

**PHOENIX ART MUSEUM AND  
PHOENIX ART MUSEUM ENDOWMENT FUND, INC.**

**CONSOLIDATED FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION**

**YEARS ENDED JUNE 30, 2018 AND 2017**

CliftonLarsonAllen LLP



WEALTH ADVISORY | OUTSOURCING | AUDIT, TAX, AND CONSULTING



**PHOENIX ART MUSEUM AND  
PHOENIX ART MUSEUM ENDOWMENT FUND, INC.  
YEARS ENDED JUNE 30, 2018 AND 2017**

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## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Phoenix Art Museum and  
Phoenix Art Museum Endowment Fund, Inc.  
Phoenix, Arizona

### **Report on the Financial Statements**

We have audited the accompanying consolidated financial statements of the Phoenix Art Museum and Phoenix Art Museum Endowment Fund, Inc., which comprise the consolidated statements of financial position as of June 30, 2018 and 2017, and the related consolidated statements of activities and changes in net assets, functional expenses and cash flows for the years then ended, and the related notes to the consolidated financial statements.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditors' Responsibility***

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated financial statements.

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

Board of Directors  
Phoenix Art Museum and  
Phoenix Art Museum Endowment Fund, Inc.

***Opinion***

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Phoenix Art Museum and Phoenix Art Museum Endowment Fund, Inc. as of June 30, 2018 and 2017, and changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

**Report on Supplementary Information**

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating statements of financial position, and consolidating statements of activities and changes in net assets, are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

*CliftonLarsonAllen LLP*

**CliftonLarsonAllen LLP**

Phoenix, Arizona  
December 3, 2018

**PHOENIX ART MUSEUM AND  
PHOENIX ART MUSEUM ENDOWMENT FUND, INC.  
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION  
JUNE 30, 2018 AND 2017**

<b>ASSETS</b>	Totals	
	2018	2017
<b>CURRENT ASSETS</b>		
Cash and Cash Equivalents	\$ 3,012,583	\$ 1,503,759
Accounts Receivable	57,377	150,074
Pledges Receivable	1,132,654	1,592,853
Grants Receivable	406,242	70,000
Assets Restricted to Long-Term		
Investment Purposes, Current Portion	1,005,164	1,063,000
Museum Store Inventories	331,788	353,298
Prepaid Expenses	132,511	151,367
Total Current Assets	6,078,319	4,884,351
<b>PLEDGES RECEIVABLE, Net</b>	864,340	-
<b>GRANTS RECEIVABLE, Net</b>	245,910	-
<b>CHARITABLE GIFT ANNUITIES</b>	368,865	409,339
<b>PROPERTY AND EQUIPMENT, Net</b>	4,748,417	4,180,852
<b>ASSETS RESTRICTED TO LONG-TERM INVESTMENT PURPOSES, Net</b>	1,451,007	2,491,958
<b>INVESTMENTS</b>	25,518,704	23,894,254
Total Assets	\$ 39,275,562	\$ 35,860,754
<b>LIABILITIES AND NET ASSETS (DEFICITS)</b>		
<b>CURRENT LIABILITIES</b>		
Accounts Payable and Accrued Expenses	\$ 891,438	\$ 965,280
Deferred Revenue	410,511	382,842
Note Payable, Current Portion	79,397	-
Line of Credit	1,163,872	663,872
Total Current Liabilities	2,545,218	2,011,994
<b>NOTE PAYABLE, Net Current Portion</b>	970,603	-
<b>CHARITABLE GIFT ANNUITIES LIABILITY</b>	302,088	335,314
<b>ACCRUED LIABILITIES</b>	259,315	350,627
Total Liabilities	4,077,224	2,697,935
<b>NET ASSETS (DEFICITS)</b>		
Unrestricted	(292,430)	548,796
Temporarily Restricted	7,609,049	4,819,147
Permanently Restricted	27,881,719	27,794,876
Total Net Assets (Deficits)	35,198,338	33,162,819
Total Liabilities and Net Assets (Deficits)	\$ 39,275,562	\$ 35,860,754

See accompanying Notes to Consolidated Financial Statements.

**PHOENIX ART MUSEUM AND  
PHOENIX ART MUSEUM ENDOWMENT FUND, INC.  
CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS  
YEAR ENDED JUNE 30, 2018  
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2017)**

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total 2018	2017
<b>OPERATING ACTIVITIES</b>					
Revenues:					
Admissions	\$ 1,027,489	\$ -	\$ -	\$ 1,027,489	\$ 1,188,450
Museum Store Income	718,176	-	-	718,176	719,609
Membership Income	913,950	-	-	913,950	1,104,708
Projects and Fundraising Activities	634,806	-	-	634,806	516,381
Less Cost of Direct Donor Benefits	(88,801)	-	-	(88,801)	(135,158)
Dividend and Interest Income	5,972	819,532	-	825,504	562,922
Other	505,555	-	-	505,555	779,571
Total Revenues	<u>3,717,147</u>	<u>819,532</u>	<u>-</u>	<u>4,536,679</u>	<u>4,736,483</u>
Public Support:					
Contributions:					
Private	3,194,154	7,062,551	86,843	10,343,548	8,356,396
Less Cost of Direct Donor Benefits	(64,955)	-	-	(64,955)	(97,180)
Governmental	80,211	-	-	80,211	112,291
Donated Facilities, Materials, and Services:					
Governmental	5,610,977	-	-	5,610,977	5,132,833
Private	356,055	-	-	356,055	192,422
Total Public Support	<u>9,176,442</u>	<u>7,062,551</u>	<u>86,843</u>	<u>16,325,836</u>	<u>13,696,762</u>
Net Assets Released from Restrictions	<u>6,337,077</u>	<u>(6,337,077)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Revenues and Public Support	<u>19,230,666</u>	<u>1,545,006</u>	<u>86,843</u>	<u>20,862,515</u>	<u>18,433,245</u>
Expenses:					
Programs Services	13,464,758	-	-	13,464,758	11,819,812
Management and General	3,890,662	-	-	3,890,662	3,253,840
Fundraising	1,444,035	-	-	1,444,035	1,978,004
Total Expenses	<u>18,799,455</u>	<u>-</u>	<u>-</u>	<u>18,799,455</u>	<u>17,051,656</u>
<b>OPERATING PROFIT (LOSS)</b>	<u>431,211</u>	<u>1,545,006</u>	<u>86,843</u>	<u>2,063,060</u>	<u>1,381,589</u>
<b>NONOPERATING ACTIVITIES</b>					
Net Realized/Unrealized Investment Gain	-	1,244,896	-	1,244,896	1,728,790
Acquisitions of Fine Art	(1,272,437)	-	-	(1,272,437)	(34,845)
Total Nonoperating Activities	<u>(1,272,437)</u>	<u>1,244,896</u>	<u>-</u>	<u>(27,541)</u>	<u>1,693,945</u>
<b>CHANGES IN NET ASSETS</b>	<u>(841,226)</u>	<u>2,789,902</u>	<u>86,843</u>	<u>2,035,519</u>	<u>3,075,534</u>
Net Assets - Beginning of Year	<u>548,796</u>	<u>4,819,147</u>	<u>27,794,876</u>	<u>33,162,819</u>	<u>30,087,285</u>
<b>NET ASSETS (DEFICITS) - END OF YEAR</b>	<u>\$ (292,430)</u>	<u>\$ 7,609,049</u>	<u>\$ 27,881,719</u>	<u>\$ 35,198,338</u>	<u>\$ 33,162,819</u>

See accompanying Notes to Consolidated Financial Statements.

**PHOENIX ART MUSEUM AND  
PHOENIX ART MUSEUM ENDOWMENT FUND, INC.  
CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS  
YEAR ENDED JUNE 30, 2017**

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total 2017
<b>OPERATING ACTIVITIES</b>				
Revenues:				
Admissions	\$ 1,188,450	\$ -	\$ -	\$ 1,188,450
Museum Store Income	719,609	-	-	719,609
Membership Income	1,104,708	-	-	1,104,708
Projects and Fundraising Activities	516,381	-	-	516,381
Less Cost of Direct Donor Benefits	(135,158)	-	-	(135,158)
Dividend and Interest Income	562,922	-	-	562,922
Other	779,571	-	-	779,571
Total Revenues	<u>4,736,483</u>	<u>-</u>	<u>-</u>	<u>4,736,483</u>
Public Support:				
Contributions:				
Private	2,986,820	4,090,709	1,278,867	8,356,396
Less Cost of Direct Donor Benefits	(97,180)	-	-	(97,180)
Governmental	112,291	-	-	112,291
Donated Facilities, Materials, and Services:				
Governmental	5,132,833	-	-	5,132,833
Private	192,422	-	-	192,422
Total Public Support	<u>8,327,186</u>	<u>4,090,709</u>	<u>1,278,867</u>	<u>13,696,762</u>
Net Assets Released from Restrictions:				
Endowments Released from Restrictions	165,673	60,000	(225,673)	-
Purpose Restrictions Met	4,168,372	(4,168,372)	-	-
Total Net Assets Released from Restrictions	<u>4,334,045</u>	<u>(4,108,372)</u>	<u>(225,673)</u>	<u>-</u>
Total Revenues and Public Support	17,397,714	(17,663)	1,053,194	18,433,245
Expenses:				
Programs Services	11,819,812	-	-	11,819,812
Management and General	3,212,438	-	41,402	3,253,840
Fundraising	1,978,004	-	-	1,978,004
Total Expenses	<u>17,010,254</u>	<u>-</u>	<u>41,402</u>	<u>17,051,656</u>
<b>OPERATING PROFIT (LOSS)</b>	<u>387,460</u>	<u>(17,663)</u>	<u>1,011,792</u>	<u>1,381,589</u>
<b>NONOPERATING ACTIVITIES</b>				
Net Realized/Unrealized Investment Gain	1,728,790	-	-	1,728,790
Acquisitions of Fine Art	(34,845)	-	-	(34,845)
Total Nonoperating Activities	<u>1,693,945</u>	<u>-</u>	<u>-</u>	<u>1,693,945</u>
<b>CHANGES IN NET ASSETS (DEFICITS)</b>	<u>2,081,405</u>	<u>(17,663)</u>	<u>1,011,792</u>	<u>3,075,534</u>
Net Assets (Deficits) - Beginning of Year	<u>(1,532,609)</u>	<u>4,836,810</u>	<u>26,783,084</u>	<u>30,087,285</u>
<b>NET ASSETS - END OF YEAR</b>	<u>\$ 548,796</u>	<u>\$ 4,819,147</u>	<u>\$ 27,794,876</u>	<u>\$ 33,162,819</u>

See accompanying Notes to Consolidated Financial Statements.

