The Tucson Museum of Art and Historic Block connects art to life, inspiring discovery, creativity, and cultural understanding through meaningful, engaging experiences.

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
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 Estévez 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
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

Contemporary Art Society/Joyce Broan Gallery
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.
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 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.”

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

30 Americans: The Rubell Family Collection
October 6, 2018–January 13, 2019

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

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.
FUNDRAISING EVENTS

Crush Party  November 9, 2018
Holiday Artisan Market  November 16–18, 2018
Fashion Fête  February 1, 2019
Spring Art Market & Flower Festival  March 16–18, 2019
Crush Gala  March 23, 2019

MEMBERSHIP

MEMBERSHIP NUMBERS

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<td>President</td>
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<td><strong>Total Household Memberships</strong></td>
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</table>

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.
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.

AMBASSADOR CIRCLE LIFETIME ACHIEVEMENT AWARD

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 Willhite, 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 decor.

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 (Dine), and watercolor and travel artist Chuck Albanese spoke at WAP events.

TMA LEARN! 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.

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
THANK YOU TO OUR DONORS

$1,000,000+
I. Michael and Beth Kancer**
Alice and Paul Baker

$100,000+
Jim and Fran Allen
James J. and Louise R. Glazer**
Frank and Jean Hamilton**
The Stonewall Foundation**

$50,000 to $99,999
Mary Jo Brown
Patricia Carr Morgan and Dr. Peter F. Solomon
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. Brown/Greater Milwaukee Foundation**
Jeffrey W. and Anne E. Gartner
Mary Jo Brown
The Honorable Jean S. Cooper

$10,000 to $24,999
Michael and Christine Hanson
Jeffrey W. and Anne E. Gartner
William D. and Mary Lou Wood

$5,000 to $9,999
Larry and Florence Adamson
Mike and Joanne Frederickson
Bill and Alecia Roe

$1,000 to $2,499
Andy Schulz and Lise Nelson
Richard Jemison
IBM International Foundation

$500 to $999
Roger and Barbara Wheeler
Jeffrey W. and Anne E. Gartner

GIFTS OF ART
Nancy Albertson
Davis Andrews
Gary Aeckern
Shepherd Barbash and Vicki Ragan
Charlotte "Charlie" Burton
William D. and Mary Lou Wood

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. Brown
Michael S. Bylma
Carolyn Brown and Tim Wernette
The Estate of Earl Kain
Marcia and Clayton R. Joyce
Michael and Louise Kennedy
Dr. Robert and Jana Knight
Roy Kusz
William D. and Mary Lou Wood
Howard and Marilyn Steele
Loren A. Vance and Virginia Long Vance

GIFTS OF ART
Nancy Albertson
Davis Andrews
Gary Aeckern
Shepherd Barbash and Vicki Ragan
Charlotte "Charlie" Burton
Bill Dambrova
Carlo Estrera
Judy and Mole Frecl Jr.
Gloria Giffords
James J. and Louise R. Glazer
Paul Gold and Grover Warren
The Estate of Joseph Gross
Amiee Helmericks-Louder
Jean Homolka
Sindi Horwich
Lisa Ighesano
Dick Jimmons
Douglas Johnson
The Hall Eric Myers Trust
Harold Jones
Jane Laranje
Shells and Cye Lehr
Paul Lerman
John Lesser
Rick Mann
Jerry Meyer and Nina Zingale
Gary Morris
Douglas Nelson
The Patrick Mather Trust
Mary Peacim
James Prye
Julie Saue
Mary Saue
Sylva Noble Tesh
Jara Toman
Sheldon L. Trubatch and Katharina Phillips
Bruce and Joy Ulrick
Virginia Johnson Fund

