



**Tucson Museum of Art and Historic Block, Inc.**  
**Financial Statements**  
For the Year Ended June 30, 2024

Tucson Museum of Art and Historic Block, Inc.

Financial Statements  
Year Ended June 30, 2024

**Tucson Museum of Art and Historic Block, Inc.**  
**Year Ended June 30, 2024**  
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## **Independent Auditor's Report**

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

### **Report on Audit of Financial Statements**

#### ***Opinion***

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, 2024, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Tucson Museum of Art and Historic Block, Inc. as of June 30, 2024, 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.

#### ***Basis for Opinion***

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

#### ***Responsibilities of Management for the Financial Statements***

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

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

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

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

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

*Heinfeld Meech & Co. PC*

Heinfeld, Meech & Co., P.C.  
Tucson, Arizona  
July 23, 2025

**Tucson Museum of Art and Historic Block, Inc.**  
**Statement of Financial Position**  
**June 30, 2024**

**Assets**

Cash and cash equivalents	\$ 46,425
Cash and cash equivalents - with donor restrictions	2,193,260
Accounts receivable	9,553
Pledges receivable	98,004
Pledges receivable - with donor restrictions	63,333
Investments - with donor restrictions	2,792,407
Inventory	35,120
Donated auction items	38,550
Prepaid expenses	29,448
Property and equipment, net	7,153,429
Intangible assets, net	14,000
Operating lease right to use asset	30,522
Collections (Note 1)	-
Total assets	<u><u>\$ 12,504,051</u></u>

**Liabilities**

Accounts payable	\$ 152,233
Accrued payroll	69,729
Contract liabilities	342,888
Operating lease liability	<u>30,522</u>
Total liabilities	<u><u>595,372</u></u>

**Net assets**

Without donor restrictions:	
Undesignated	6,806,513
Designated by the Board	<u>1,066,711</u>
Total net assets without donor restrictions	7,873,224
With donor restrictions:	
Purpose restricted	486,663
Perpetual in nature	<u>3,548,792</u>
Total net assets with donor restrictions	4,035,455
Total net assets	<u><u>11,908,679</u></u>
Total liabilities and net assets	<u><u>\$ 12,504,051</u></u>

**See accompanying notes to financial statements.**

**Tucson Museum of Art and Historic Block, Inc.**  
**Statement of Activities**  
**For the Year Ended June 30, 2024**

	Without Donor Restrictions	With Donor Restrictions	Total
<b>Revenue, support, and gains:</b>			
Admissions	\$ 213,346	\$	\$ 213,346
Contributions and bequests	1,758,591	338,500	2,097,091
In kind contributions	36,977		36,977
Exhibition revenues	261,784		261,784
Fundraising revenues	429,110		429,110
Grant revenues	129,894	45,962	175,856
Membership dues	294,396		294,396
Retail operations revenues	241,132		241,132
Other income	187,670		187,670
Rental income	263,302		263,302
Support organization income	287,540		287,540
Tuition	168,159		168,159
Net investment income	78,539	276,175	354,714
Casualty gain	829,557		829,557
Net assets released from restrictions	709,646	(709,646)	
Total revenue, support, and gains	<u>5,889,643</u>	<u>(49,009)</u>	<u>5,840,634</u>
<b>Expenses:</b>			
Program services			
Curatorial and exhibitions	1,800,149		1,800,149
Education	514,216		514,216
Museum shop	248,531		248,531
Support organizations	222,013		222,013
Total program expenses	<u>2,784,909</u>		<u>2,784,909</u>
Supporting services			
Management and general	717,033		717,033
Fundraising			
Special events	222,462		222,462
Direct	376,400		376,400
Total fundraising	<u>598,862</u>		<u>598,862</u>
Total supporting services	<u>1,315,895</u>		<u>1,315,895</u>
Total expenses	<u>4,100,804</u>		<u>4,100,804</u>
<b>Changes in net assets before changes related to collection items not capitalized</b>	1,788,839	(49,009)	1,739,830
Noncapitalized collection items purchased	<u>152,295</u>		<u>152,295</u>
<b>Change in net assets</b>	1,636,544	(49,009)	1,587,535
<b>Net assets, beginning of year</b>	<u>6,236,680</u>	<u>4,084,464</u>	<u>10,321,144</u>
<b>Net assets, end of year</b>	<u>\$ 7,873,224</u>	<u>\$ 4,035,455</u>	<u>\$ 11,908,679</u>

See accompanying notes to financial statements.