**PHOENIX ART MUSEUM AND  
PHOENIX ART MUSEUM ENDOWMENT FUND, INC.  
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES  
YEAR ENDED JUNE 30, 2018  
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2017)**

	Program Services				Supporting Services			Total		
	Collections and Exhibits	Education and Community Services	Museum Store	Membership	Total Program Services	Management and General	Fund-Raising	Total Supporting Services	2018	2017
Salaries and Employee Benefits:										
Salaries and Wages	\$ 2,603,954	\$ 440,494	\$ 171,200	\$ 60,424	\$ 3,276,072	\$ 1,452,416	\$ 689,098	\$ 2,141,514	\$ 5,417,586	\$ 5,031,816
Employee Benefits	688,885	122,647	42,175	24,121	877,828	347,317	94,712	442,029	1,319,857	594,250
Total Salaries and Employee Benefits	3,292,839	563,141	213,375	84,545	4,153,900	1,799,733	783,810	2,583,543	6,737,443	5,626,066
Advertising and Marketing	333,228	2,450	102	23,501	359,281	5,093	3,629	8,722	368,003	278,328
Exhibition Fees	444,778	34,936	-	-	479,714	(616)	4,453	3,837	483,551	530,546
Audit Fees	-	-	-	-	-	66,125	-	66,125	66,125	36,000
Bad Debt Expense	-	-	-	651	651	13,710	25,500	39,210	39,861	80,052
Bank Fees	523	-	-	-	523	122,409	65	122,474	122,997	138,131
Catering and Hospitality	108,946	26,425	1,061	25,403	161,835	10,982	124,124	135,106	296,941	173,639
Collections Conservation	23,616	-	-	-	23,616	-	-	-	23,616	42,694
Collections Management	18,387	-	-	-	18,387	-	-	-	18,387	52,250
Conferences and Meetings	3,915	1,260	95	1,190	6,460	7,075	629	7,704	14,164	9,719
Cost of Sales	-	-	422,489	-	422,489	26	-	26	422,515	390,081
Depreciation and Amortization	382,027	56,787	25,813	15,487	480,114	15,487	20,651	36,138	516,252	540,752
Dues and Subscription	37,411	26,941	1,795	560	66,707	32,035	38,105	70,140	136,847	127,434
Equipment Rental	38,788	-	-	-	38,788	6,733	80,473	87,206	125,994	141,330
Facilities - Other	127,360	17,703	25,276	1,763	172,102	111,100	2,518	113,618	285,720	401,428
Fundraising Expenses - Other	8,540	-	-	358	8,898	33,868	29,344	63,212	72,110	35,509
Fundraising Professionals	-	-	-	-	-	-	28,640	28,640	28,640	153,308
Honoraria	70,938	47,101	-	900	118,939	-	5,500	5,500	124,439	27,756
In-Kind Contributions	4,496,036	513,547	142,851	51,018	5,203,452	584,159	179,421	763,580	5,967,032	5,325,101

See accompanying Notes to Consolidated Financial Statements.



**PHOENIX ART MUSEUM AND  
PHOENIX ART MUSEUM ENDOWMENT FUND, INC.  
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES (CONTINUED)  
YEAR ENDED JUNE 30, 2018  
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2017)**

	Program Services				Total Program Services	Supporting Services			Total	
	Collections and Exhibits	Education and Community Services	Museum Store	Membership		Management and General	Fund- Raising	Total Supporting Services	2018	2017
Insurance	\$ 71,081	\$ 674	\$ 267	\$ 276	\$ 72,298	\$ 56,451	\$ 457	\$ 56,908	\$ 129,206	\$ 122,154
Interest Expense	-	-	-	-	-	26,142	-	26,142	26,142	16,954
Internet and Website	1,521	55	2,824	-	4,400	31,575	-	31,575	35,975	69,921
Legal Fees	-	-	-	-	-	30,685	1,807	32,492	32,492	91,143
Lodging and Meals	3,226	265	-	93	3,584	1,274	19,189	20,463	24,047	15,069
Office Expense - Other	50,548	10,754	1,523	3,339	66,164	340,014	8,012	348,026	414,190	222,604
Other	56,125	-	2,466	21,215	79,806	39,314	9,146	48,460	128,266	12,253
Postage and Shipping	441,085	205	7,497	59,856	508,643	(5,207)	18,341	13,134	521,777	309,230
Printing	103,812	18,735	429	81,198	204,174	30,343	22,333	52,676	256,850	217,992
Production and Exhibition Costs	391,960	23,933	-	-	415,893	2,534	-	2,534	418,427	359,485
Professional Development	325	-	-	4,400	4,725	2,981	36	3,017	7,742	5,692
Professional and Search Fees	126,503	26,891	4,550	550	158,494	95,523	18,956	114,479	272,973	556,361
Repairs and Maintenance	55,768	-	-	-	55,768	55,811	-	55,811	111,579	116,585
Supplies	21,788	19,482	97	3,750	45,117	17,635	7,378	25,013	70,130	67,027
Support Organizations	-	-	-	-	-	-	-	-	-	288,826
Telephone	2,174	480	-	-	2,654	6,478	-	6,478	9,132	10,756
Travel	105,622	14,398	7,118	44	127,182	10,058	11,518	21,576	148,758	148,909
Utilities	-	-	-	-	-	341,132	-	341,132	341,132	310,571
Projects and Fundraising Activities Expenses	-	-	-	-	-	-	88,801	88,801	88,801	135,158
Private Contribution Expenses	-	-	-	-	-	-	64,955	64,955	64,955	97,180
<b>Total Functional Expenses</b>	<b>10,818,870</b>	<b>1,406,163</b>	<b>859,628</b>	<b>380,097</b>	<b>13,464,758</b>	<b>3,890,662</b>	<b>1,597,791</b>	<b>5,488,453</b>	<b>18,953,211</b>	<b>17,283,994</b>
Less: Expenses Netted Against Revenues on the Statement of Activities:										
Projects and Fundraising Activities Expenses	-	-	-	-	-	-	(88,801)	(88,801)	(88,801)	(135,158)
Private Contribution Expenses	-	-	-	-	-	-	(64,955)	(64,955)	(64,955)	(97,180)
<b>Total Expenses Included in the Expense Section of the Statement of Activities</b>	<b>\$ 10,818,870</b>	<b>\$ 1,406,163</b>	<b>\$ 859,628</b>	<b>\$ 380,097</b>	<b>\$ 13,464,758</b>	<b>\$ 3,890,662</b>	<b>\$ 1,444,035</b>	<b>\$ 5,334,697</b>	<b>\$ 18,799,455</b>	<b>\$ 17,051,656</b>

See accompanying Notes to Consolidated Financial Statements.

**PHOENIX ART MUSEUM AND  
PHOENIX ART MUSEUM ENDOWMENT FUND, INC.  
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES  
YEAR ENDED JUNE 30, 2017**

	Program Services				Supporting Services				Total 2017
	Collections and Exhibits	Education and Community Services	Museum Store	Membership	Total Program Services	Management and General	Fund- Raising	Total Supporting Services	
Salaries and Employee Benefits:									
Salaries and Wages	\$ 2,360,373	\$ 403,936	\$ 159,356	\$ 74,156	\$ 2,997,821	1,254,244	\$ 779,751	\$ 2,033,995	\$ 5,031,816
Employee Benefits	310,576	79,137	11,676	(4,930)	396,459	67,802	129,989	197,791	594,250
Total Salaries and Employee Benefits	2,670,949	483,073	171,032	69,226	3,394,280	1,322,046	909,740	2,231,786	5,626,066
Advertising and Marketing	260,732	1,309	179	90	262,310	9,959	6,059	16,018	278,328
Exhibition Fees	516,925	5,855	-	-	522,780	-	7,766	7,766	530,546
Audit Fees	6,800	-	-	-	6,800	29,200	-	29,200	36,000
Bad Debt Expense	530	-	-	508	1,038	9,965	69,049	79,014	80,052
Bank Fees	431	-	-	-	431	109,853	27,847	137,700	138,131
Catering and Hospitality	7,214	23,323	1,104	26,234	57,875	3,342	112,422	115,764	173,639
Collections Conservation	42,694	-	-	-	42,694	-	-	-	42,694
Collections Management	52,250	-	-	-	52,250	-	-	-	52,250
Conferences and Meetings	2,496	2,944	190	-	5,630	999	3,090	4,089	9,719
Cost of Sales	-	-	390,037	-	390,037	44	-	44	390,081
Depreciation and Amortization	400,157	59,483	27,038	16,222	502,900	16,222	21,630	37,852	540,752
Dues and Subscription	35,409	31,829	1,618	2,188	71,044	21,934	34,456	56,390	127,434
Equipment Rental	28,716	29,559	-	-	58,275	10,342	72,713	83,055	141,330
Facilities - Other	76,966	33,734	8,949	3,197	122,846	273,788	4,794	278,582	401,428
Fundraising Expenses - Other	1,451	4,422	198	2,810	8,881	2,508	24,120	26,628	35,509
Fundraising Professionals	-	-	-	-	-	-	153,308	153,308	153,308
Honoraria	1,233	26,523	-	-	27,756	-	-	-	27,756
In-Kind Contributions	3,891,061	469,039	130,677	46,670	4,537,447	534,224	253,430	787,654	5,325,101

See accompanying Notes to Consolidated Financial Statements.