George and Diane Gordon
Jennifer Gross
C. Donald Hatfield
Mr. and Mrs. John Hoss
John Hudak, III
William and Judith Jenney
Dr. Keith Lehrer and Dr. Adrianne Lehrer
Clint Mabie
Holly McGarr
William and Marcia Patterson
Judy Pease
Joe Pinter
Alba Rojas-Sukkar and Nizar Sukkar
Rachel and Stephen Sattiger
Ed and Robert Schwager
Kim and Chris Sparling
Joseph Tabor
Janice Warne and Joe Douglas
Caron Weinstein
Neil and Carol Weinsin
Mary Lou Wood

**Includes FMA 100: A Vision for the 21st Century Naming Opportunity. For a listing of all contributions made in Fiscal Year 2019, please visit tucsonmuseumofart.org.
FINANCIALS

STATEMENT OF ACTIVITIES

Support and Revenue
Gifts and Grants $1340,477
Fundraising Events $638,958
Membership $284,087
Admissions $159,532
Program Income $185,218
Rental Income $177,266
Retail Income $163,041
Investment Income $227,234
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 $4,254,191
Fixed Assets $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

SUPPORT AND REVENUE

GIFTS AND GRANTS 38%
FUNDRAISING EVENTS 21%
PROGRAM INCOME 7%
RENTAL INCOME 6%
RETAIL INCOME 8%
INVESTMENT INCOME 5%
RESTRICTED INCOME 1%

EXPENSE

PROGRAM SERVICES 64%
MANAGEMENT & GENERAL 10%
FUNDRAISING EVENT EXPENSE 9%
FUNDRAISING 17%

SUPPORT AND REVENUE

GIFTS AND GRANTS 38%
FUNDRAISING EVENTS 21%
PROGRAM INCOME 7%
RENTAL INCOME 6%
RETAIL INCOME 8%
INVESTMENT INCOME 5%
RESTRICTED INCOME 1%

EXPENSE

PROGRAM SERVICES 64%
MANAGEMENT & GENERAL 10%
FUNDRAISING EVENT EXPENSE 9%
FUNDRAISING 17%

BOARD OF TRUSTEES

Frank Hamilton, President
Michael Bylenga, Immediate Past President
Mary Jo Brown, Vice President
Steven B. Ratoff, Treasurer
Joyce Broun, Secretary
Amy J. Adams
Larry Adamson
Melvin Cohen
The Honorable Jean Cooper
Jon Ender
Jeffrey Garmer
Michael Hanson
Manilyn Joyce
J. Michael Kaiser
Kit Kimmel
The Honorable Steve Leal
Anne Leaman
Sandra Maxfield
Jeremy Mikolajczak
Richard A. Schafer
Anne Y. Snodgrass
Shelton Trubatch
Jane Wunder
John-Peter Wienke

Trustees Emeriti
Andy Anderson
Alice Baker
James Glasser
Joan Jacobson
Dr. John Schaefer

Ex-Officio Members
David Andrews, Contemporary Art Society, President
Deborah Curry, Docent Council President
Steve Mack, Latin American Art Patrons, President
Linda Ender, Western Art Patrons, President
Sharon Heosman, Tucson Museum of Art League President

STAFF

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

Finance & Admissions
Christopher Gordon, Chief Financial Officer
Andra Allen, Director of Accounting and HR
Justin Germain, Admissions & Retail Manager

Facility
Dave Hopkins, Jr., Chief of Buildings, Grounds & Security
Ranell Bos, Security Supervisor
Mike Plum, Building & Security Assistant

Curatorial & Collections
Dr. Julie Sauer, Chief Curator
Christine Brindas, Senior Curator, Glasser Curator of Art of the American West
Kristopher Dregger, Assistant Curator, Schmidt Curator of Latin American Art
Dr. Marrianna Pegno, Curator of Community Engagement
Dennis 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
Kate 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 Wach, 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
Jovica Novacic, Events & Development Director (through December 2018)
Leah Majalca, Events & Development Director (beginning January 2019)
Lisa Jensen, Membership Manager
Nancy Wenzel, Grants Manager

Support and Revenue
Gifts and Grants $1340,477
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Change in Net Assets $(1,156,637)
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
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 Meech & Co., P.C.
Heinfeld, Meech & Co., P.C.
Tucson, Arizona
April 30, 2020
## Assets

