741,935	-		_	1,741,935
Total Supporting Services		1,7 + 1,000			_	1,7 41,000
Total expenses and losses		4,305,577				4,305,577
Change in net assets		(856,902)		(197,169)		(1,054,071)
Net assets, beginning of year		2,491,460		6,401,323	_	8,892,783
Net assets, end of year	\$	1,634,558	\$_	6,204,154	\$_	7,838,712

TUCSON MUSEUM OF ART AND HISTORIC BLOCK, INC. STATEMENT OF FUNCTIONAL EXPENSES FOR THE YEAR ENDED JUNE 30, 2019

	Program Services						Supporting Services							
		Curatorial and						Support	_	Management				
		Exhibitions		Education	<u> </u>	Museum Shop		Organizations		and General		Fundraising		Total
Salaries and benefits	\$	528,146	\$	291,792	\$	101,579	\$	767	\$	544,740	\$	298,954 \$	1	1,765,978
Catering		12,543		6,677						5,171		38,919		63,310
Information technology		5,040		12,717						42,789		11,893		72,439
Lectures, performers, and honoraium		11,200		25,180						69		17,525		53,974
Transportation/moving		115,234		5,822								289		121,345
Other purchased/contracted services		93,485		26,829		7,177		38		36,695		41,953		206,177
Equipment repair and maintenance		34,244		4,674		4,674				2,476		2,337		48,405
Building repair and maintenance		3,087		431		431				216		216		4,381
Utilities		140,245		20,035		20,035				23,548		10,518		214,381
Insurance		66,404		4,448		5,914				9,298		2,224		88,288
Advertising and publicity		53,209		22,964		2,297		2,865				100,062		181,397
Art acquisition		123,610												123,610
Printing		22,821		7,032		111		717		2,770		46,759		80,210
Rental equipment		4,184		7,044		138				46,227		37,029		94,622
Software		920		5,684		19,227		2,747		8,905		21,972		59,455
Travel		11,578		12,322		733				17,103		48,410		90,146
Other general expenses		96,324		14,123		1,169		256		44,807		25,940		182,619
Special events												155,197		155,197
Supplies		12,474		19,149		2,098		10		17,218		7,144		58,093
Museum shop		1,600				107,297								108,897
Bank/credit card charges		87		237		17,142				26,105		2,058		45,629
Miscellaneous expenses		1,099		154				222,202		15,409		2,337		241,201
Depreciation and amortization		170,466		24,352		24,352	. –			14,476		12,177		245,823
Total expenses	\$	1,508,000	. \$	511,666	\$_	314,374	\$_	229,602	\$	858,022	\$	883,913 \$		1,305,577

TUCSON MUSEUM OF ART AND HISTORIC BLOCK, INC. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED JUNE 30, 2019

Cash flows from operating activities:		
Change in net assets	\$	(1,054,071)
Adjustments to reconcile change in net assets to net		
cash provided by/used for operating activities:		
Depreciation		245,823
Net (gain)/loss on investments		(151,308)
Changes in assets and liabilities:		
Accounts receivable		(94,215)
Pledges receivable		1,747,602
Inventory		10,175
Prepaid expenses		(44,983)
Other current assets		9,500
Accounts payable		26,811
Accrued payroll		4,118
Deferred revenue	_	(1,527)
Net cash provided by/used for operating activities	_	697,925
Cash flows from investing activities:		
Proceeds from sale of investments		203,823
Purchases of capital assets		(357,195)
Transfers from (to) restricted cash account		(556,525)
Dividends and interest		11,972
	-	,
Net cash provided by/used for investing activities	_	(697,925)
Net increase/decrease in cash and cash equivalents		
Cash and cash equivalents, beginning of year	_	46,425
Cash and cash equivalents, end of year	\$_	46,425

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Tucson Museum of Art and Historic Block, Inc. (Museum) was incorporated in Arizona in November 1936 as a nonprofit organization. The Museum is located in Tucson, Arizona. The Museum connects art to life, inspiring discovery, creativity, and cultural understanding through meaningful, engaging experiences. These financial statements also include the activities of the Tucson Museum of Art League, Contemporary Art Society, Latin American Art Patrons, and Western Art Patrons, which are unincorporated support organizations to the Museum. The purpose of these organizations is to promote and provide support for the Museum's art collections and related activities.