**Tucson Museum of Art and Historic Block, Inc.**  
**Statement of Functional Expenses**  
**For the Year Ended June 30, 2024**

	Program Services					Supporting Services		
	Curatorial and Exhibitions	Education	Museum Shop	Support Organizations	Total Program Services	Management and General	Fundraising	Total
Salaries and benefits	\$ 757,417	333,723	116,371	1,929	1,209,440	366,047	205,775	\$ 1,781,262
Catering		1,031			1,031		44,445	45,476
Information technology	49,433	8,183	1,426		59,042	8,526	1,476	69,044
Lectures, performers, and honorarium	5,450	24,210			29,660		8,225	37,885
Transportation/moving	35,315				35,315			35,315
Other purchased/contracted services	166,434	19,428	2,754	2,361	190,977	57,029	50,898	298,904
Equipment repair and maintenance	38,227	6,302	1,070		45,599	9,598		55,197
Building repair and maintenance	25,938	3,998	732		30,668	4,881		35,549
Utilities	177,351	27,339	5,004		209,694	33,377		243,071
Insurance	61,276	5,592	2,705		69,573	14,269		83,842
Advertising and publicity	46,422	2,510	1,610		50,542		19,086	69,628
Printing	12,847	1,609	1,352		15,808	667	27,679	44,154
Rental equipment	554	851		7,416	8,821	50,687	22,975	82,483
Software	3,068	2,665	7,304	1,824	14,861	4,164	22,764	41,789
Travel	77	1,466			1,543	1,069	1,846	4,458
Other general expenses	51,052	6,720			57,772	15,712	124,229	197,713
Supplies	22,529	15,214	10,053		47,796	30,738	23,047	101,581
Museum shop			88,240		88,240	(404)		87,836
Bank/credit card charges			140	1,754	1,894	55,501	2,446	59,841
Miscellaneous expenses	946	68	12	206,729	207,755	91	43,971	251,817
Depreciation and amortization	345,813	53,307	9,758		408,878	65,081		473,959
Total functional expenses	\$ 1,800,149	\$ 514,216	\$ 248,531	\$ 222,013	\$ 2,784,909	\$ 717,033	\$ 598,862	\$ 4,100,804

See accompanying notes to financial statements.

**Tucson Museum of Art and Historic Block, Inc.**  
**Statement of Cash Flows**  
**For the Year Ended June 30, 2024**

**Cash flows from operating activities:**

Change in net assets	\$ 1,587,535
Adjustments to reconcile change in net assets to net cash provided by (used for) operating activities:	
Depreciation/amortization	473,959
Net (gain) loss on investments	(301,465)
Noncapitalized collection items purchased	152,295
Changes in assets and liabilities:	
Accounts receivable	29,161
Pledges receivable	48,552
Inventory	(5,191)
Donated auction items	43,971
Prepaid expenses	70,752
Accounts payable	117,225
Accrued payroll	(17,008)
Contract liabilities	(89,783)
	<u>2,110,003</u>
<b>Net cash provided by (used for) operating activities</b>	<u>2,110,003</u>

**Cash flows from investing activities:**

Purchases of capital assets	(513,276)
Proceeds from sale of investments	343,872
Purchases of investments	(235,083)
Purchases of collection items not capitalized	(152,295)
Dividends and interest	53,249
	<u>(503,533)</u>
<b>Net cash provided by (used for) investing activities</b>	<u>(503,533)</u>

**Net increase (decrease) in cash, cash equivalents, and restricted cash** 1,606,470

**Cash, cash equivalents, and restricted cash, beginning of year** 633,215

**Cash, cash equivalents, and restricted cash, end of year** \$ 2,239,685

**Reconciliation to Statement of Financial Position:**

Cash and cash equivalents	\$ 46,425
Cash and cash equivalents - with donor restrictions	<u>2,193,260</u>
<b>Total cash, cash equivalents, and restricted cash</b>	<u><u>\$ 2,239,685</u></u>

**Supplemental disclosure of cash flow information**

Cash paid for amounts included in the measurement of operating leases \$ 16,321

**See accompanying notes to financial statements.**

**Tucson Museum of Art and Historic Block, Inc.**  
**Notes to Financial Statements**  
**June 30, 2024**

**Note 1 – Summary of Significant Accounting Policies**

**Nature of Activities**

Tucson Museum of Art and Historic Block, Inc. (Museum), who's history traces back to the Tucson Fine Arts Association in 1924, 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. The Board of Trustees has designated, from net assets without donor restrictions, net assets for a board designated endowment.