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## Liabilities

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<td>75,919</td>
</tr>
<tr>
<td>Deferred revenue</td>
<td>235,152</td>
</tr>
<tr>
<td><strong>Total liabilities</strong></td>
<td><strong>504,402</strong></td>
</tr>
</tbody>
</table>

## Net assets

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Without donor restrictions:</td>
<td></td>
</tr>
<tr>
<td>Undesignated</td>
<td>1,634,558</td>
</tr>
<tr>
<td>With donor restrictions:</td>
<td></td>
</tr>
<tr>
<td>Purpose restricted</td>
<td>2,690,429</td>
</tr>
<tr>
<td>Perpetual in nature</td>
<td>3,513,725</td>
</tr>
<tr>
<td><strong>Total net assets</strong></td>
<td><strong>7,838,712</strong></td>
</tr>
</tbody>
</table>

**Total liabilities and net assets**  

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total liabilities and net assets</td>
<td><strong>$8,343,114</strong></td>
</tr>
</tbody>
</table>
**TUCSON MUSEUM OF ART AND HISTORIC BLOCK, INC.**

**STATEMENT OF ACTIVITIES**

**FOR THE YEAR ENDED JUNE 30, 2019**

### Revenue, support, and gains:

<table>
<thead>
<tr>
<th></th>
<th>Without Donor Restrictions</th>
<th>With Donor Restrictions</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Admissions</td>
<td>$160,193</td>
<td>$160,193</td>
<td>$160,193</td>
</tr>
<tr>
<td>Contributions and bequests</td>
<td>721,942</td>
<td>38,039</td>
<td>759,981</td>
</tr>
<tr>
<td>Exhibition revenues</td>
<td>192,470</td>
<td>192,470</td>
<td>192,470</td>
</tr>
<tr>
<td>Fundraising revenues</td>
<td>638,853</td>
<td>638,853</td>
<td>638,853</td>
</tr>
<tr>
<td>Grant revenues</td>
<td>222,499</td>
<td>222,499</td>
<td>222,499</td>
</tr>
<tr>
<td>Membership dues</td>
<td>287,673</td>
<td>287,673</td>
<td>287,673</td>
</tr>
<tr>
<td>Retail operations revenues</td>
<td>227,268</td>
<td>227,268</td>
<td>227,268</td>
</tr>
<tr>
<td>Other income</td>
<td>150,553</td>
<td>150,553</td>
<td>150,553</td>
</tr>
<tr>
<td>Rental income</td>
<td>177,866</td>
<td>177,866</td>
<td>177,866</td>
</tr>
<tr>
<td>Support organization income</td>
<td>232,949</td>
<td>232,949</td>
<td>232,949</td>
</tr>
<tr>
<td>Tuition</td>
<td>38,160</td>
<td>38,160</td>
<td>38,160</td>
</tr>
<tr>
<td>Net investment income</td>
<td></td>
<td>163,041</td>
<td>163,041</td>
</tr>
<tr>
<td>Net assets released from restrictions</td>
<td>398,249</td>
<td>(398,249)</td>
<td></td>
</tr>
<tr>
<td><strong>Total revenue, support, and gains</strong></td>
<td><strong>3,448,675</strong></td>
<td><strong>(197,169)</strong></td>
<td><strong>3,251,506</strong></td>
</tr>
</tbody>
</table>

### Expenses and losses:

**Program services**

<table>
<thead>
<tr>
<th></th>
<th>Without Donor Restrictions</th>
<th>With Donor Restrictions</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Curatorial and exhibitions</td>
<td>1,508,000</td>
<td>1,508,000</td>
<td>1,508,000</td>
</tr>
<tr>
<td>Education</td>
<td>511,666</td>
<td>511,666</td>
<td>511,666</td>
</tr>
<tr>
<td>Museum shop</td>
<td>314,374</td>
<td>314,374</td>
<td>314,374</td>
</tr>
<tr>
<td>Support organizations</td>
<td>229,602</td>
<td>229,602</td>
<td>229,602</td>
</tr>
<tr>
<td><strong>Total program expenses</strong></td>
<td><strong>2,563,642</strong></td>
<td><strong>2,563,642</strong></td>
<td><strong>2,563,642</strong></td>
</tr>
</tbody>
</table>