Basis of Accounting

The financial statements of the Museum have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

Basis of Presentation

The financial statements of the Museum have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to not-for-profit entities. The Financial Accounting Standards Board (FASB) is the accepted standard-setting body for establishing not-for-profit accounting and financial reporting principles. The Museum is required to report information regarding its financial position and activities according to two classes based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Museum and changes therein are classified as follows:

Net assets without donor restrictions – Net assets that are not subject to donor-imposed stipulations.

Net assets with donor restrictions – Net assets subject to donor-imposed stipulations. Some donor restrictions are temporary in nature; those restrictions will be met either by actions of the Museum and/or the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds must be maintained in perpetuity.

Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Statement of Activities as net assets released from restrictions.

Use of Estimates

In preparing financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, the Museum considers all highly liquid investments with an initial maturity of one year or less to be cash equivalents. The Museum places its cash and cash equivalents with various credit institutions.

Investments

The Museum reports investments at fair value. Net investment income return is reported in the Statement of Activities and consists of interest and dividend income, realized and unrealized capital gains and losses, less investment expense. Net investment income restricted by donors are reported as increases in net assets without donor restrictions if the restrictions are met (either a stipulated time period ends or a purpose restriction is accomplished) in the reporting period in which the income and gains are recognized.

Concentrations of Credit and Market Risk

Financial instruments that potentially expose the Museum to concentrations of credit and market risk consist primarily of cash equivalents and investments. The Museum maintains its cash and cash equivalents in bank deposit accounts, which, for short periods of time, may exceed federally insured limits. At year end, the carrying amount of the Museum's deposits was \$864,266 and the bank balance was \$888,163. At year end, \$284,058 of the Museum's deposits were uninsured and uncollateralized. To minimize risk, cash accounts are maintained at high-quality financial institutions and credit exposure is limited to any one institution. The Museum's investments do not represent significant concentrations of market risk inasmuch as the Museum's investment portfolio is adequately diversified among issuers.

Pledges Receivable

Unconditional promises to give are recognized as revenues when the promise is received. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

Unconditional promises to give that are expected to be collected in less than one year are reported at net realizable value. Unconditional promises to give that are expected to be collected in periods greater than one year are recorded at net present value of expected cash flows. As the difference between the present value and net present value is insignificant, promises to give that are collectible over future periods will be reported at present value. Management does not believe an allowance for uncollectible amounts is necessary based on historical experience with donors, and accordingly has made no allowance for doubtful accounts.

Accounts Receivable

Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. Accounts receivable are considered by management to be collectible in full and, accordingly, an allowance for doubtful accounts is not considered necessary.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Inventories

Museum shop inventories are stated at the lower of cost or market determined by the first-in, first-out method. Bar inventories are stated at the lower of cost or market determined by the average cost method.

Property and Equipment

Acquisitions of property and equipment with a cost in excess of \$500 are capitalized. All expenses for repairs, maintenance, renewals, and betterments that materially prolong the useful lives of assets are capitalized. In addition, all expenses for computers and related software and infrastructure are always capitalized. Property and equipment are carried at cost or, if donated, at the approximate fair market value at the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives of the respective assets, ranging from five to 50 years. Depreciation expense for the current fiscal year was \$245.823.

The Museum reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell. Management does not believe impairment indicators are present.

The City of Tucson owns the land and some permanent structures on which the Museum is located. The Museum has a lease with the City of Tucson, which entitles the Museum to exclusive right and use of the land and to operate the properties as a museum. The lease expires in September 2072. As a matter of policy, the fair value of the leased premises has not been reported in the financial statements of the Museum.

Collections

The collections, which were acquired through purchases and contributions since the Museum's inception, are not recognized as assets on the statement of financial position. Contributed collection items and reference books are not reflected in the financial statements. During 2019, the Museum received \$546,332 of contributed art (unaudited) not recorded in the statement of financial position, in accordance with its policy. Proceeds from de-accessions or insurance recoveries, if any, are reflected as increases in the appropriate net asset classes.