*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.

Donor-restricted contributions are reported as an increase in net assets with donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets are reclassified to net assets without donor restrictions and reported in the Statement of Activities as net assets released from restrictions. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as restricted revenue when received and released from restrictions when the assets are placed in service.

**Tucson Museum of Art and Historic Block, Inc.**  
**Notes to Financial Statements**  
**June 30, 2024**

**Note 1 – Summary of Significant Accounting Policies**

**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.

**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 \$2,205,066 and the bank balance was \$2,185,544. At year end, \$96,219 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.

**Revenue Recognition**

***Contributions and bequests.*** Contributions represent nonexchange transactions and the Museum recognizes contributions when cash, securities or other assets; an unconditional promise to give; or a notification of a beneficial interest is received. Conditional promises to give - that is, those with a measurable performance or other barrier and a right of return - are not recognized until the conditions on which they depend have been met. The Museum did not have any conditional promises to give at June 30, 2024.

**Tucson Museum of Art and Historic Block, Inc.**  
**Notes to Financial Statements**  
**June 30, 2024**

**Note 1 – Summary of Significant Accounting Policies**

**Grants.** The Museum conducts several programs that are funded by local organizations, government agencies, foundations and other businesses. The vast majority of the grants are awarded in a fixed amount. Grants determined to be contributions are recognized as revenue when an unconditional grant award is received, or when the conditions of a conditional contribution have been met.

**Exhibition revenues.** Exhibition underwriting revenues are recognized when the designated exhibitions or collections are put on display and the contribution has been received.

**Memberships and Admissions.** The Museum recognizes revenue from ticket sales at the time of admission. The Museum recognizes revenue from membership dues using the output method over the membership period, which is generally one year. Revenues are recognized ratably on a monthly basis as services are simultaneously received and consumed by the members. Due to the nature and timing of the performance obligations, substantially all contract liabilities of each year is recognized in the following year.

**Fundraising.** Fundraising revenue include sponsorship of events, event sales, and auctions. Fundraising transactions often include both exchange and contribution components. Event sales that result in substantially commensurate value for the participant are considered exchange transactions and recognized at a point in time, when the event takes place. Amounts in excess of commensurate value are recognized as conditional contributions when the relevant barriers are met, generally coinciding with when the event takes place.

**Retail Operations.** Revenues derived from Museum shop and bar sales are recognized as goods are delivered to the buyer.

**Rental Income.** The Museum recognizes monthly rent revenue from subleased buildings in accordance with rental agreement and as performance obligations are met. Facility rentals are recognized when the performance obligation of providing space for the event is satisfied. Amounts collected in advance for facilities rentals are reflected in the statement of financial position as contract liabilities.

**Support Organization Income.** The Museum has four supporting organizations which generate operating and fundraising income based on their various activities. Revenue is recognized after activities and events occur.

**Tucson Museum of Art and Historic Block, Inc.**  
**Notes to Financial Statements**  
**June 30, 2024**

**Note 1 – Summary of Significant Accounting Policies**

**Pledges Receivable**

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. At June 30, 2024, management believes all receivables are collectible in full and, accordingly, an allowance for doubtful accounts is not considered necessary.

**Inventories**

Museum shop inventories are stated at the lower of cost or net realizable value. Cost is determined by the first-in, first-out method. When evidence exists that the net realizable value of inventory is lower than its cost, the difference is recognized as a loss in the statement of activities in the period in which it occurs.

**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 \$473,959.

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.

**Tucson Museum of Art and Historic Block, Inc.**  
**Notes to Financial Statements**  
**June 30, 2024**

**Note 1 – Summary of Significant Accounting Policies**

The City of Tucson owns the land and 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 the year, the Museum received \$206,890 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.

Collections include: 1) Latin American Art; 2) Art of the American West; 3) Modern and Contemporary Art; 4) Indigenous Arts; 5) European Art; 6) Asian Art; and 5) Historical Properties.

The Collections Committee of the Board formally approves acquisitions for the collection. Deaccessions and the loan of objects into and from the collections are approved by the Board's Collections Committee with notice to, and in accordance with criteria established by, the Board. Accepted items are accessioned and cared for in accordance with a written "Collections Management Policy" following generally accepted museum procedures. Funds realized through the sale of any deaccessioned art are only used to replenish the collections.