**Supporting services**

<table>
<thead>
<tr>
<th></th>
<th>Without Donor Restrictions</th>
<th>With Donor Restrictions</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Management and general</td>
<td>858,022</td>
<td>858,022</td>
<td>858,022</td>
</tr>
<tr>
<td>Fundraising</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Special events</td>
<td>155,197</td>
<td>155,197</td>
<td>155,197</td>
</tr>
<tr>
<td>Direct</td>
<td>728,716</td>
<td>728,716</td>
<td>728,716</td>
</tr>
<tr>
<td><strong>Total fundraising</strong></td>
<td><strong>883,913</strong></td>
<td><strong>883,913</strong></td>
<td><strong>883,913</strong></td>
</tr>
<tr>
<td><strong>Total supporting services</strong></td>
<td><strong>1,741,935</strong></td>
<td><strong>1,741,935</strong></td>
<td><strong>1,741,935</strong></td>
</tr>
<tr>
<td><strong>Total expenses and losses</strong></td>
<td><strong>4,305,577</strong></td>
<td><strong>4,305,577</strong></td>
<td><strong>4,305,577</strong></td>
</tr>
</tbody>
</table>

**Change in net assets**

<table>
<thead>
<tr>
<th></th>
<th>Without Donor Restrictions</th>
<th>With Donor Restrictions</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(856,902)</td>
<td>(197,169)</td>
<td>(1,054,071)</td>
</tr>
</tbody>
</table>

**Net assets, beginning of year**

<table>
<thead>
<tr>
<th></th>
<th>Without Donor Restrictions</th>
<th>With Donor Restrictions</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2,491,460</td>
<td>6,401,323</td>
<td>8,892,783</td>
</tr>
</tbody>
</table>

**Net assets, end of year**

<table>
<thead>
<tr>
<th></th>
<th>Without Donor Restrictions</th>
<th>With Donor Restrictions</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$1,634,558</td>
<td>$6,204,154</td>
<td>$7,838,712</td>
</tr>
</tbody>
</table>

See accompanying notes to financial statements.
TUCSON MUSEUM OF ART AND HISTORIC BLOCK, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2019