Major collections include: 1) Pre-Columbian; 2) The American West in 19th and 20th Century Art; 3) 20th Century Art and Contemporary American Art; 4) Spanish Colonial Art; and 5) Historical Properties.

The Board of Trustees has final legal responsibility to approve the acquisition, deaccession, and loan of objects into and from the collections. Accepted items are accessioned and cared for in accordance with a written "Collection Management Policy" following generally accepted museum procedures. Funds realized through the sale of any deaccessioned art are only used to replenish the collections.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Beneficial Interest in Assets Held by Community Foundation

The Museum has established an endowment fund that is perpetual in nature with the Arizona Community Foundation (ACF) and named the Museum as the beneficiary. The Museum granted variance power to ACF, which allows ACF to modify any condition or restriction on its distributions for any specified charitable purpose or to any specified organization if in the sole judgment of ACF's Board of Directors, such restriction or condition becomes unnecessary, incapable of fulfillment, or inconsistent with the charitable needs of the community. The fund is held and invested by ACF for the Museum's benefit and is reported at fair value in the statements of financial position, with distributions and changes in fair value recognized in the statements of activities.

Deferred Revenue

The Museum has entered into operating lease agreements for its facilities, some of which contain provisions for future rent increases. The Museum records monthly rent expense equal to the total of the payments due over the lease term, divided by the number of months of the lease term. The difference between rent expense recorded and the amount paid is credited or charged to deferred rent, which is reflected in a separate line item in the accompanying statement of financial position.

The Museum recognizes deferred revenue for membership dues in the applicable annual membership period and deferred revenue for tuition receipts in the applicable annual tuition period.

Compensated Absences

Employees are entitled to personal time off (PTO), depending on job classification, length of service, and other factors. It is the Museum's policy to recognize the cost of compensated absence when leave is earned by employees.

Revenue Recognition

Revenue is recognized when earned. Program service fees and payments under costreimbursable contracts received in advance are deferred to the applicable period in which the related services are performed or expenditures are incurred, respectively.

Donated Services and In-Kind Contributions

Donations of property and equipment are recorded as contributions at fair value at the date of donation. Such donations are reported as increases in net assets without donor restrictions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as increases in net assets with donor restrictions. Absent donor stipulations regarding how long those donated assets must be maintained, the Museum reports expirations of donor restrictions when the donated or acquired assets are placed in service. The Museum reclassifies net assets with donor restrictions to net assets without restrictions at that time.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Museum. Volunteers contribute significant amounts of time to the Museum's program services, administration, and fundraising activities; however the financial statements do not reflect the value of these contributed services because they do not meet recognition criteria prescribed in generally accepted accounting principles.

The Museum received no donated materials, services, and equipment for the year ended June 30, 2019.

Functional Allocation of Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the Statement of Activities and in the Statement of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Such allocations are determined by management on an equitable basis.

The expenses that are allocated include the following:

Expense	Method of Allocation
Salaries and benefits	Time and usage
Transportation/moving	Time and usage
Other purchased/contracted services	Time and usage
Utilities	Time and usage
Advertising and publicity	Time and usage
Other general expenses	Time and usage
Miscellaneous expenses	Time and usage
Depreciation and amortization	Time and usage

<u>Advertising</u>

The Museum uses advertising to promote its programs among the audiences it serves. The production costs of advertising are expensed as incurred. During the current fiscal year, advertising costs totaled \$181,397.

Income Tax Status

The Museum is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code and similar State of Arizona tax provisions. However, income from certain activities not directly related to the Museum's tax-exempt purpose is subject to taxation as unrelated business income. The Museum's Form 990, Return of Organization Exempt from Income Taxes and Form 990T, Exempt Organization Business Income Tax Return, are generally subject to examination by the Internal Revenue Service for three years after the date filed. There are no current or pending IRS examinations.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Museum has adopted the provisions of the FASB standard on Accounting for Uncertainty in Income Taxes (ASC 740-10-25). Management has evaluated the tax positions taken or expected to be taken, if any, on its exempt organization filings, and the likelihood that upon examination those positions would be sustained. Based on the results of this evaluation, management believes there are no uncertain tax positions.

