

CONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT

THE TAMPA MUSEUM OF ART, INC. AND AFFILIATES

December 31, 2016

TABLE OF CONTENTS

Independent Auditors' Report	3 - 4
Financial Statements	
Consolidated Statement of Financial Position	5
Consolidated Statement of Activities	6
Consolidated Statement of Cash Flows	7
Consolidated Statement of Functional Expenses	8
Notes to Consolidated Financial Statements	9 - 28
Supplementary Information	29
Consolidating Statement of Financial Position	30
Consolidating Statement of Activities	31



**RIVERO, GORDIMER & COMPANY, P.A.
CERTIFIED PUBLIC ACCOUNTANTS**

Member
American Institute of Certified Public Accountants
Florida Institute of Certified Public Accountants

Herman V. Lazzara	Stephen G. Douglas
Marc D. Sasser	Michael E. Helton
Sam A. Lazzara	Christopher F. Terrigino
Kevin R. Bass	James K. O'Connor
Jonathan E. Stein	
Richard B. Gordimer, of Counsel	
Cesar J. Rivero, in Memoriam (1942-2017)	

INDEPENDENT AUDITORS' REPORT

To the Board of Trustees
The Tampa Museum of Art, Inc. and Affiliates

We have audited the accompanying consolidated financial statements of The Tampa Museum of Art, Inc. and Affiliates (collectively, the Organization), which comprise the consolidated statement of financial position as of December 31, 2016 and the related consolidated statements of activities, cash flows, and functional expenses for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated 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.

Auditor's Responsibility

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of December 31, 2016 and the changes in its net assets, cash flows, and functional expenses for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

The consolidated financial statements of The Tampa Museum of Art, Inc. and Affiliates as of December 31, 2015 were audited by other auditors whose report dated April 11, 2016 expressed an unmodified opinion. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2015, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying supplementary information, identified in the Table of Contents, is presented for purposes of additional analysis and is 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.

A handwritten signature in black ink that reads "Bueco, Gordinier & Company, P.A." The signature is written in a cursive, flowing style.

Tampa, Florida
May 23, 2017

The Tampa Museum of Art, Inc. and Affiliates

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

December 31, 2016
(With comparative total for December 31, 2015)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	
				2016	2015
ASSETS					
Cash and cash equivalents	\$ 421,196	\$ 65,005	\$ 512,082	\$ 998,283	\$ 1,016,355
Investments (notes B and C)	4,818,871	-	1,021,392	5,840,263	5,089,559
Pledges receivable, net (note F)	17,500	43,549	-	61,049	85,849
Grants and other receivables (note V)	546,041	-	-	546,041	206,831
Museum store inventory	52,567	-	-	52,567	51,359
Prepaid expenses and other assets	885	-	-	885	56,744
Property and equipment, net (note H)	1,610,842	-	-	1,610,842	1,776,171
Intangible assets, net (note J)	272,594	-	-	272,594	282,784
Collections (note K)	-	-	-	-	-
Noncurrent note receivable					
USB FLA Investment Fund (note G)	4,816,912	-	-	4,816,912	4,816,912
Unamortized leasehold interest (note I)	9,988,337	11,467,846	-	21,456,183	21,978,443
TOTAL ASSETS	\$ 22,545,745	\$ 11,576,400	\$ 1,533,474	\$ 35,655,619	\$ 35,361,007
LIABILITIES AND NET ASSETS					
LIABILITIES					
Accounts payable	\$ 70,673	\$ -	\$ -	\$ 70,673	\$ 112,622
Accrued expenses	29,824	-	-	29,824	64,806
Deferred revenue	76,250	-	-	76,250	214,592
Note payable A					
USBCDE-Sub-CDE 89, LLC (note M)	4,816,912	-	-	4,816,912	4,816,912
Note payable B					
USBCDE-Sub-CDE 89, LLC (note M)	1,081,656	-	-	1,081,656	1,081,656
Capital lease obligation (note N)	2,001,816	-	-	2,001,816	2,087,916
Total liabilities	8,077,131	-	-	8,077,131	8,378,504
NET ASSETS (note O)					
Unrestricted net assets					
Board designated	744,247	-	-	744,247	744,247
Unrestricted	13,724,367	-	-	13,724,367	12,833,784
Temporarily restricted net assets					
-	-	11,576,400	-	11,576,400	11,986,998
Permanently restricted net assets					
-	-	-	1,533,474	1,533,474	1,417,474
Total net assets	14,468,614	11,576,400	1,533,474	27,578,488	26,982,503
TOTAL LIABILITIES AND NET ASSETS	\$ 22,545,745	\$ 11,576,400	\$ 1,533,474	\$ 35,655,619	\$ 35,361,007

The accompanying notes are an integral part of this consolidated statement.