**PHOENIX ART MUSEUM AND  
PHOENIX ART MUSEUM ENDOWMENT FUND, INC.  
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES (CONTINUED)  
YEAR ENDED JUNE 30, 2017**

	Program Services				Supporting Services				Total 2017
	Collections and Exhibits	Education and Community Services	Museum Store	Membership	Total Program Services	Management and General	Fund- Raising	Total Supporting Services	
Insurance	\$ 88,706	\$ 3,248	\$ 905	\$ 323	\$ 93,182	\$ 28,487	\$ 485	\$ 28,972	\$ 122,154
Interest Expense	-	-	-	-	-	16,954	-	16,954	16,954
Internet and Website	16,393	-	-	-	16,393	53,528	-	53,528	69,921
Legal Fees	-	-	-	-	-	72,797	18,346	91,143	91,143
Lodging and Meals	3,411	698	24	-	4,133	1,626	9,310	10,936	15,069
Office Expense - Other	27,340	13,182	(669)	1,450	41,303	175,488	5,813	181,301	222,604
Other	334	-	1,107	64	1,505	5,625	5,123	10,748	12,253
Postage and Shipping	221,120	122	22,104	41,212	284,558	1,884	22,788	24,672	309,230
Printing	41,531	16,165	451	84,259	142,406	4,415	71,171	75,586	217,992
Production and Exhibition Costs	331,430	22,013	270	-	353,713	2,754	3,018	5,772	359,485
Professional Development	265	-	-	-	265	5,427	-	5,427	5,692
Professional and Search Fees	110,735	185,679	1,622	24,161	322,197	134,456	99,708	234,164	556,361
Repairs and Maintenance	56,768	1,845	-	150	58,763	57,822	-	57,822	116,585
Supplies	14,720	23,742	425	454	39,341	21,012	6,674	27,686	67,027
Support Organizations	288,826	-	-	-	288,826	-	-	-	288,826
Telephone	1,868	480	-	-	2,348	8,408	-	8,408	10,756
Travel	76,191	24,368	4,034	1,012	105,605	8,160	35,144	43,304	148,909
Utilities	-	-	-	-	-	310,571	-	310,571	310,571
Projects and Fundraising Activities Expenses	-	-	-	-	-	-	135,158	135,158	135,158
Private Contribution Expenses	-	-	-	-	-	-	97,180	97,180	97,180
<b>Total Functional Expenses</b>	<b>9,275,652</b>	<b>1,462,635</b>	<b>761,295</b>	<b>320,230</b>	<b>11,819,812</b>	<b>3,253,840</b>	<b>2,210,342</b>	<b>5,464,182</b>	<b>17,283,994</b>
Less: Expenses Netted Against Revenues on the Statement of Activities:									
Projects and Fundraising Activities Expenses	-	-	-	-	-	-	(135,158)	(135,158)	(135,158)
Private Contribution Expenses	-	-	-	-	-	-	(97,180)	(97,180)	(97,180)
<b>Total Expenses Included in the Expense Section of the Statement of Activities</b>	<b>\$ 9,275,652</b>	<b>\$ 1,462,635</b>	<b>\$ 761,295</b>	<b>\$ 320,230</b>	<b>\$ 11,819,812</b>	<b>\$ 3,253,840</b>	<b>\$ 1,978,004</b>	<b>\$ 5,231,844</b>	<b>\$ 17,051,656</b>

See accompanying Notes to Consolidated Financial Statements.

**PHOENIX ART MUSEUM AND  
PHOENIX ART MUSEUM ENDOWMENT FUND, INC.  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
YEARS ENDED JUNE 30, 2018 AND 2017**

	2018	2017
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Changes in Net Assets	\$ 2,035,519	\$ 3,075,534
Adjustments to Reconcile Changes in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation and Amortization	516,252	540,752
Change in Discount on Assets Restricted to Long-Term Investment Purposes	85,317	219,296
Provision for Doubtful Pledges	39,861	80,052
Net Realized/Unrealized Investment (Gain) Loss	(1,244,896)	(1,728,790)
Change in Charitable Gift Annuities, Net	7,248	3,200
Change in Operating Assets and Liabilities:		
Decrease (Increase) in:		
Accounts Receivable	92,697	(4,448)
Pledges Receivable	(327,581)	333,981
Grants Receivable	(572,316)	(2,000)
Museum Store Inventories	21,510	10,711
Prepaid Expenses	18,856	14,697
Increase (Decrease) in:		
Accounts Payable and Accrued Expenses	(73,842)	(137,886)
Deferred Revenue	27,669	(141,572)
Accrued Liabilities	(91,312)	(1,240,349)
Net Cash Provided by Operating Activities	534,982	1,023,178
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of Investments	(23,953,506)	(5,910,342)
Proceeds from the Sale of Investments	23,573,952	4,375,336
Purchases of Property and Equipment	(1,083,817)	(196,765)
Increases (Decreases) in Assets Restricted to Long-Term Investment Purposes	887,213	655,551
Net Cash Provided (Used) by Investing Activities	(576,158)	(1,076,220)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from Note Payable	1,050,000	-
Proceeds from (Repayment of) Line of Credit, Net	500,000	(1,450,358)
Net Cash Provided (Used) by Financing Activities	1,550,000	(1,450,358)
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	1,508,824	(1,503,400)
Cash and Cash Equivalents - Beginning of Year	1,503,759	3,007,159
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	\$ 3,012,583	\$ 1,503,759
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>		
Cash Paid for Interest	\$ 26,142	\$ 16,954

See accompanying Notes to Consolidated Financial Statements.

**PHOENIX ART MUSEUM AND  
PHOENIX ART MUSEUM ENDOWMENT FUND, INC.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2018 AND 2017**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Museum and Endowment Fund Operations**

**Phoenix Art Museum** (the Museum) is a nonprofit museum incorporated in May 1949 as an Arizona nonprofit corporation. The purpose of the Museum is to educate and expose the broadest segment of the population to the historical and aesthetic attributes of the visual arts.

**Phoenix Art Museum Endowment Fund, Inc.** (Endowment Fund) was incorporated in January 1994 as an Arizona nonprofit corporation with the Phoenix Art Museum as the sole member. The purpose of the Endowment Fund is to receive and accept title of donated assets, to hold such assets as an endowment, to invest said assets, and to distribute income and gains from these assets for the benefit of the Museum.

The significant accounting policies followed by the Museum and the Endowment Fund are as follows:

**Consolidated Financial Statements**

The Phoenix Art Museum has an economic interest and control over the Phoenix Art Museum Endowment Fund, Inc. The consolidated financial statements include both the accounts of the Phoenix Art Museum and the Phoenix Art Museum Endowment Fund, Inc. (collectively referred to as the Museum). In addition, the Museum is supported by 8 volunteer support groups as follows:

- Phoenix Art Museum League
- Western Art Associates
- Arizona Costume Institute
- Contemporary Forum
- Asian Arts Council
- Friends of European Art
- Women's Metropolitan Arts Council
- In Focus

In December of 2017, the Museum formed 5 of these groups into separate limited liabilities nonprofit corporations of which the Museum is the sole member.

All of the financial activities and balances of these support groups are included in these consolidated financial statements. All significant interorganizational accounts and transactions have been eliminated.

**Basis of Accounting**

The three classes of net assets are as follows:

**Unrestricted Net Assets** – Unrestricted net assets are not subject to donor-imposed stipulations and are those currently available at the discretion of the board of directors for use in the Museum's operations, in accordance with its bylaws.

**PHOENIX ART MUSEUM AND  
PHOENIX ART MUSEUM ENDOWMENT FUND, INC.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2018 AND 2017**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Basis of Accounting (Continued)**

Temporarily Restricted Net Assets – Temporarily restricted net assets are those which are subject to donor-imposed stipulations that will be met by the Museum and/or the passage of time.

Permanently Restricted Net Assets – Permanently restricted net assets (endowment restricted) are those which represent permanent endowments where it is stipulated by donors that the principal remain in perpetuity and only the income is available as unrestricted or temporarily restricted, as per the endowment agreements.

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted explicitly by donor stipulation or by law. Expirations of temporary restrictions on net assets, i.e., the donor stipulated purpose has been fulfilled and/or the stipulated time period has elapsed, are reported as reclassifications to unrestricted net assets.

**Funds with Deficiencies**

At June 30, 2018 and 2017, as a result of investment losses and board-authorized distributions, the fair value of certain endowment assets was less than the related donor-restricted amounts. In accordance with accounting principles generally accepted in the United States of America, deficiencies of this nature are reported in unrestricted net assets and totaled \$-0- and \$481,878, at June 30, 2018 and 2017, respectively. The reporting of such deficiencies as a reduction of Museum-controlled unrestricted net assets does not legally create an affirmative obligation of the Museum to restore the fair value of those funds from unrestricted assets.

**Use of Estimates in the Preparation of Consolidated Financial Statements**

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make a number of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Cash and Cash Equivalents**

Cash consists of cash and at times cash equivalents consisting of highly liquid financial instruments purchased with original maturities of three months or less. Cash and cash equivalents on the consolidated statements of cash flows are reflected net of cash due to internal funds. The Museum maintains all of its cash and temporary investments in several commercial banks.

**PHOENIX ART MUSEUM AND  
PHOENIX ART MUSEUM ENDOWMENT FUND, INC.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2018 AND 2017**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Accounts Receivable**

Accounts receivable are stated at the amount management expects to collect. Management provides for probable uncollectible amounts through a charge to earnings and an increase to a valuation allowance based upon its assessment of the current status of individual balances. Account balances with invoices over 90 days old are considered delinquent. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a reduction of accounts receivable. Accounts receivable as of June 30, 2018 and 2017 are considered by management to be collectible in full and, accordingly, an allowance for doubtful accounts has not been provided.

**Pledges Receivable and Assets Restricted for Long-Term Investment Purposes**

The Museum Pledges Receivable consist primarily of amounts due for general purposes (pledges receivables) and amounts due from a capital campaign conducted to raise funds for the expansion of facilities and endowment fund. (Assets restricted for long-term investment purposes). Unconditional promises to give (pledges receivable and assets restricted for long-term investment purposes) are recognized as revenues in the period the promise is received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Monies received pursuant to conditional promises are reflected as deferred revenue. Unconditional promises to give that are to be collected within one year are recorded at their net realizable value.

Grants receivable consist primarily of amounts due from various foundations for funding specific purposes. Grants receivable are stated at the amount management expects to collect. Management believes that all grants receivable at June 30, 2018 and 2017 were collectible.

Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using rates as determined by management, applicable to the years in which the promises are received. Amortization of the discounts is included in contribution support. The carrying amount of pledges receivable is reduced by a valuation allowance that reflects management's best estimate of amounts that will not be collected.

**Investments**

Investments, consisting primarily of equity mutual funds (domestic and international) and U.S. government securities, with readily determinable market values are measured at fair value as of year-end in the consolidated statement of financial position. Investment income or loss (including realized and unrealized gains and losses on investments, interest, and dividends) are recognized in the consolidated statement of activities and changes in net assets.

**PHOENIX ART MUSEUM AND  
PHOENIX ART MUSEUM ENDOWMENT FUND, INC.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2018 AND 2017**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Investments (Continued)**

Investments in equity securities with readily determinable fair values and all investments in debt securities are presented at fair value in the consolidated statement of financial position as determined by available market prices. Limited marketability investments, representing amounts in hedge funds are valued at the quoted market price for securities for which market quotations are readily available or an estimate of value (fair value) as determined in good faith by the general partner. Changes in the values of limited marketability investments that occur between the time audited net asset values are last communicated by the general partner and the close of the Museum's fiscal year are reflected in the fair value recorded in the Museum's consolidated financial statements.