New Accounting Pronouncement

During the fiscal year, the Museum adopted Accounting Standards Update (ASU) 2016-14, Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Museum has adjusted the presentation of these statements accordingly. The ASU has been applied retrospectively to all periods presented.

NOTE 2 – LIQUIDITY AND AVAILABILITY

The following represents the Museum's financial assets at fiscal year end:

Financial assets at year end:		
Cash and cash equivalents	\$	46,425
Contributions receivable		817,841
Accounts receivable		133,805
Pledges receivable		146,610
Pledges receivable - with donor restrictions		1,250,000
Investments – with donor restrictions		1,764,348
Total financial assets		4,159,029
Less amounts not available to be used within one year:		
Net assets with donor restrictions		6,204,154
Less: Net assets with purpose restrictions to be met in		
less than a year	(;	2,690,429)
Financial assets available to meet general expenditures over		
the next twelve months	\$	645,304

The Museum regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. The Museum does not have a formal policy or goal regarding operating reserves. However, as part of its liquidity plan, the Museum's investment policy requires a minimum of two percent of the endowment assets to be maintained in cash or cash equivalents, including money market funds and short-term U.S. Treasury bills.

NOTE 3 - INVESTMENTS AND FAIR VALUE MEASUREMENTS

Fair value is defined as the price that the Museum would receive to sell an asset or pay to transfer a liability in an orderly transaction between market participants at the measurement date.

Accounting standards establish a three-tier fair value hierarchy that prioritizes the inputs to valuation techniques. Inputs refer broadly to the assumptions that market participants use to make valuation decisions, including assumptions about risk. Observable inputs are those that reflect the assumptions that market participants would use in pricing the asset and are based on market data obtained from independent sources. Unobservable inputs reflect the Museum's assumptions about the inputs market participants would use in pricing the asset or liability developed based on the best information available in the circumstances. The three-tier hierarchy of inputs is summarized in the three broad levels listed below:

Level 1: Quoted prices in active markets for identical investments.

Level 2: Quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in inactive markets, inputs

other than quoted prices that are observable for the asset or liability.

Level 3: Unobservable inputs for the asset or liability.

The level of fair value hierarchy within which a fair value measurement in its entirety falls is based on the lowest level input that is significant to the fair value measurement in its entirety.

Fair Values Measured on Recurring Basis

Fair values of assets measured on a recurring basis at year end are as follows:

	Hierarchy Level	F	air Value
Investments			
Mutual funds - publicly traded	Level 1	\$	1,727,056
Direct stock ownership	Level 1		22,485
Community Foundation of Southern			
AZ investment pool	Level 3		14,807
Total assets		\$	1,764,348

The following methods and assumptions were used to estimate the fair value for each class of financial instrument measured at fair value.

Investments – Fair values for Level 1 investments are determined by reference to quoted market prices and other relevant information generated by market transactions. Investment pools classified in Level 3 are valued at the beneficial interest in assets held at the fair value of the Museum's share of the investment pool as of the measurement date. The investment pool is based on quoted net asset values of underlying investments held by the investment pool adjusted by an asset charge. The underlying investments held in the investment pool are composed primarily of equity securities.

NOTE 3 – INVESTMENTS AND FAIR VALUE MEASUREMENTS

The Museum recognizes transfers into and out of levels within the fair value hierarchy at the end of the reporting period. There were no transfers between levels during the current fiscal year.

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

	Asse	ts Held by
	Cor	mmunity
	Fou	undation
Beginning of year	\$	14,717
Investment return, net		90
End of year	\$	14,807

NOTE 4 – PLEDGES RECEIVABLE

Unconditional pledges receivable consist of the following:

Amounts due in:		
Less than one year	\$ 586,	610
More than one year	810,	000
Total	\$1,396,	610

During fiscal year 2018-19, the Museum received a \$750,000 conditional pledge from Paul and Alice Baker for the creation of the Alice Baker Center for Arts Education. Installments on this pledge were received and recorded by the Museum between September 2019 and December 2019.