The Tampa Museum of Art, Inc. and Affiliates
CONSOLIDATED STATEMENT OF ACTIVITIES

For the year ended December 31, 2016
(With comparative total for December 31, 2015)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	
				2016	2015
PUBLIC SUPPORT AND REVENUE					
Public support					
Individual	\$ 1,344,964	\$ -	\$ 116,000	\$ 1,460,964	\$ 963,775
Corporate	301,939	-	-	301,939	161,319
Foundations and grants	444,294	-	-	444,294	328,450
Government grants	819,952	-	-	819,952	831,703
Admissions and education	254,112	-	-	254,112	542,771
Special events, net of direct costs of \$376,351	539,833	-	-	539,833	484,618
Museum store sales	143,508	-	-	143,508	134,361
In-kind land lease	60,000	-	-	60,000	60,000
Other income (note V)	540,583	-	-	540,583	19,000
Revenue					
Building rentals and beverage sales	327,296	-	-	327,296	183,022
NMTC revenue	58,766	-	-	58,766	58,766
Investment income, net	89,247	-	-	89,247	54,420
Realized gain (loss) on investments	(160,555)	-	-	(160,555)	35,502
Unrealized gain (loss) on investments	337,094	-	-	337,094	(276,566)
Net assets released from restriction	410,598	(410,598)	-	-	-
Total public support and revenue	5,511,631	(410,598)	116,000	5,217,033	3,581,141
EXPENSES					
Program services					
Exhibitions	1,542,403	-	-	1,542,403	1,395,895
Education	620,245	-	-	620,245	511,150
Curatorial	795,136	-	-	795,136	834,271
Total program services	2,957,784	-	-	2,957,784	2,741,316
Marketing and fundraising	497,620	-	-	497,620	476,116
General and administrative	1,165,644	-	-	1,165,644	960,741
Total expenses	4,621,048	-	-	4,621,048	4,178,173
Change in net assets	890,583	(410,598)	116,000	595,985	(597,032)
Net assets at beginning of year	13,578,031	11,986,998	1,417,474	26,982,503	27,579,535
Net assets at end of year	<u>\$ 14,468,614</u>	<u>\$ 11,576,400</u>	<u>\$ 1,533,474</u>	<u>\$ 27,578,488</u>	<u>\$ 26,982,503</u>

The accompanying notes are an integral part of this consolidated statement.

The Tampa Museum of Art, Inc. and Affiliates
CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended December 31, 2016

Cash flows from operating activities	
Change in net assets	<u>\$ 595,985</u>
Adjustments to reconcile change in net assets to net cash provided by operating activities	
Depreciation and amortization	753,779
Net realized loss on investments	160,555
Net unrealized gain on investments	(337,094)
Increase in grants and other receivables	(339,210)
Decrease in pledges receivable	24,800
Increase in museum store inventory	(1,208)
Decrease in prepaid expenses and other assets	55,859
Decrease in accounts payable	(41,949)
Decrease in accrued expenses	(34,982)
Decrease in deferred revenue	(138,342)
Total adjustments	<u>102,208</u>
Net cash provided by operating activities	<u>698,193</u>
Cash flows from investing activities	
Purchases of investments, net	(574,165)
Cash paid for property and equipment	<u>(56,000)</u>
Net cash used in investing activities	<u>(630,165)</u>
Cash flows from financing activities	
Payments on borrowings	<u>(86,100)</u>
Net cash used by financing activities	<u>(86,100)</u>
Decrease in cash and cash equivalents	(18,072)
Cash and cash equivalents at beginning of year	<u>1,016,355</u>
Cash and cash equivalents at end of year	<u><u>\$ 998,283</u></u>
Supplemental disclosures of cash flow information	
Cash paid for interest	<u><u>\$ 94,306</u></u>
Cash paid for income taxes	<u><u>\$ -</u></u>

The accompanying notes are an integral part of this consolidated statement.