**Spending Policy**

The separate endowment foundation board of directors establishes the spending policy and draw percentage in coordination with the Museum, on a yearly basis. In establishing this policy, the Museum considered the long-term expected return on its endowment. 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.

**Museum Store Inventories**

Museum store inventories consist of books, gift items, and art related objects held for resale and are carried at average cost.

**Property and Equipment**

Purchased property and equipment are initially recorded at cost; and donated property and equipment is recorded at the fair value at the date of gift to the Museum. Maintenance and repairs are charged to operations when incurred. Betterments and renewals in excess of \$1,500 are capitalized. When property and equipment is sold or otherwise disposed of, the assets and related accumulated depreciation accounts are relieved, and any gain or loss is included in operations.

Depreciation and amortization of property and equipment is computed on a straight-line basis over the following estimated useful lives:

	<u>Estimated Useful Lives</u>
Buildings and Improvements	5 to 50 Years
Furniture, Fixtures, and Equipment	5 to 50 Years



**PHOENIX ART MUSEUM AND  
PHOENIX ART MUSEUM ENDOWMENT FUND, INC.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2018 AND 2017**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Property and Equipment (Continued)**

Donations of property and equipment are recorded as contributions at their estimated fair value at the date of donation. Such donations are reported as increases in unrestricted net assets 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 temporarily restricted contributions 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 as instructed by the donor. The Museum reclassifies temporarily restricted net assets to unrestricted net assets at that time.

**Impairment of Long-Lived Assets**

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.

**Deferred Revenue**

Deferred revenue consists of prepaid membership dues and money received in advance for fiscal years 2019 and 2020 dues and events.

**Admissions**

Admissions revenue consists of ticket sales and is recognized when the tickets are sold.

**Membership Dues**

The Museum defers revenue from membership dues collected in advance. Deferred revenue is amortized into revenue over the membership period.

**Contributions**

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. All donor-restricted support is reported as an increase in temporarily or permanently restricted net assets depending on the nature of the restrictions.

When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished or a donor removes a restriction), temporarily or permanently restricted net assets are reclassified to unrestricted net assets and reported in the consolidated statement of activities and changes in net assets as net assets released from restrictions.

**PHOENIX ART MUSEUM AND  
PHOENIX ART MUSEUM ENDOWMENT FUND, INC.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2018 AND 2017**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Special Events Revenue**

The Museum conducts special events in which a portion of the gross proceeds paid by the participant represents payments for the direct cost of the benefits received by the participant at the event. Unless a verifiable objective means exists to demonstrate otherwise, the fair value of meals and entertainment provided at special events is measured at the actual cost to the Museum. The direct costs of the special events which ultimately benefit the donor rather than the Museum are included in special events revenues and then expensed as costs of direct donor benefits.

**Nonoperating Activities**

Changes in unrestricted net assets, which are excluded from operating profit (loss), include net realized and unrealized investment gains and losses and acquisition of fine art, which is consistent with industry practice.

**Donated Services and Materials**

Donated services and materials are recorded at their estimated fair value if they enhance the Museum's nonfinancial assets or require specialized skills that the Museum would normally purchase if not provided by donation. The Museum recognized \$5,967,032 and \$5,325,255 of in-kind contributions during the years ended June 30, 2018 and 2017, respectively. The majority of the contributions were due to donated facilities, utilities, and maintenance as disclosed in Note 16. The remaining \$356,055 and \$192,422 were contributed materials and services related to specialized skills during the years ended June 30, 2018 and 2017, respectively. No amounts have been reflected in the consolidated financial statements for certain donated volunteer services because they did not qualify for recording under the generally accepted accounting principle guidelines; however, a substantial number of volunteers have donated significant amounts of their time to the Museum's program services and fund raising campaigns.

**Advertising**

The Museum uses advertising to promote its programs to the various groups it serves. Advertising costs are charged to operations as incurred. Advertising expense charged to operations was \$342,934 and \$241,810 during the years ended June 30, 2018 and 2017, respectively.

**Functional Expenses**

The costs of providing various programs and other activities have been summarized on a functional basis in the consolidated statement of activities and changes in net assets and detailed in the consolidated statement of functional expenses. Accordingly, certain costs have been allocated among program and supporting services benefited. Management and general expenses include those expenses that are not directly identifiable with any specific program but provide for the overall support and direction of the Museum.

**PHOENIX ART MUSEUM AND  
PHOENIX ART MUSEUM ENDOWMENT FUND, INC.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2018 AND 2017**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Income Taxes**

The Phoenix Art Museum and the Phoenix Art Museum Endowment Fund, Inc. qualify as tax-exempt organizations under Section 501(c)(3) of the Internal Revenue Code (IRC) and, accordingly, there is no provision for corporate income taxes. In addition, they qualify for the charitable contribution deduction under Section 170 of the IRC and have been classified as organizations that are not private foundations. Income determined to be unrelated business.

**NOTE 2 PLEDGES AND GRANTS RECEIVABLE**

Pledges receivable attributable to unconditional promises to give consist of:

	<u>2018</u>	<u>2017</u>
Pledges Receivable	<u>\$ 1,996,994</u>	<u>\$ 1,592,853</u>

Pledges receivable consist of unconditional promises to give as follows:

	<u>2018</u>	<u>2017</u>
Due in Less than One Year	\$ 1,132,654	\$ 1,592,853
Due in One to Five Years	940,900	-
Total Pledges Receivable	<u>2,073,554</u>	<u>1,592,853</u>
Less: Discount to Present Value	(76,560)	-
Less: Allowance for Uncollectible Pledges	<u>-</u>	<u>-</u>
Net Pledges Receivable	<u>\$ 1,996,994</u>	<u>\$ 1,592,853</u>

One donor makes up 10% of the pledges receivable balance at June 30, 2018 and five donors make up 80% of the pledges receivable balance at June 30, 2017.

Grants receivable attributable to unconditional promises to give received from foundations for funding specific purposes consist of:

	<u>2018</u>	<u>2017</u>
Grants Receivable	<u>\$ 652,152</u>	<u>\$ 70,000</u>

**PHOENIX ART MUSEUM AND  
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2018 AND 2017**

**NOTE 2 PLEDGES AND GRANTS RECEIVABLE (CONTINUED)**

Grants receivable consist of unconditional promises to give as follows:

	2018	2017
Due in Less than One Year	\$ 406,242	\$ 70,000
Due in One to Five Years	255,746	-
Total Grants Receivable	<u>661,988</u>	<u>70,000</u>
Less: Discount to Present Value	(9,836)	-
Less: Allowance for Uncollectible Receivables	<u>-</u>	<u>-</u>
Net Grants Receivable	<u><u>\$ 652,152</u></u>	<u><u>\$ 70,000</u></u>

Three donors make up 89% of the grants receivable balance at June 30, 2018 and two donors make up 100% of the grants receivable balance at June 30, 2017.

**NOTE 3 ENDOWMENT RESTRICTED INVESTMENTS**

Endowment restricted investments consist of the following:

	2018		2017	
	Fair Value	Cost	Fair Value	Cost
Equity Mutual Funds – Domestic	\$ 9,804,876	\$ 9,112,001	\$ 5,005,890	\$ 4,095,528
Equity Mutual Funds – International	7,048,284	6,619,500	5,611,615	4,611,712
Corporate Bonds – Domestic	6,585,154	6,736,456	6,041,382	6,103,991
Alternative Investments	1,320,146	1,401,606	3,893,638	3,491,509
Money Market	760,244	760,244	3,341,729	3,341,794
Total Investments	<u><u>\$ 25,518,704</u></u>	<u><u>\$ 24,629,807</u></u>	<u><u>\$ 23,894,254</u></u>	<u><u>\$ 21,644,534</u></u>

Investment return on the long-term investments, which includes net realized and unrealized gains and losses that are included as part of the change in unrestricted and temporarily restricted net assets, consist of the following:

	2018	2017
Dividend and Interest Income	\$ 819,532	\$ 562,922
Net Realized/Unrealized Investment Gain/(Loss)	<u>1,244,896</u>	<u>1,728,790</u>
Investment Return	<u><u>\$ 2,064,428</u></u>	<u><u>\$ 2,291,712</u></u>

The Museum maintains three types of endowment funds within the investment portfolio, as follows:

Permanent Endowment – General Purpose – Funds within the endowment for which investment returns are unrestricted for general use of the Museum.

**PHOENIX ART MUSEUM AND  
PHOENIX ART MUSEUM ENDOWMENT FUND, INC.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2018 AND 2017**

**NOTE 3 ENDOWMENT RESTRICTED INVESTMENTS (CONTINUED)**

Permanent Endowment – Donor Restricted to Specific Purpose – Funds gifted to the endowment by various donors with restrictions placed on usage of investment returns, such as for specific exhibit or education related expenses.

Funds Functioning as Endowment – Funds gifted by the Museum’s affiliated support groups with restrictions place on usage of investment returns for initiatives specified by the affiliated support group to further the mission of the Museum.

**NOTE 4 FAIR VALUE OF FINANCIAL INSTRUMENTS**

In determining fair value, the Museum uses various valuation approaches within the fair value measurement framework. Fair value measurements are determined based on the assumptions that market participants would use in pricing an asset or liability.

Fair value measurements framework establishes a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available.

Fair value measurements define levels within the hierarchy based on the reliability of inputs as follows:

*Level 1* – Valuations based on unadjusted quoted prices for identical assets or liabilities in active markets;

*Level 2* – Valuations based on quoted prices for similar assets or liabilities or identical assets or liabilities in less active markets, such as dealer or broker markets; and

*Level 3* – Valuations derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable, such as pricing models, discounted cash flow models and similar techniques not based on market, exchange, dealer or broker-traded transactions.

Following is a description of the nature and risks of the categories of assets by major security type.

Equity securities, corporate bonds, government issued securities, money market funds, and other funds listed on a national market or exchange are valued at the last sales price, or if there is no sale and the market is still considered active at the last transaction price before year-end. Such securities are classified within Level 1 of the valuation hierarchy.

**Endowment Restricted Investments**

Debt securities consisting of government agency debt obligations are generally valued at the most recent price of the equivalent quoted yield for such securities, or those of comparable maturity, quality, and type. There are no directly held debt securities in the investment portfolio. Debt securities are generally classified within Level 2 of the valuation hierarchy.