NOTE 5 – PROPERTY AND EQUIPMENT

Property and equipment consist of the following.

Construction in progress	\$	314,794
Buildings		5,981,833
Courtyard and plaza		400,601
Leasehold improvements		2,447,356
Furniture and equipment		1,242,018
Total property and equipment	•	10,386,602
Less: Accumulated depreciation and amortization		(6,324,452)
Net property and equipment	\$	4,062,150

<u>Construction Commitments</u> – At year end, the Museum had contractual commitments related to various capital projects for the construction of a new wing and education center. At year end the Museum had spent \$314,794 on the projects and had estimated remaining contractual commitments of \$4.1 million.

NOTE 6 – INTANGIBLE ASSETS

Intangible assets consist of the following.

Intangibles, not being amortized	\$ 14,000
Intangibles, being amortized	11,500
Less: Accumulated amortization	(6,400)
Net intangible assets	\$ 19,100

NOTE 7 – ENDOWMENTS

The Museum's endowment consists of two individual funds established for a variety of purposes. Its endowment includes donor-restricted funds for income and collection purposes. As required by generally accepted accounting principles (GAAP), net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The Board of Directors of the Museum has interpreted the State of Arizona's version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Museum retains in perpetuity (a) the original value of initial and subsequent gifts donated to the endowment and (b) any accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added. Donor-restricted amounts not retained in perpetuity are subject to appropriation for expenditures by the Museum in a manner consistent with the standard of prudence prescribed by UPMIFA.

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

- a. The duration and preservation of the fund
- b. The purpose of the donor-restricted endowment fund
- c. General economic conditions
- d. The possible effect of inflation and deflation
- e. The expected total return from income and the appreciation of investments
- f. Other resources of the Museum
- g. The investment policies of the Museum

NOTE 7 – ENDOWMENTS

Endowment Net Asset Composition by Type of Fund as of year end:

	Vith Donor Restriction
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	\$ 3,513,724
Accumulated investment gains	375,668
Total funds	\$ 3,889,392

Investment Return Objectives, Risk Parameters and Strategies

The Museum has adopted investment and spending policies, approved by the Board, for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment funds while also maintaining the purchasing power of those endowment assets over the long-term. Accordingly, the investment process seeks to achieve an after-cost total real rate of return, including investment income as well as capital appreciation, which exceeds the annual distribution with acceptable levels of risk. Endowment assets are invested in a well-diversified asset mix, which includes equity and debt securities, that is intended to result in a consistent inflation-protected rate of return that has sufficient liquidity to make an annual distribution of five percent, while growing the funds if possible. Therefore, the Museum expects its endowment assets, over time, to produce an average rate of return of approximately six percent annually. Actual returns in any given year may vary from this amount. Investment risk is measured in terms of the total endowment fund; investment assets and allocation between asset classes and strategies are managed to not expose the fund to unacceptable levels of risk.

Spending Policy

The Museum has a policy of appropriating for distribution each year quarterly or annually, at the discretion of the Finance Committee, and shall not exceed ¼ of 5% (if taken quarterly) or 5% (if taken annually) of trailing 12 quarters weighted average market value (except as otherwise designated by the fund documents). In establishing this policy, the Museum considered the long-term expected return on its investment assets, the nature and duration of the individual endowment funds, many of which must be maintained in perpetuity because of donor-restrictions, and the possible effects of inflation. The Museum expects the current spending policy to allow its endowment funds to grow at a nominal average rate of at least six percent annually. This is consistent with the Museum's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

NOTE 7 – ENDOWMENTS

Changes in Endowment Net Assets as of year end:

	With Donor
	Restriction
Endowment net assets, beginning of year	\$ 3,834,570
Contributions	38,039
Investment return, net	163,041
Amounts appropriated for expenditure	(146,258)
Endowment net assets, end of year	\$ 3,889,392