The Tampa Museum of Art, Inc. and Affiliates

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

For the year ended December 31, 2016
(With comparative total for December 31, 2015)

	Exhibitions	Education	Curatorial	Total Program Expenses	Marketing and Fundraising	General and Administrative	Total Expenses	
							2016	2015
Salaries and wages	\$ 68,375	\$ 107,618	\$ 298,990	\$ 474,983	\$ 240,305	\$ 439,868	\$ 1,155,156	\$ 967,312
Employee benefits	-	17,531	19,832	37,363	28,576	28,991	94,930	55,495
Payroll taxes	5,735	8,334	23,331	37,400	17,983	27,510	82,893	72,866
Total salaries and related expenses	74,110	133,483	342,153	549,746	286,864	496,369	1,332,979	1,095,673
Bank fees	-	-	-	-	-	17,245	17,245	31,309
Computer supplies and internet tech	15,568	15,568	15,568	46,704	3,104	9,311	59,119	34,860
Contractual services	56,191	-	-	56,191	-	151,214	207,405	152,678
Cost of sales - museum store	73,834	-	-	73,834	-	-	73,834	73,662
Dues and subscriptions	230	180	999	1,409	30	8,721	10,160	5,907
Exhibit expenses	184,878	-	-	184,878	-	-	184,878	170,229
Insurance	-	-	9,783	9,783	-	51,327	61,110	66,023
Interest expense	24,834	24,834	24,834	74,502	4,951	14,853	94,306	116,666
Marketing and advertising	250	-	-	250	124,744	-	124,994	49,743
Member services	82,245	-	-	82,245	-	-	82,245	68,153
Miscellaneous	558	1,422	49	2,029	9,275	33,517	44,821	66,285
Postage and shipping	126,986	-	-	126,986	218	43,868	171,072	211,566
Printing and publications	25,260	-	-	25,260	3,528	-	28,788	6,654
Professional fees	-	-	-	-	-	45,311	45,311	38,102
Purchase of art	362,828	-	-	362,828	-	-	362,828	-
Rent - exhibits	131,972	-	-	131,972	-	-	131,972	385,000
Rent - land lease	15,800	15,800	15,800	47,400	3,150	9,450	60,000	60,000
Repairs and maintenance	57,143	57,143	57,143	171,429	11,391	34,177	216,997	194,959
Security	53,975	53,975	53,975	161,925	10,761	32,283	204,969	249,693
Supplies	220	59,818	19,182	79,220	-	26,203	105,423	105,433
Taxes and licenses	-	-	-	-	-	17,522	17,522	14,202
Training	-	3,767	140	3,907	30	2,917	6,854	6,654
Travel	1,266	-	1,255	2,521	-	8,167	10,688	5,424
Utilities	55,760	55,760	55,760	167,280	-	44,469	211,749	235,735
Total before depreciation and amortization	1,343,908	421,750	596,641	2,362,299	458,046	1,046,924	3,867,269	3,444,610
Depreciation and amortization	198,495	198,495	198,495	595,485	39,574	118,720	753,779	733,563
	<u>\$ 1,542,403</u>	<u>\$ 620,245</u>	<u>\$ 795,136</u>	<u>\$ 2,957,784</u>	<u>\$ 497,620</u>	<u>\$ 1,165,644</u>	<u>\$ 4,621,048</u>	<u>\$ 4,178,173</u>

The accompanying notes are an integral part of this consolidated statement.

The Tampa Museum of Art, Inc. and Affiliates

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2016

NOTE A - DESCRIPTION OF THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A description of the organization and a summary of its significant accounting policies consistently applied in the preparation of the accompanying financial statements follow:

1. Description of the Organization

The Tampa Museum of Art, Inc. (the Museum), is a not-for-profit corporation incorporated in the State of Florida. The Museum was organized to promote and disseminate knowledge and appreciation of the fine arts through exhibitions, collections, educational programs, and art outreach events. In accomplishing its mission, it operates a fine arts museum located in downtown Tampa, Florida.