**PHOENIX ART MUSEUM AND  
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2018 AND 2017**

**NOTE 4 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)**

**Temporarily Restricted Investments**

Temporarily restricted investments are common stock with readily available quoted market prices. These securities are classified within Level 1 of the valuation hierarchy.

**Charitable Gift Annuities**

The charitable gift annuity assets are carried at fair value and are invested in funds listed on the national market or exchange. These annuities are classified within Level 1 of the valuation hierarchy.

The following table presents assets measured at fair value by classification within the fair value hierarchy as of June 30, 2018:

	Fair Value Measurements Using			Total
	(Level 1)	(Level 2)	(Level 3)	
Endowment Restricted Investments:				
Measured in Fair Value Hierarchy:				
Equities:				
U.S. Large Cap	\$ 9,561,764	\$ -	\$ -	\$ 9,561,764
U.S. Mid-Cap/Small-Cap	243,112	-	-	243,112
Non-U.S. Equity	7,048,284	-	-	7,048,284
Debt securities:				
U.S. Corporate Bonds	6,585,154	-	-	6,585,154
Alternative Assets:				
Money Market	760,244	-	-	760,244
Measured at Net Asset Value:				
Alternative Assets:				
Hedge Funds	-	-	-	32,998
Private Equity	-	-	-	1,287,148
Total Endowment Restricted Investments	<u>\$ 24,198,558</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 25,518,704</u>
Charitable Gift Annuities:				
Cash and Cash Equivalents	\$ 11,374	\$ -	\$ -	\$ 11,374
Equities:				
U.S. Mid-Cap/Small-Cap	125,092	-	-	125,092
Non-U.S. Equity	36,905	-	-	36,905
Debt Securities:				
U.S. Corporate Bonds	75,518	-	-	75,518
Non-U.S. Corporate Bonds	33,077	-	-	33,077
Real Estate	18,459	-	-	18,459
Other	68,440	-	-	68,440
Total Charitable Gift Annuities	<u>\$ 368,865</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 368,865</u>

**PHOENIX ART MUSEUM AND  
PHOENIX ART MUSEUM ENDOWMENT FUND, INC.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2018 AND 2017**

**NOTE 4 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)**

The following table presents assets measured at fair value by classification within the fair value hierarchy as of June 30, 2017:

	Fair Value Measurements Using			Total
	(Level 1)	(Level 2)	(Level 3)	
Endowment Restricted Investments:				
Measured in Fair Value Hierarchy:				
Equities:				
U.S. Large Cap	\$ 4,356,524	\$ -	\$ -	\$ 4,356,524
U.S. Mid-cap/Small-Cap	649,366	-	-	649,366
Non-U.S. Equity	5,611,615	-	-	5,611,615
Debt Securities:				
U.S. Corporate Bonds	6,041,382	-	-	6,041,382
Alternative Assets:				
Commodities	381,246	-	-	381,246
Equity Market	412,606	-	-	412,606
Real Estate	780,933	-	-	780,933
Money Market	3,341,730	-	-	3,341,730
Measured at Net Asset Value:				
Alternative Assets:				
Hedge Funds	-	-	-	1,258,006
Private Equity	-	-	-	1,060,846
Total Endowment				
Restricted Investments	<u>\$ 21,575,402</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 23,894,254</u>
Charitable Gift Annuities:				
Cash and Cash Equivalents	\$ 12,857	\$ -	\$ -	\$ 12,857
Equities:				
U.S. Mid-Cap/Small-Cap	122,585	-	-	122,585
Non-U.S. Equity	41,075	-	-	41,075
Debt Securities:				
U.S. Corporate Bonds	100,099	-	-	100,099
Non-U.S. Corporate Bonds	20,460	-	-	20,460
Real Estate	36,727	-	-	36,727
Other	75,536	-	-	75,536
Total Charitable Gift				
Annuities	<u>\$ 409,339</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 409,339</u>

The Museum uses the Net Asset Value (NAV) to determine the fair value of all the underlying investments which (a) do not have a readily determinable fair value and (b) prepare their consolidated financial statements consistent with the measurement principles of an investment company or have the attributes of an investment company.

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**NOTE 4 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)**

The following table lists investments in other investment companies by major category at June 30, 2018:

<u>Strategy</u>	<u>NAV in Funds</u>	<u>Redemption Frequency and Restrictions</u>
Hedge Funds:		
Blackstone Partners Offshore Fund	\$ 32,998	No Lock Up, Semi-Annual Redemption 100 Days Notice, No Holdback
Private Equity: *		
Diversified Across General Partners, Industries, Stages of Business Development and Geographies	1,287,148	N/A
Total	<u>\$ 1,320,146</u>	

\*Unfunded commitment totals \$621,876. Term to draw down is 10 years.

The following table lists investments in other investment companies by major category at June 30, 2017:

<u>Strategy</u>	<u>NAV in Funds</u>	<u>Redemption Frequency and Restrictions</u>
Hedge Funds:		
Blackstone Partners Offshore Fund	\$ 660,103	No Lock Up, Semi-Annual Redemption 100 Days Notice, No Holdback
Global Access Hedge Fund Strategies	78,912	12-Month Lock Up, Quarterly Redemption with 95 Days, 5% Holdback
Real Estate:		
Blackstone Real Estate	518,991	No Lock Up, Semi-Annual Redemption 95 Days Notice, No Holdback
Private Equity: *		
Diversified Across General Partners, Industries, Stages of Business Development and Geographies	1,060,846	N/A
Total	<u>\$ 2,318,852</u>	

\*Unfunded commitment totals \$536,884. Term to draw down is 9 years.



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**NOTE 5 PROPERTY AND EQUIPMENT**

Property and equipment consists of:

	<u>2018</u>	<u>2017</u>
Cost and Donated Value:		
Land	\$ 699,253	\$ 699,253
Construction in Progress	589,380	-
Building and Improvements	11,260,461	10,790,751
Furniture, Fixtures and Equipment	4,016,184	3,991,457
Total Cost and Donated Value	<u>16,565,278</u>	<u>15,481,461</u>
Less: Accumulated Depreciation and Amortization	<u>(11,816,861)</u>	<u>(11,300,609)</u>
Property and Equipment, Net of Accumulated Depreciation and Amortization	<u>\$ 4,748,417</u>	<u>\$ 4,180,852</u>

Depreciation and amortization expense charged to operations was \$516,252 and \$540,752 for the years ended June 30, 2018 and 2017, respectively.

**NOTE 6 ASSETS RESTRICTED TO LONG-TERM INVESTMENT PURPOSES**

The Museum had conducted a capital campaign to raise funds for expansion of the facility and endowment funds. Assets attributable to long-term investment purposes consist of:

	<u>2018</u>	<u>2017</u>
Pledges Receivable Attributable to Long-Term Purpose	<u>\$ 2,456,171</u>	<u>\$ 3,554,958</u>

Pledges receivable consist of unconditional promises to give as follows:

	<u>2018</u>	<u>2017</u>
Due in Less than One Year	\$ 1,005,164	\$ 1,063,000
Due in One to Five Years	1,517,675	2,730,339
Total Pledges Receivable	<u>2,522,839</u>	<u>3,793,339</u>
Less: Discount to Present Value	(62,633)	(234,346)
Less: Allowance for Uncollectible Pledges	<u>(4,035)</u>	<u>(4,035)</u>
Net Pledges Receivable Attributable to Long-Term Investment Purpose	<u>\$ 2,456,171</u>	<u>\$ 3,554,958</u>

Two and three donors make up 79% and 84% of the long-term pledges receivable balance at June 30, 2018 and 2017, respectively.

The estimated cash flows for pledges receivable are discounted over a three-year collection period using a management-determined discount rate of 4%.

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**NOTE 7 LINE OF CREDIT**

The Museum has a line of credit with JP Morgan Chase Bank, N.A. with an available limit of \$4,000,000; collateralized by marketable securities with a variable interest rate payable at a floating rate equal to an adjusted LIBOR rate plus 1.00% or a rate equal to the money market rate (1.5% as of June 30, 2018). The outstanding balance on the line of credit was \$1,163,872 and \$663,872 at June 30, 2018 and 2017, respectively. The line of credit expires on May 31, 2020.

**NOTE 8 NOTE PAYABLE**

The Museum entered into a loan agreement with the Arizona Community Foundation, Inc. on June 27, 2018. The note payable was for an original amount of \$1,050,000, is payable in monthly installments of \$10,631, including interest at 4.00%, through July 2028; secured by securities under a pledge agreement.

Future maturities of the note payable is as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2019	\$ 79,397
2020	90,390
2021	94,073
2022	97,905
2023	101,894
Thereafter	586,341
Total	<u>\$ 1,050,000</u>

The Museum is required to maintain certain net asset, liquidity, and indebtedness ratios, and must comply with other general covenants of the loan agreements. Management believes they are in compliance with those covenants at June 30, 2018.

**NOTE 9 CHARITABLE GIFT ANNUITIES**

The Museum administers 13 charitable gift annuities. The assets contributed under the charitable gift annuities are carried at fair value. Contribution support is recognized at the date the annuities are established after recording liabilities for the present value of the estimated future payments to be made to the donors and/or other beneficiaries. Present values are calculated using a risk-free discount rate determined at the time the annuities are established, and actuarial table and guidelines are used for calculating the available deduction for income tax purposes. The liabilities are adjusted for the accretion of the discount and other changes in the estimates of future benefits. The present value of the estimated annuity payments associated with the charitable gift annuities was \$302,088 and \$335,314 at June 30, 2018 and 2017, respectively. See Note 4 for assets held under charitable gift annuities.

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**NOTE 10 PENSION PLAN**

The Museum has a defined benefit pension plan covering eligible employees. The plan calls for benefits to be paid to employees at retirement based on an actuarial valuation consisting primarily of years of service and compensation. Employees are 100% vested after five years employment with the Museum. Effective September 1, 2013, the Phoenix Art Museum Defined Benefit Pension Plan was frozen, as such there are no further entrants to the plan nor benefits accrued after that date.