Funds with Deficiencies

From time to time, certain donor-restricted endowment funds may have fair values less than the amount required to be maintained by donors or by law (underwater endowments). The Museum has interpreted UPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law. As of June 30, 2019, there were no deficiencies of this nature. However, the Museum borrowed against the endowment during 2019. At June 30, 2019, the Museum had borrowed \$931,535 against net assets with donor restrictions (perpetual in nature) to cover operating cash flows and capital improvements. Capital spending funded through pledges to be paid in subsequent years and an unexpected significant plant expenditure along with an annual operational deficit caused an increase in the borrowing level in the current year. Future capital improvements will be funded through an increase in liabilities. Payments of the naming pledges along with additional naming opportunities and a structural change in revenues and expense will be made to realize operational surpluses in subsequent years.

NOTE 8 - NET ASSETS

Net assets released from donor restrictions are as follows:

Satisfaction of purpose restrictions	
Naming Opportunities	\$ (251,991)
Endowments	(146, 258)
Total	\$ (398,249)

NOTE 8 – NET ASSETS

Net assets with donor restrictions were as follows:

Specific Purpose	
Cash Reserve Fund	\$ 2,000
Collections	39,276
Docent Activities	1,314
Exhibit Creation & Upkeep	50,000
Folk Art Project	73,862
Other	300
Naming Opportunities	 2,148,009
Specific Purpose total	 2,314,761
Endowments, subject to appropriation	
Art and Care of Collections	186,825
Arts & Crafts Awards	10,315
Collections	64,412
Curator: Latin American Art	 114,116
Endowments, subject to appropriation total	 375,668
Endowments, perpetual in nature	
Acquisition of Art	641,803
Acquisition of Masks and Weaving	50,337
Art Award	10,000
Casa Cordova	50,000
Craft Award	2,000
Education	1,122,773
General Operations	250,865
Latin American Curator	872,989
Scholarships	3,075
Western Art Curator	 509,883
Endowments, perpetual in nature	 3,513,725
Total	\$ <u>6,204,154</u>

NOTE 9 – OPERATING LEASE COMMITMENTS

The Museum leases land from the City of Tucson for \$1 a year under an operating lease through 2072 and an education center from the City of Tucson for \$1 a year under an operating lease that expires in 2073.

The Museum leases office equipment, equipment maintenance, and professional services under noncancelable operating leases with terms of two to four years. Total rent expense incurred under operating leases totaled \$35,496 during the fiscal year.

NOTE 9 – OPERATING LEASE COMMITMENTS

The following is a schedule by years of future minimum rental payments under the leases at year end:

Year End:		
	2020	\$ 27,727
	2021	24,287
	2022	13,968
	2023	8,148
Total		\$ 74,130

NOTE 10 – RENTAL INCOME

The Museum subleases one of its buildings to a restaurant under a lease through January 31, 2022. The lease provides for rent based upon a percentage of gross sales. Contingent rental revenue earned for the year ended June 30, 2019 was \$134,208.

The Museum subleases another building under an operating lease. The lease requires monthly payments of \$1,500 through June 2020. Rental income for the year ended June 30, 2019 was \$18,000. Future minimum rental income under the lease is \$18,000 per year.

NOTE 11 – EMPLOYEE BENEFIT PLANS

The Museum has a defined contribution plan covering all employees with at least one year of service who agree to make contributions to the plan. The Museum contributes up to three percent of gross salaries to the plan for qualified employees. Employees may make contributions to the plan up to the maximum amount allowed by the Internal Revenue Code if they wish. Plan expenses were \$20,547 for the fiscal year.

NOTE 12 - RELATED PARTY TRANSACTIONS

During fiscal year 2019, the Museum received approximately \$318,778 in contributions and pledges from members of its Board of Trustees. The Museum received no in-kind contributions from members of the Board of Trustees during the years ended June 30, 2019.

NOTE 13 – SUBSEQUENT EVENT

Subsequent events have been evaluated through April 30, 2020, which is the date the financial statements were available to be issued.

As a result of the COVID-19 outbreak, economic uncertainties have arisen regarding fundraising and other operational effects. However, the related financial impact and duration cannot be reasonably estimated at this time.