<table>
<thead>
<tr>
<th>Supporting Services</th>
<th>Management and General</th>
<th>Fundraising</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salaries and benefits</td>
<td>544,740</td>
<td>298,954</td>
<td>1,765,978</td>
</tr>
<tr>
<td>Catering</td>
<td>12,543</td>
<td>5,171</td>
<td>63,310</td>
</tr>
<tr>
<td>Information technology</td>
<td>5,040</td>
<td>42,789</td>
<td>72,439</td>
</tr>
<tr>
<td>Lectures, performers, and honorarium</td>
<td>11,200</td>
<td>69</td>
<td>53,974</td>
</tr>
<tr>
<td>Transportation/moving</td>
<td>115,234</td>
<td>289</td>
<td>121,345</td>
</tr>
<tr>
<td>Other purchased/contracted services</td>
<td>93,485</td>
<td>36,695</td>
<td>206,177</td>
</tr>
<tr>
<td>Equipment repair and maintenance</td>
<td>34,244</td>
<td>2,476</td>
<td>48,405</td>
</tr>
<tr>
<td>Building repair and maintenance</td>
<td>3,087</td>
<td>216</td>
<td>4,381</td>
</tr>
<tr>
<td>Utilities</td>
<td>140,245</td>
<td>23,548</td>
<td>214,381</td>
</tr>
<tr>
<td>Insurance</td>
<td>66,404</td>
<td>9,298</td>
<td>88,288</td>
</tr>
<tr>
<td>Advertising and publicity</td>
<td>53,209</td>
<td>10,062</td>
<td>181,397</td>
</tr>
<tr>
<td>Art acquisition</td>
<td>123,610</td>
<td>123,610</td>
<td></td>
</tr>
<tr>
<td>Printing</td>
<td>22,821</td>
<td>7,770</td>
<td>80,210</td>
</tr>
<tr>
<td>Rental equipment</td>
<td>4,184</td>
<td>46,272</td>
<td>94,622</td>
</tr>
<tr>
<td>Software</td>
<td>920</td>
<td>8,905</td>
<td>59,455</td>
</tr>
<tr>
<td>Travel</td>
<td>11,578</td>
<td>17,103</td>
<td>90,146</td>
</tr>
<tr>
<td>Other general expenses</td>
<td>96,324</td>
<td>44,807</td>
<td>182,619</td>
</tr>
<tr>
<td>Special events</td>
<td>155,197</td>
<td>155,197</td>
<td></td>
</tr>
<tr>
<td>Supplies</td>
<td>12,474</td>
<td>17,218</td>
<td>58,093</td>
</tr>
<tr>
<td>Museum shop</td>
<td>1,600</td>
<td>107,297</td>
<td>108,897</td>
</tr>
<tr>
<td>Bank/credit card charges</td>
<td>87</td>
<td>26,105</td>
<td>45,629</td>
</tr>
<tr>
<td>Miscellaneous expenses</td>
<td>1,099</td>
<td>15,409</td>
<td>241,201</td>
</tr>
<tr>
<td>Depreciation and amortization</td>
<td>170,466</td>
<td>14,476</td>
<td>245,823</td>
</tr>
<tr>
<td>Total expenses</td>
<td>1,508,000</td>
<td>858,022</td>
<td>4,305,577</td>
</tr>
</tbody>
</table>

See accompanying notes to financial statements.
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

See accompanying notes to financial statements.
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 cost-reimbursable 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:

<table>
<thead>
<tr>
<th>Expense</th>
<th>Method of Allocation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salaries and benefits</td>
<td>Time and usage</td>
</tr>
<tr>
<td>Transportation/moving</td>
<td>Time and usage</td>
</tr>
<tr>
<td>Other purchased/contracted services</td>
<td>Time and usage</td>
</tr>
<tr>
<td>Utilities</td>
<td>Time and usage</td>
</tr>
<tr>
<td>Advertising and publicity</td>
<td>Time and usage</td>
</tr>
<tr>
<td>Other general expenses</td>
<td>Time and usage</td>
</tr>
<tr>
<td>Miscellaneous expenses</td>
<td>Time and usage</td>
</tr>
<tr>
<td>Depreciation and amortization</td>
<td>Time and usage</td>
</tr>
</tbody>
</table>

Advertising

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:

<table>
<thead>
<tr>
<th>Financial assets at year end:</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and cash equivalents</td>
<td>$   46,425</td>
</tr>
<tr>
<td>Contributions receivable</td>
<td>817,841</td>
</tr>
<tr>
<td>Accounts receivable</td>
<td>133,805</td>
</tr>
<tr>
<td>Pledges receivable</td>
<td>146,610</td>
</tr>
<tr>
<td>Pledges receivable - with donor restrictions</td>
<td>1,250,000</td>
</tr>
<tr>
<td>Investments – with donor restrictions</td>
<td>1,764,348</td>
</tr>
<tr>
<td>Total financial assets</td>
<td>4,159,029</td>
</tr>
</tbody>
</table>

Less amounts not available to be used within one year:

| Net assets with donor restrictions                | 6,204,154   |
| 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:

<table>
<thead>
<tr>
<th>Hierarchy Level</th>
<th>Fair Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Investments</td>
<td></td>
</tr>
<tr>
<td>Mutual funds - publicly traded</td>
<td>Level 1</td>
</tr>
<tr>
<td>Direct stock ownership</td>
<td>Level 1</td>
</tr>
<tr>
<td>Community Foundation of Southern AZ investment pool</td>
<td>Level 3</td>
</tr>
<tr>
<td>Total assets</td>
<td>$1,764,348</td>
</tr>
</tbody>
</table>