The following sets forth the funded status, change in plan assets, and net periodic benefit costs of the plan at June 30:

	<u>2018</u>	<u>2017</u>
Projected Benefit Obligation	<u>\$ 1,566,193</u>	<u>\$ 1,588,429</u>
Fair Value of Plan Assets	<u>\$ 1,421,460</u>	<u>\$ 1,477,384</u>
Funded Status of Plan at Year-End	<u>\$ (144,733)</u>	<u>\$ (111,045)</u>
Accumulated Benefit Obligation	<u>\$ 1,566,193</u>	<u>\$ 1,588,429</u>
Assumptions Used to Determine Benefit Obligation:		
Discount Rate	4.00 %	4.00 %
Rate of Compensation Increase	2.00	2.00

	<u>2018</u>	<u>2017</u>
Employer Contributions	<u>\$ -</u>	<u>\$ 550,000</u>
Plan Participants' Contributions	<u>\$ -</u>	<u>\$ -</u>
Benefits Paid	<u>\$ (153,847)</u>	<u>\$ (2,305,145)</u>
Net Pension Cost	<u>\$ 28,838</u>	<u>\$ 178,623</u>
Assumptions Used to Develop Net Pension Cost Were:		
Discount Rate	4.00 %	4.25 %
Expected Long-Term Rate of Return on Plan Assets	6.50	6.50
Rate of Compensation Increase	2.00	2.00

The following sets forth the amounts reported in accrued expenses and recognized in the consolidated statement of financial position at June 30:

	<u>2018</u>	<u>2017</u>
Noncurrent Liability	<u>\$ 144,733</u>	<u>\$ 111,045</u>

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**NOTE 10 PENSION PLAN (CONTINUED)**

The following sets forth the amounts recognized in operations for the year ended June 30:

	<u>2018</u>	<u>2017</u>
Net Loss	\$ 325,798	\$ 263,271
Prior Service Cost	-	-
Net Amount Recognized	<u>\$ 325,798</u>	<u>\$ 263,271</u>

The discount rate and expected rate of return on plan assets are critical assumptions which significantly affect pension accounting. Even relatively small changes in these rates would significantly change the recorded pension expense and accrued liability. Management believes the discount rate and expected rate of return on plan assets used in determining its year-end pension accounting are reasonable based on currently available information. However, it is at least reasonably possible that these assumed rates will be revised in the near term, based on future events and changes in circumstances.

The overall expected long-term rate of return on plan assets represents a weighted average composition rate based on expected rates of return. The Museum's pension plan weighted average asset allocations by asset category are as follows:

	<u>2018</u>	<u>2017</u>
Cash and Cash Equivalents	3.17 %	2.88 %
Fixed Income	37.53	0.38
Equity Securities	59.30	59.38

The Museum's overall strategy is to invest in high-grade securities with a minimum amount of market fluctuation. In general, the Museum's objective is to maintain the following allocation ranges:

	<u>2018</u>	<u>2017</u>
Cash and Cash Equivalents	3.00 %	3.00 %
Fixed Income	37.00	37.00
Equity Securities	60.00	60.00

Such rates are estimated by adjusting historical results for each category of investment for anticipated market movement. Under its terms, the plan investments will be limited to marketable securities including common and preferred stocks, convertible securities, government, municipal and corporate bonds, mutual and collective investment funds, and short-term money market instruments.

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**NOTE 10 PENSION PLAN (CONTINUED)**

The fair value of the Museum's pension plan assets, by asset category, at June 30, 2018, are as follows:

	Fair Value Measurements Using			Total
	(Level 1)	(Level 2)	(Level 3)	
Money Market Fund	\$ 45,092	\$ -	\$ -	\$ 45,092
Equities:				
U.S. Large-Cap	420,148	-	-	420,148
U.S. Mid-Cap	118,597	-	-	118,597
U.S. Small-Cap	67,488	-	-	67,488
Non-U.S. Equity	236,705	-	-	236,705
Debt Securities	533,430	-	-	533,430
Total Assets at Fair Value	<u>\$ 1,421,460</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,421,460</u>

The fair value of the Museum's pension plan assets, by asset category, at June 30, 2017, are as follows:

	Fair Value Measurements Using			Total
	(Level 1)	(Level 2)	(Level 3)	
Money Market Fund	\$ 42,501	\$ -	\$ -	\$ 42,501
Equities:				
U.S. Large-Cap	471,498	-	-	471,498
U.S. Small-Cap	184,815	-	-	184,815
Non-U.S. Equity	221,012	-	-	221,012
Debt Securities	557,558	-	-	557,558
Total Assets at Fair Value	<u>\$ 1,477,384</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,477,384</u>

The following pension benefit payments, which reflect expected future service, as appropriate, are expected to be paid as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2019	\$ 65,971
2020	65,357
2021	72,981
2022	74,960
2022-2026	387,627

**NOTE 11 SUPPLEMENTAL RETIREMENT PLAN**

The Museum entered into an employment agreement with a key employee. Under the terms of the agreement, the employee is entitled to supplemental retirement benefits. The Museum had \$114,583 and \$239,583 accrued under this employment agreement as of June 30, 2018 and 2017, respectively.

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**NOTE 12 LEASE COMMITMENTS**

The Museum leases equipment and a vehicle under noncancelable operating leases expiring at various dates through May 2020. Rent expense under these leases was \$88,253 and \$94,925 for the years ended June 30, 2018 and 2017, respectively.

Future minimum lease payments are as follows:

<u>Year Ending June 30.</u>	<u>Amount</u>
2019	\$ 16,203
2020	4,703
2021	3,949
Total	<u>\$ 24,855</u>

**NOTE 13 TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets consist of:

	<u>2018</u>	<u>2017</u>
Purpose Restrictions for:		
Building Construction	\$ 270,000	\$ 270,000
Art Acquisition	1,085,570	1,151,533
Exhibits and Education	2,875,422	980,088
Other	2,974,766	2,315,368
Total Purpose Restrictions	<u>7,205,758</u>	<u>4,716,989</u>
Timing Restrictions:		
Endowment Earnings	86,307	-
Time Restricted Gifts	250,207	28,133
Charitable Gift Annuities, Net	66,777	74,025
Total Temporarily Restricted Net Assets	<u>\$ 7,609,049</u>	<u>\$ 4,819,147</u>

During the years ended June 30, 2018 and 2017, donors released their restrictions on \$4,358,956 and \$4,168,372, respectively, of temporarily restricted funds which related to building, art acquisition, exhibits, and education and time restricted restrictions.

During the years ended June 30, 2018 and 2017, the Museum had \$3,339,500 and \$2,301,773, respectively, outstanding from the temporarily restricted funds used for operations. This amount has been classified in the accompanying consolidated statement of financial position as cash due to internal funds.

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**NOTE 14 PERMANENTLY RESTRICTED NET ASSETS**

Permanently restricted net assets consist of funds for which the donors stipulate the principal is to be maintained in perpetuity. The earnings and net appreciation on these funds are unrestricted and temporarily restricted and are allocated for specific purposes by the Museum's board of directors or in accordance with the donor agreement.

The Museum's endowments consist of several funds established to support a variety of charitable efforts of the Museum. Its endowments consist of donor-restricted endowment funds. As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the board to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

**Interpretation of Relevant Law**

The board of trustees of the Museum has interpreted the State of Arizona Management Charitable Funds Act (SPMIFA) 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. Consequently, the Museum classifies permanently restricted net assets as:

- The original value of gifts donated to the permanent endowment
- The original value of subsequent gifts to the permanent endowment

The remaining portion of the donor-restricted endowment fund not classified as permanently restricted is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Museum's board. In accordance with SPMIFA, 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 fund
2. The purpose of the Museum and the donor-restricted endowment fund
3. General economic conditions
4. The possible effect of inflation and deflation
5. The expected total return from income and the appreciation of investments
6. Other resources of the Museum
7. The investment policies of the Museum

**Return Objectives and Risk Parameters**

The Museum has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to the programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Museum must hold in perpetuity or for a donor-specified period(s). Under this policy, as approved by the board of trustees, the endowment assets are invested to seek income and capital growth as well as preservation of principal. It is intended to have an average level of risk and may experience moderate levels of volatility.

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**NOTE 14 PERMANENTLY RESTRICTED NET ASSETS (CONTINUED)**

2018 Endowment Net Asset Composition by Type of Fund as of June 30, 2018:

	Unrestricted	Temporarily Restricted	Donor Permanently Restricted	Total
Donor Restricted Endowment Funds	\$ -	\$ 86,307	\$ 27,881,719	\$ 27,968,026
Undesignated Endowment Funds	-	-	-	-
Total Endowment Funds	<u>\$ -</u>	<u>\$ 86,307</u>	<u>\$ 27,881,719</u>	<u>\$ 27,968,026</u>

Changes in endowment net assets for the year ended June 30, 2018, are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment Net Assets (Deficit) -				
Beginning of Year	\$ (481,878)	\$ -	\$ 27,794,876	\$ 27,312,998
Interest and Dividend Income	-	819,532	-	819,532
Net Realized/Unrealized Gain (Loss)	-	1,244,896	-	1,244,896
Contributions	-	-	86,843	86,843
Grants and Expenses	481,878	(1,978,121)	-	(1,496,243)
Endowment Net Assets -				
End of Year	<u>\$ -</u>	<u>\$ 86,307</u>	<u>\$ 27,881,719</u>	<u>\$ 27,968,026</u>

**Endowment Releases**

The Museum obtained documentation from donors changing their gift restriction from permanently and temporarily restricted to unrestricted in the amount of \$-0- and \$225,673 for the years ended June 30, 2018 and 2017, respectively.

2017 Endowment Net Asset Composition by Type of Fund as of June 30, 2017:

	Unrestricted	Temporarily Restricted	Donor Permanently Restricted	Total
Donor Restricted Endowment Funds	\$ -	\$ -	\$ 27,794,876	\$ 27,794,876
Undesignated Endowment Funds	(481,878)	-	-	(481,878)
Total Endowment Funds	<u>\$ (481,878)</u>	<u>\$ -</u>	<u>\$ 27,794,876</u>	<u>\$ 27,312,998</u>



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**NOTE 14 PERMANENTLY RESTRICTED NET ASSETS (CONTINUED)**

Changes in endowment net assets for the year ended June 30, 2017, are as follows:

	Unrestricted	Temporarily Restricted	Donor Permanently Restricted	Total
Endowment Net Assets -				
Beginning of Year	\$ (1,864,294)	\$ -	\$ 26,783,084	\$ 24,918,790
Interest and Dividend Income	558,534	-	-	558,534
Net Realized/Unrealized Loss	1,728,790	-	-	1,728,790
Loss on Sale of Land				-
Contributions	-	-	1,278,867	1,278,867
Endowment Releases	225,673	-	(225,673)	-
Grants and Expenses	(1,130,581)	-	(41,402)	(1,171,983)
Endowment Net Assets -				
End of Year	<u>\$ (481,878)</u>	<u>\$ -</u>	<u>\$ 27,794,876</u>	<u>\$ 27,312,998</u>

**NOTE 15 FINE ARTS COLLECTION**

Fine arts collection consists of purchased and donated works of art. The collection is on display to the general public. The Museum employs professional staff to ensure that the collection items are preserved and protected. The collection items are not capitalized by the Museum. Costs of purchasing collection items, deaccessions of collection items, and proceeds from insurance recoveries are included as a change in the appropriate category of net assets. Proceeds from the deaccession of collection items are restricted for purchases of additional collection items. Acquisitions of fine art, included as a decrease in unrestricted net assets, totaled \$1,272,437 and \$34,845 for the years ended June 30, 2018 and 2017, respectively.