**Beneficial Interest in Assets Held by Community Foundation**

The Museum has established an endowment fund that is perpetual in nature with the Community Foundation of Southern Arizona (CFSa) and named the Museum as the beneficiary. The Museum granted variance power to CFSa, which allows CFSa 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 CFSa'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 CFSa 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.

**Contract Liabilities**

The Museum recognizes contract liabilities for membership dues in the applicable annual membership period, tuition receipts in the applicable annual tuition period, and facility rentals when events occur.

**Tucson Museum of Art and Historic Block, Inc.**  
**Notes to Financial Statements**  
**June 30, 2024**

**Note 1 – Summary of Significant Accounting Policies**

**Leases**

The Museum determines if an arrangement is or contains a lease at inception. All leases are recorded on the statement of financial position except for leases with an initial term less than 12 months. Lease assets and obligations are recognized based on the present value of future lease payments over the lease terms. The Museum has made an accounting policy election to use a risk-free rate in lieu of its incremental borrowing rate to discount future lease payments when the implicit rate is not readily determinable.

Operating lease right-of-use assets (ROU) include adjustments related to lease payments made and lease incentives received at or before the commencement date. The assets resulting from operating leases are included in right-of-use assets and the related liabilities are included in operating leases payable on the Statement of Financial Position. Finance lease assets are included in property and equipment, net, and the related liabilities are included in finance leases payable on the Statement of Financial Position.

Operating lease expense is recognized on a straight-line basis over the lease term. The Museum has elected to not separate lease and non-lease components for office equipment leases. Lease terms may include options to extend or terminate the lease when it is reasonably certain that the Museum will exercise that option.

**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.

**In-Kind Contributions**

Contributed goods are recorded 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.

The Museum receives donated services from a variety of unpaid volunteers assisting the Museum in the operation of its programs. Donated services are recognized as contributions if the services create or enhance nonfinancial assets, or require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Museum. During the current year, the Museum received donated services from unpaid volunteers, totaling approximately 5,800 hours. As the receipt of these services did not meet the requirement for recognition, their value has not been recognized in the statement of activities.

**Tucson Museum of Art and Historic Block, Inc.**  
**Notes to Financial Statements**  
**June 30, 2024**

**Note 1 – Summary of Significant Accounting Policies**

**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 effort
Information technology	Time and effort
Transportation/moving	Direct usage
Other purchased/contracted services	Direct usage
Equipment repair and maintenance	Time and effort
Utilities	Square footage
Insurance	Square footage
Advertising and publicity	Direct usage
Rental equipment	Direct usage
Supplies	Direct usage
Travel	Direct usage
Other general expenses	Direct usage
Miscellaneous expenses	Direct usage
Depreciation and amortization	Square footage

**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 \$69,628.

**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.

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.

**Tucson Museum of Art and Historic Block, Inc.**  
**Notes to Financial Statements**  
**June 30, 2024**

**Note 1 – Summary of Significant Accounting Policies**

**Date of Management's Review**

In preparing these financial statements, the Museum has evaluated events and transactions for potential recognition or disclosure through July 23, 2025, which is the date the financial statements were available to be issued.

**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
Cash and cash equivalents – with donor restrictions	2,193,260
Accounts receivable	9,553
Pledges receivable	98,004
Pledges receivable – with donor restrictions	63,333
Investments – with donor restrictions	<u>2,792,407</u>
Total financial assets	<u>5,202,982</u>
Less amounts not available to be used within one year:	
Net assets with donor restrictions	4,035,455
Less: Net assets with purpose restrictions to be met in less than a year	<u>(66,286)</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 1,233,813</u>

**Note 2 – Liquidity and Availability**

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. At June 30, 2024, the Museum had borrowed (\$1,436,876) against net assets with donor restrictions (perpetual in nature) to cover operating cash flows and capital improvements. Additionally, the Museum has a quasi-endowment that was established according to Board policy. Although the Museum does not intend to spend from its quasi-endowment other than amounts appropriated for general expenditure as part of its annual budget approval and appropriation process, amounts from its quasi-endowment could be made available within one year if necessary.

**Tucson Museum of Art and Historic Block, Inc.**  
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**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	Fair Value
Investments		
Equities	Level 1	\$ 63,006
Mutual funds – publicly traded	Level 1	2,599,141
Direct stock ownership	Level 1	113,311
Community Foundation of Southern AZ investment pool	Level 3	16,949
Total assets		<u>\$ 2,792,407</u>

**Tucson Museum of Art and Historic Block, Inc.**  
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**Note 3 – Investments and Fair Value Measurements**

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.