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:

<table>
<thead>
<tr>
<th>Assets Held by Community Foundation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Beginning of year</td>
</tr>
<tr>
<td>Investment return, net</td>
</tr>
<tr>
<td>End of year</td>
</tr>
</tbody>
</table>

NOTE 4 – PLEDGES RECEIVABLE

Unconditional pledges receivable consist of the following:

<table>
<thead>
<tr>
<th>Amounts due in:</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than one year</td>
<td>$586,610</td>
</tr>
<tr>
<td>More than one year</td>
<td>810,000</td>
</tr>
<tr>
<td>Total</td>
<td>$1,396,610</td>
</tr>
</tbody>
</table>

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.

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Construction in progress</td>
<td>$314,794</td>
</tr>
<tr>
<td>Buildings</td>
<td>5,981,833</td>
</tr>
<tr>
<td>Courtyard and plaza</td>
<td>400,601</td>
</tr>
<tr>
<td>Leasehold improvements</td>
<td>2,447,356</td>
</tr>
<tr>
<td>Furniture and equipment</td>
<td>1,242,018</td>
</tr>
<tr>
<td>Total property and equipment</td>
<td>10,386,602</td>
</tr>
<tr>
<td>Less: Accumulated depreciation and amortization</td>
<td>(6,324,452)</td>
</tr>
<tr>
<td>Net property and equipment</td>
<td>$4,062,150</td>
</tr>
</tbody>
</table>

Construction Commitments – 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.

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Intangibles, not being amortized</td>
<td>$ 14,000</td>
</tr>
<tr>
<td>Intangibles, being amortized</td>
<td>$ 11,500</td>
</tr>
<tr>
<td>Less: Accumulated amortization</td>
<td>(6,400)</td>
</tr>
<tr>
<td>Net intangible assets</td>
<td>$ 19,100</td>
</tr>
</tbody>
</table>

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:

<table>
<thead>
<tr>
<th></th>
<th>With Donor Restriction</th>
</tr>
</thead>
<tbody>
<tr>
<td>Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor</td>
<td>$ 3,513,724</td>
</tr>
<tr>
<td>Accumulated investment gains</td>
<td>375,668</td>
</tr>
<tr>
<td>Total funds</td>
<td>$ 3,889,392</td>
</tr>
</tbody>
</table>

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:

<table>
<thead>
<tr>
<th></th>
<th>With Donor Restriction</th>
</tr>
</thead>
<tbody>
<tr>
<td>Endowment net assets, beginning of year</td>
<td>$ 3,834,570</td>
</tr>
<tr>
<td>Contributions</td>
<td>38,039</td>
</tr>
<tr>
<td>Investment return, net</td>
<td>163,041</td>
</tr>
<tr>
<td>Amounts appropriated for expenditure</td>
<td>(146,041)</td>
</tr>
<tr>
<td>Endowment net assets, end of year</td>
<td>$ 3,889,392</td>
</tr>
</tbody>
</table>

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:

<table>
<thead>
<tr>
<th>Satisfaction of purpose restrictions</th>
<th>With Donor Restriction</th>
</tr>
</thead>
<tbody>
<tr>
<td>Naming Opportunities</td>
<td>$ (251,991)</td>
</tr>
<tr>
<td>Endowments</td>
<td>(146,258)</td>
</tr>
<tr>
<td>Total</td>
<td>$ (398,249)</td>
</tr>
</tbody>
</table>
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** $6,204,154

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:

<table>
<thead>
<tr>
<th>Year End</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>2020</td>
<td>$27,727</td>
</tr>
<tr>
<td>2021</td>
<td>24,287</td>
</tr>
<tr>
<td>2022</td>
<td>13,968</td>
</tr>
<tr>
<td>2023</td>
<td>8,148</td>
</tr>
<tr>
<td>Total</td>
<td>$ 74,130</td>
</tr>
</tbody>
</table>

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.