The American Alliance of Museums (AAM) which is the national accreditation organization for museums has a policy related to museum collections. Their policy is that museums do not have to list their collection as an asset on their financial statements. If a museum does elect to list its collection on its financial statements, it must be based on a recent appraisal of the collection. The Museum has elected to expense works of art when obtained, and has not capitalized the collection.

**NOTE 16 DONATED FACILITIES, UTILITIES, AND MAINTENANCE – GOVERNMENTAL**

The Museum has an operating agreement with the City of Phoenix (the City) which commenced on June 30, 1993, and ends on June 30, 2052, which is subject to cancellation. This agreement stipulates that the Museum will pay one dollar per year as rent for the current Museum facilities. The agreement also stipulates that the City will pay certain security, utilities, and pay certain maintenance and landscaping for the benefit of the Museum.

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**NOTE 16 DONATED FACILITIES, UTILITIES, AND MAINTENANCE – GOVERNMENTAL  
(CONTINUED)**

The Museum has estimated the fair value of facilities rent donated by the City at \$3,713,490 for the years ended June 30, 2018 and 2017. Utilities paid and ground maintenance and landscaping performed by the City for the benefit of the Museum have a fair value of \$1,897,487 and \$1,419,343 for the years ended June 30, 2018 and 2017, respectively. The income related to these amounts is included in public support in the accompanying consolidated statement of activities and changes in net assets.

**NOTE 17 RELATED PARTY TRANSACTIONS**

The Men's Arts Council (the MAC) is a separate legal entity that is affiliated with the Museum that provides contributions to assist in the support of the Museum's operations. The Museum had accounts receivable from the MAC of \$-0- and \$5,982 at June 30, 2018 and 2017, respectively. The MAC provided \$125,000 and \$126,200 of unrestricted contributions in 2018, and in 2017, respectively.

The Museum provides for payment of salaries, wages, benefits and taxes, which are reimbursed by MAC. Salaries and related paid on behalf of the MAC and reimbursed to the Museum were \$69,582 and \$74,383 for the years ended June 30, 2018 and 2017, respectively.

Artenders is a separate legal entity that provides for beverage services at many of the Museum's special events. The Museum had accounts receivable from Artenders of \$-0- and \$17,745 at June 30, 2018 and 2017, respectively. Included in accounts payable and accrued expenses is a payable to Artenders of \$-0- and \$160 at June 30, 2018 and 2017, respectively. The Museum rents office space to Artenders which is reimbursed to the Museum. Rental income from Artenders was \$40,000 and \$49,957 for the years ended June 30, 2018 and 2017, respectively. The Museum provides for payment of salaries, wages, benefits and taxes, which are reimbursed by Artenders. Salaries and related paid on behalf of the Artenders and reimbursed to the Museum were \$106,711 and \$104,847, for the years ended June 30, 2018 and 2017, respectively.

**NOTE 18 CONCENTRATION OF CREDIT RISKS**

The Museum maintains all of its cash with banks on deposits which are insured by the Federal Deposit Insurance Corporation (FDIC) up to specified limits. Balances in excess of FDIC limits are uninsured. The Museum, in the normal course of business, periodically maintains account balances in excess of the FDIC's insurance coverage limit.

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**NOTE 19 NEW ACCOUNTING STANDARDS**

In August 2016, the FASB issued Accounting Standards Update 2016-14, *Not-For-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*, which is expected to impact the information presented in financial statements and notes about a nonprofit entity's liquidity, financial performance, and cash flows. The guidance is required to be applied by the Museum for the fiscal year ended June 30, 2019; however, early adoption is permitted. Management is evaluating the impact of the issued nonprofit standard on the entity's financial statements.

In February 2016, the FASB issued amended guidance for the treatment of leases. The guidance requires lessees to recognize a right-of-use asset and a corresponding lease liability for all operating and finance leases with lease terms greater than one year. The guidance also requires both qualitative and quantitative disclosures regarding the nature of the entity's leasing activities. The guidance will initially be applied using a modified retrospective approach. The amendments in the guidance are effective for fiscal years beginning after December 15, 2019. Early adoption is permitted. Management is evaluating the impact of the amended lease guidance on the entity's financial statements.

In May 2014, the FASB issued amended guidance to clarify the principles for recognizing revenue from contracts with customers. The guidance requires the Museum to recognize revenue to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the Museum expects to be entitled in exchange for those goods or services. The guidance also requires expanded disclosures relating to the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. Additionally, qualitative and quantitative disclosures are required regarding customer contracts, significant judgments and changes in judgments, and assets recognized from the costs to obtain or fulfill a contract. The guidance will initially be applied retrospectively using one of two methods. The standard will be effective for the Museum for the year ended June 30, 2020; however, early application is permitted. Management is evaluating the impact of the amended guidance for recognizing revenue on the entity's financial statements.

**NOTE 20 COMMITMENTS AND CONTINGENCIES**

From time to time, the Museum is contingently liable in respect to claims incidental to the ordinary course of its operations. In the opinion of management, the effect of such matters will not have a material adverse effect on the Museum's financial position, results of operations, or liquidity. Therefore, no provision has been made in the accompanying consolidated financial statements for losses, if any, that might result from the ultimate outcome of these matters.

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JUNE 30, 2018 AND 2017**

**NOTE 21 RISKS AND UNCERTAINTIES**

The Museum invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the consolidated financial statements.

**NOTE 22 SUBSEQUENT EVENTS**

Management evaluated subsequent events through December 3, 2018, the date the consolidated financial statements were available to be issued. Events or transactions occurring after June 30, 2018, but prior to December 3, 2018, that provided additional evidence about conditions that existed at June 30, 2018, have been recognized in the consolidated financial statements for the year ended June 30, 2018. Events or transactions that provided evidence about conditions that did not exist at June 30, 2018, but arose before the consolidated financial statements were available to be issued.

**PHOENIX ART MUSEUM AND  
PHOENIX ART MUSEUM ENDOWMENT FUND, INC.  
CONSOLIDATING STATEMENT OF FINANCIAL POSITION  
JUNE 30, 2018  
(WITH COMPARATIVE TOTALS AT JUNE 30, 2017)  
(SEE INDEPENDENT AUDITORS' REPORT)**

	Phoenix Art Museum		Eliminations	Total	
	Phoenix Art Museum	Phoenix Art Museum Endowment Fund, Inc.		2018	2017
<b>ASSETS</b>					
<b>CURRENT ASSETS</b>					
Cash and Cash Equivalents	\$ 3,012,583	\$ -	\$ -	\$ 3,012,583	\$ 1,503,759
Accounts Receivable	57,377	-	-	57,377	150,074
Interfund Receivable	-	223,151	(223,151)	-	-
Pledges Receivable, Net	1,132,654	-	-	1,132,654	1,592,853
Grants Receivable, Current Portion	406,242	-	-	406,242	70,000
Assets Restricted to Long-Term Investment Purposes, Current Portion	50,000	955,164	-	1,005,164	1,063,000
Museum Store Inventories	331,788	-	-	331,788	353,298
Prepaid Expenses	132,511	-	-	132,511	151,367
Total Current Assets	<u>5,123,155</u>	<u>1,178,315</u>	<u>(223,151)</u>	<u>6,078,319</u>	<u>4,884,351</u>
<b>CASH DUE FROM INTERNAL FUNDS</b>	3,339,500	-	-	3,339,500	2,301,773
<b>PLEDGES RECEIVABLE, Net</b>	864,340	-	-	864,340	-
<b>GRANTS RECEIVABLE, Net</b>	245,910	-	-	245,910	-
<b>CHARITABLE GIFT ANNUITIES</b>	368,865	-	-	368,865	409,339
<b>PROPERTY AND EQUIPMENT, Net</b>	4,748,417	-	-	4,748,417	4,180,852
<b>ASSETS RESTRICTED TO LONG-TERM INVESTMENT PURPOSES, Net</b>	180,000	1,271,007	-	1,451,007	2,491,958
<b>INVESTMENTS</b>	-	25,518,704	-	25,518,704	23,894,254
Total Assets	<u>\$ 14,870,187</u>	<u>\$ 27,968,026</u>	<u>\$ (223,151)</u>	<u>\$ 42,615,062</u>	<u>\$ 38,162,527</u>
<b>LIABILITIES AND NET ASSETS (DEFICITS)</b>					
<b>CURRENT LIABILITIES</b>					
Accounts Payable and Accrued Expenses	\$ 891,438	\$ -	\$ -	\$ 891,438	\$ 965,280
Interfund Payable	223,151	-	(223,151)	-	-
Deferred Revenue	410,511	-	-	410,511	382,842
Note Payable, Current Portion	79,397	-	-	79,397	-
Line of Credit	1,163,872	-	-	1,163,872	663,872
Total Current Liabilities	<u>2,768,369</u>	<u>-</u>	<u>(223,151)</u>	<u>2,545,218</u>	<u>2,011,994</u>
<b>CASH DUE TO INTERNAL FUNDS</b>	3,339,500	-	-	3,339,500	2,301,773
<b>NOTE PAYABLE, Net Current Portion</b>	970,603	-	-	970,603	-
<b>CHARITABLE GIFT ANNUITIES LIABILITY</b>	302,088	-	-	302,088	335,314
<b>ACCRUED LIABILITIES</b>	259,315	-	-	259,315	350,627
Total Liabilities	<u>7,639,875</u>	<u>-</u>	<u>(223,151)</u>	<u>7,416,724</u>	<u>4,999,708</u>
<b>NET ASSETS (DEFICITS)</b>					
Unrestricted	(292,430)	-	-	(292,430)	548,796
Temporarily Restricted	7,522,742	86,307	-	7,609,049	4,819,147
Permanently Restricted	-	27,881,719	-	27,881,719	27,794,876
Total Net Assets	<u>7,230,312</u>	<u>27,968,026</u>	<u>-</u>	<u>35,198,338</u>	<u>33,162,819</u>
Total Liabilities and Net Assets (Deficits)	<u>\$ 14,870,187</u>	<u>\$ 27,968,026</u>	<u>\$ (223,151)</u>	<u>\$ 42,615,062</u>	<u>\$ 38,162,527</u>