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:

	Assets Held by Community Foundation
Beginning of year	\$ 16,231
Investment return, net	718
End of year	<u>\$ 16,949</u>

**Note 4 – Pledges Receivable**

Unconditional pledges receivable consist of the following:

Amounts due in:	
Less than one year	\$ 113,333
More than one year	48,004
Total	<u>\$ 161,337</u>

**Note 5 – Revenue from Contracts with Customers**

Changes in contract liabilities for the fiscal year are as follows:

	Contract Liabilities
Beginning of year	\$ 432,671
End of year	342,888

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**Note 6 – Property and Equipment**

Property and equipment consist of the following.

Buildings	\$ 5,981,283
Courtyard and plaza	404,951
Furniture and equipment	1,524,390
Leasehold improvements	<u>6,558,251</u>
Total property and equipment	14,468,875
Less: Accumulated depreciation and amortization	(7,346,493)
Construction-in-progress	<u>31,047</u>
Net property and equipment	<u><u>\$ 7,153,429</u></u>

**Note 7 – Intangible Assets**

Intangible assets consist of the following.

Intangibles, not being amortized	\$ 14,000
Intangibles, being amortized	11,500
Less: Accumulated amortization	<u>(11,500)</u>
Net intangible assets	<u><u>\$ 14,000</u></u>

**Note 8 – Endowments**

The Museum's endowments include both donor-restricted funds and funds designated by the Board to function as endowments. The donor-restricted endowment includes 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 and Spending Policy**

The Museum's Investment and Spending Policy, approved by the Board of Trustees, is consistent with the Arizona' version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA). Arizona's law, the Management of Charitable Funds Act, (MCFA) provides that, unless otherwise stated in the gift instrument, the assets in an endowment fund are donor-restricted assets until appropriated for expenditure. Pursuant to the MCFA and subject to the specific terms of the gift agreement, the Museum may spend or accumulate so much of the fund assets as it deems prudent for the uses, benefits, purposes and duration for which the fund was established. As a result of this interpretation, the Museum maintains such gifts as restricted assets. Also, consistent with the MCFA, the Museum exercises good faith and prudence when determining whether to appropriate for expenditure or accumulate endowment fund assets.

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**Note 8 – Endowments**

MCFA provides that to limit the authority to appropriate these assets for expenditure, the gift instrument must specifically state the restriction. Terms in a gift instrument directing that only income and interest may be spent or that the original principal amount must be preserved intact, for example, create an endowment of permanent duration (unless otherwise provided) but do not otherwise limit the Museum's authority to spend the assets. The Museum complies with the specific restrictions, if any, in written gift agreements.

For accounting purposes, endowment gifts are recorded at their original amount. Assets restricted by the donor in the gift instrument to be held in perpetuity are retained at their original amount and the amount of any accumulations, if required by the gift instrument, are added.

**Investment and Spending Policy**

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

1. The duration and preservation of the endowment fund.
2. The purposes of the donor-restricted endowment fund.
3. General economic conditions.
4. The possible effect of inflation and deflation.
5. The expected return from income and appreciation of investments.
6. Other resources available to the Museum.
7. The Museum's investment and spending policy.

In accordance with the prudential factors in UPMIFA and the MCFA, the policy provides that distributions from endowment funds may be taken quarterly or annually and generally shall not exceed an annual amount of 5 percent of the trailing 12 quarters weighted average market value of the fund. In establishing this policy, the Museum considered the long-term expected return on investment assets, the nature, duration, and preservation of the fund, other resources, and the possible effects of inflation or deflation, and other factors listed above.

**Investment Return Objectives, Risk Parameters and Strategies**

The Museum's investment and spending policy is intended to provide a predictable stream of funding to the Museum while maintaining the purchasing power of 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.

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**Note 8 – Endowments**

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.

Changes in Endowment Net Assets as of year end:

	Without Donor Restriction	With Donor Restriction	Total
Endowment net assets, beginning of year	\$	\$ 3,842,148	\$ 3,842,148
Contributions	1,000,000		1,000,000
Investment return, net	77,822	276,174	353,996
Amounts appropriated for expenditure	(31,186)	(215,473)	(246,659)
Endowment net assets, end of year	<u>\$ 1,046,636</u>	<u>\$ 3,902,849</u>	<u>\$ 4,949,485</u>

**Funds with Deficiencies**

From time to time, certain donor-restricted endowment funds may have fair values less than the aggregate of the original gift amounts or the amounts required to be maintained by donors or by law (underwater endowments). As noted above, UPMIFA and the MCFA, the Museum's investment and spending policy permits spending from underwater endowments. As of June 30, 2024, there were no deficiencies of this nature.