**PHOENIX ART MUSEUM AND  
PHOENIX ART MUSEUM ENDOWMENT FUND, INC.  
CONSOLIDATING STATEMENT OF FINANCIAL POSITION  
JUNE 30, 2017  
(SEE INDEPENDENT AUDITORS' REPORT)**

	Phoenix Art Museum	Phoenix Art Museum Endowment Fund, Inc.	Eliminations	Total 2017
<b>ASSETS</b>				
<b>CURRENT ASSETS</b>				
Cash and Cash Equivalents	\$ 1,503,759	\$ -	\$ -	\$ 1,503,759
Accounts Receivable	150,074	-	-	150,074
Interfund Receivable	33,494	-	(33,494)	-
Pledges Receivable	1,592,853	-	-	1,592,853
Grants Receivable	70,000	-	-	70,000
Assets Restricted to Long-Term Investment Purposes, Current Portion	40,000	1,023,000	-	1,063,000
Museum Store Inventories	353,298	-	-	353,298
Prepaid Expenses	151,367	-	-	151,367
Total Current Assets	<u>3,894,845</u>	<u>1,023,000</u>	<u>(33,494)</u>	<u>4,884,351</u>
<b>CASH DUE FROM INTERNAL FUNDS</b>	2,301,773	-	-	2,301,773
<b>CHARITABLE GIFT ANNUITIES</b>	409,339	-	-	409,339
<b>PROPERTY AND EQUIPMENT, Net</b>	4,180,852	-	-	4,180,852
<b>ASSETS RESTRICTED TO LONG-TERM INVESTMENT PURPOSES, Net</b>	143,462	2,348,496	-	2,491,958
<b>INVESTMENTS</b>	-	23,894,254	-	23,894,254
Total Assets	<u>\$ 10,930,271</u>	<u>\$ 27,265,750</u>	<u>\$ (33,494)</u>	<u>\$ 38,162,527</u>
<b>LIABILITIES AND NET ASSETS (DEFICITS)</b>				
<b>CURRENT LIABILITIES</b>				
Accounts Payable and Accrued Expenses	\$ 948,384	\$ 16,896	\$ -	\$ 965,280
Interfund Payable	-	33,494	(33,494)	-
Deferred Revenue	382,842	-	-	382,842
Line of Credit	663,872	-	-	663,872
Total Current Liabilities	<u>2,995,100</u>	<u>50,390</u>	<u>(33,494)</u>	<u>2,011,994</u>
<b>CASH DUE TO INTERNAL FUNDS</b>	2,301,773	-	-	2,301,773
<b>CHARITABLE GIFT ANNUITIES LIABILITY</b>	335,314	-	-	335,314
<b>ACCRUED LIABILITIES</b>	350,627	-	-	350,627
Total Liabilities	<u>2,987,714</u>	<u>50,390</u>	<u>(33,494)</u>	<u>4,999,708</u>
<b>NET ASSETS (DEFICITS)</b>				
Unrestricted	1,128,312	(579,516)	-	548,796
Temporarily Restricted	4,819,147	-	-	4,819,147
Permanently Restricted	-	27,794,876	-	27,794,876
Total Net Assets (Deficits)	<u>5,947,459</u>	<u>27,215,360</u>	<u>-</u>	<u>33,162,819</u>
Total Liabilities and Net Assets (Deficits)	<u>\$ 8,935,173</u>	<u>\$ 27,265,750</u>	<u>\$ (33,494)</u>	<u>\$ 38,162,527</u>

**PHOENIX ART MUSEUM AND  
PHOENIX ART MUSEUM ENDOWMENT FUND, INC.  
CONSOLIDATING STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS  
YEAR ENDED JUNE 30, 2018  
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2017)  
(SEE INDEPENDENT AUDITORS' REPORT)**

	Phoenix Art Museum	Phoenix Art Museum Endowment Fund, Inc.	Eliminations	Total	
				2018	2017
<b>OPERATING ACTIVITIES</b>					
Revenues:					
Admissions	\$ 1,027,489	\$ -	\$ -	\$ 1,027,489	\$ 1,188,450
Museum Store Income	718,176	-	-	718,176	719,609
Membership Income	913,950	-	-	913,950	1,104,708
Projects and Fundraising Activities	634,806	-	-	634,806	516,381
Less Cost of Direct Donor Benefits	(88,801)	-	-	(88,801)	(135,158)
Dividend and Interest Income	5,972	819,532	-	825,504	562,922
Other	515,616	(10,061)	-	505,555	779,571
Total Revenues	<u>3,727,208</u>	<u>809,471</u>	<u>-</u>	<u>4,536,679</u>	<u>4,736,483</u>
Public Support:					
Contributions:					
Private	10,256,705	86,843	-	10,343,548	8,356,396
Less Cost of Direct Donor Benefits	(64,955)	-	-	(64,955)	(97,180)
Governmental	80,211	-	-	80,211	112,291
Endowment Fund Grant	1,204,500	-	(1,204,500)	-	-
Donated Facilities, Materials, Services:					
Governmental	5,610,977	-	-	5,610,977	5,132,833
Private	356,055	-	-	356,055	192,422
Total Public Support	<u>17,443,493</u>	<u>86,843</u>	<u>(1,204,500)</u>	<u>16,325,836</u>	<u>13,696,762</u>
Total Revenues and Public Support	<u>21,170,701</u>	<u>896,314</u>	<u>(1,204,500)</u>	<u>20,862,515</u>	<u>18,433,245</u>
Expenses:					
Programs Services	13,464,758	-	-	13,464,758	11,819,812
Grants	-	1,204,500	(1,204,500)	-	-
Management and General	3,706,618	184,044	-	3,890,662	3,253,840
Fundraising	1,444,035	-	-	1,444,035	1,978,004
Total Expenses	<u>18,615,411</u>	<u>1,388,544</u>	<u>(1,204,500)</u>	<u>18,799,455</u>	<u>17,051,656</u>
<b>OPERATING PROFIT (LOSS)</b>	<u>2,555,290</u>	<u>(492,230)</u>	<u>-</u>	<u>2,063,060</u>	<u>1,381,589</u>
<b>NONOPERATING ACTIVITIES</b>					
Net Realized/Unrealized Investment Gain	-	1,244,896	-	1,244,896	1,728,790
Acquisitions of Fine Art	(1,272,437)	-	-	(1,272,437)	(34,845)
Total Nonoperating Activities	<u>(1,272,437)</u>	<u>1,244,896</u>	<u>-</u>	<u>(27,541)</u>	<u>1,693,945</u>
<b>CHANGES IN NET ASSETS</b>	<u>1,282,853</u>	<u>752,666</u>	<u>-</u>	<u>2,035,519</u>	<u>3,075,534</u>
Net Assets - Beginning of Year	<u>5,947,459</u>	<u>27,215,360</u>	<u>-</u>	<u>33,162,819</u>	<u>30,087,285</u>
<b>NET ASSETS - END OF YEAR</b>	<u>\$ 7,230,312</u>	<u>\$ 27,968,026</u>	<u>\$ -</u>	<u>\$ 35,198,338</u>	<u>\$ 33,162,819</u>

**PHOENIX ART MUSEUM AND  
PHOENIX ART MUSEUM ENDOWMENT FUND, INC.  
CONSOLIDATING STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS  
YEAR ENDED JUNE 30, 2017  
(SEE INDEPENDENT AUDITORS' REPORT)**

	Phoenix Art Museum	Phoenix Art Museum Endowment Fund, Inc.	Eliminations	Total 2017
<b>OPERATING ACTIVITIES</b>				
Revenues:				
Admissions	\$ 1,188,450	\$ -	\$ -	\$ 1,188,450
Museum Store Income	719,609	-	-	719,609
Membership Income	1,104,708	-	-	1,104,708
Projects and Fundraising Activities	516,381	-	-	516,381
Less Cost of Direct Donor Benefits	(135,158)	-	-	(135,158)
Dividend and Interest Income	4,388	558,534	-	562,922
Other	778,391	1,180	-	779,571
Total Revenues	<u>4,176,769</u>	<u>559,714</u>	<u>-</u>	<u>4,736,483</u>
Public Support:				
Contributions:				
Private	7,077,529	1,278,867	-	8,356,396
Less Cost of Direct Donor Benefits	(97,180)	-	-	(97,180)
Governmental	112,291	-	-	112,291
Endowment Fund Grant	987,248	-	(987,248)	-
Support Organizations Grants	-	-	-	-
Donated Facilities, Materials, Services:				
Governmental	5,132,833	-	-	5,132,833
Private	192,422	-	-	192,422
Total Public Support	<u>13,405,143</u>	<u>1,278,867</u>	<u>(987,248)</u>	<u>13,696,762</u>
Total Revenues and Public Support	<u>17,581,912</u>	<u>1,838,581</u>	<u>(987,248)</u>	<u>18,433,245</u>
Expenses:				
Programs Services	11,819,812	-	-	11,819,812
Grants	-	987,248	(987,248)	-
Management and General	3,035,611	218,229	-	3,253,840
Fundraising	1,978,004	-	-	1,978,004
Total Expenses	<u>16,833,427</u>	<u>1,205,477</u>	<u>(987,248)</u>	<u>17,051,656</u>
<b>OPERATING PROFIT (LOSS)</b>	<u>748,485</u>	<u>633,104</u>	<u>-</u>	<u>1,381,589</u>
<b>NONOPERATING ACTIVITIES</b>				
Net Realized/Unrealized Investment Gain	-	1,728,790	-	1,728,790
Acquisitions of Fine Art	(34,845)	-	-	(34,845)
Total Nonoperating Activities	<u>(34,845)</u>	<u>1,728,790</u>	<u>-</u>	<u>1,693,945</u>
<b>CHANGES IN NET ASSETS</b>	713,640	2,361,894	-	3,075,534
Net Assets - Beginning of Year	<u>5,233,819</u>	<u>24,853,466</u>	<u>-</u>	<u>30,087,285</u>
<b>NET ASSETS - END OF YEAR</b>	<u>\$ 5,947,459</u>	<u>\$ 27,215,360</u>	<u>\$ -</u>	<u>\$ 33,162,819</u>





Investment advisory services are offered through CliftonLarsonAllen  
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