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

	Without Donor Restriction	With Donor Restriction	Total
Donor-restricted endowment funds			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	\$	\$ 3,548,792	\$ 3,548,792
Accumulated investment gains		354,057	354,057
Board-designated endowment funds	<u>1,046,636</u>		<u>1,046,636</u>
Endowment net assets, end of year	<u>\$ 1,046,636</u>	<u>\$ 3,902,849</u>	<u>\$ 4,949,485</u>

**Tucson Museum of Art and Historic Block, Inc.**  
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**Note 9 – In-Kind Contributions**

The Museum received \$36,977 of donated auction items during the fiscal year to be utilized for fundraising purposes, including the Museum's annual gala auction. Unsold auction items are maintained as assets for subsequent year fundraising events and are recorded as donated items in the financial statements. Contributed auction items are valued at the sale price received during the auction on the day of event. There were no donor-imposed restrictions associated with the donated auction items.

**Note 10 – Net Assets**

Net assets without donor restrictions are as follows:

Designated for Contemporary Photography	\$ 20,075
Designated Quasi-Endowment for Western Art	1,046,636
Undesignated	<u>6,806,513</u>
Total	<u><u>\$7,873,224</u></u>

Net assets released from donor restrictions are as follows:

Satisfaction of purpose restrictions:	
Centennial	\$ 103,438
Collections	3,513
IMLS	45,963
Naming Opportunities	8,333
Casa Cordova	250,000
Other	82,927
Endowments	<u>215,472</u>
Total	<u><u>\$ 709,646</u></u>

**Tucson Museum of Art and Historic Block, Inc.**  
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**Note 10 – Net Assets**

Net assets with donor restrictions were as follows:

Specific Purpose:	
Collections	\$ 24,670
Docent Activities	1,314
Contemporary Photography Fund	41,835
Naming Opportunities	8,333
Other	56,454
Specific purpose total	<u>132,606</u>
Endowments, subject to appropriation:	
Art and Care of Collections	253,948
Arts & Crafts Awards	11,011
Collections	83,194
Curator: Latin American Art	5,904
Endowments, subject to appropriation total	<u>354,057</u>
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	1,157,840
General Operations	250,865
Latin American Curator	872,989
Scholarships	3,075
Western Art Curator	509,883
Endowments, perpetual in nature total	<u>3,548,792</u>
Total	<u><u>\$ 4,035,455</u></u>

**Note 11 – Leases**

The Museum leases copy machines and a postage meter at various terms under long-term noncancelable operating leases. The leases expire at various dates through 2026. All leases had terms of greater than one year at the inception of the lease and payments are due on a monthly basis. Total operating lease expense for the fiscal year was \$16,321 recognized straight-line over the term of the leases.

The Museum has determined that there were no nonlease components to be allocated to the leases. In determining the value of the right-of-use asset and lease liabilities, future lease payments were discounted applying the discount rate of three percent. The Museum considers the discount rate to be an appropriate measure of the interest cost.

**Tucson Museum of Art and Historic Block, Inc.**  
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**Note 11 – Leases**

The following table provides a schedule of future lease payments and other supplemental information for the Museum's operating leases as of year end:

Year End:	
2025	\$ 16,322
2026	<u>15,130</u>
Total minimum lease payments	31,452
Less: Discount to present value	<u>(930)</u>
Present value of lease liabilities	<u>\$ 30,522</u>
Weighted average remaining lease term	24 months
Weighted average discount rate	3.00%

There were no noncash investing and financing transactions related to leasing.

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

**Note 12 – 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 \$21,224 for the fiscal year.

**Note 13 – Related Party Transactions**

During the year, the Museum received approximately \$483,429 in contributions and pledges from members of its Board of Trustees, including in-kind contributions of \$21,670.

**Note 14 – Commitments and Contingencies**

The Museum is subject to certain loss contingencies, such as litigation, arising in the normal conduct of its activities. In the opinion of management, the liability, if any, for such contingencies will not have a material effect on the Museum's financial position.