On April 7, 1998, the Tampa Museum of Art Foundation, Inc. (the Foundation) was created for the purposes of raising, receiving, and maintaining funds exclusively for the benefit of The Tampa Museum of Art, Inc.

The Tampa Museum of Art Operations and Special Events, Inc. (TMAOS) was formed on April 25, 2014 to accept the funds from a New Markets Tax Credit (NMTC) transaction. The financial activities of the Museum, the Foundation, and TMAOS have been consolidated in these financial statements (collectively, the Organization).

2. Principles of Consolidation

The consolidated financial statements include the accounts of the Museum, the Foundation, and TMAOS. All material intercompany accounts have been eliminated.

3. Basis of Presentation

The consolidated financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (US GAAP):

- Unrestricted Net Assets - All resources over which the governing board has discretionary control. The governing board of the Organization may elect to designate such resources for specific purposes. This designation may be removed at the Board's discretion.
- Temporarily Restricted Net Assets - Resources accumulated through donations or grants for specific operating or capital purpose. Such resources will become unrestricted when the requirements of the donor or grantee have been satisfied through expenditure for the specified purpose or program or through the passage of time.

The Tampa Museum of Art, Inc. and Affiliates

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2016

NOTE A - DESCRIPTION OF THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

- Permanently Restricted Net Assets - Resources accumulated through donations or grants that are subject to the restriction in perpetuity that the principal be invested. These net assets include the original value of the gift, plus any subsequent additions.

4. Use of Estimates

The preparation of the consolidated financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates. Significant estimates include useful lives on related assets, allocation of expenses by function, the discount rate for the present value of the pledges receivable, the allowance for uncollectable pledges, and fair value measurement of investments.

5. Fair Value Measurement

The consolidated financial statements are prepared in accordance with an accounting standard, for all financial assets and liabilities and for nonfinancial assets and liabilities recognized or disclosed at fair value in the consolidated financial statements or on a recurring basis (at least annually). Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on a measurement date. The standard also establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. There are three levels of inputs that may be used to measure fair value:

Level 1: Quoted market prices in active markets for identical assets or liabilities.

Level 2: Observable market based inputs or unobservable inputs that are corroborated by market data.

Level 3: Unobservable inputs that are not corroborated by market data.

6. Cash and Cash Equivalents

The Organization classifies all highly liquid, short-term investments with a maturity of three months or less as cash equivalents. Restricted cash represents cash equivalents and money market funds held in investment accounts that are limited in use to capital campaign and endowment purposes.

The Tampa Museum of Art, Inc. and Affiliates

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2016

NOTE A - DESCRIPTION OF THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Financial instruments which potentially subject the Organization to concentrations of credit risk consist principally of cash held in financial institutions in excess of federally-insured limits. From time to time throughout the year ended December 31, 2016, the Organization's cash balance may have exceeded the federally insured limit. However, the Organization has not experienced and does not expect to incur any losses in such accounts.

7. Investments

Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value in the consolidated statement of financial position. Investment income or loss (including gains or losses on investments, interest, and dividends) is included in the consolidated statement of activity as increases or decreases in unrestricted net assets unless the income or loss is restricted by donor or law.

8. Pledges Receivable

Pledges receivable are for restricted purposes including the capital campaign for the Museum building, for education purposes, and for a Museum endowment. Unconditional promises to give that are expected to be collected within one year are recorded as contributions receivable at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated cash flows. Conditional promises to give are not included as support until the conditions are substantially met.

The Organization uses the allowance method to determine uncollectible unconditional promises. Management monitors the collection status of its receivable balance on an ongoing basis. The allowance is based on prior years' experience and management's analysis of specific promises made.

9. Museum Store Inventory

Inventory consists of merchandise held for sale by the Museum store and is stated at the lower of cost (first-in, first-out method) or market.

10. Property and Equipment

Property and equipment expenditures in excess of \$500 are recorded at cost when purchased or, if donated, at estimated fair value. Improvements and betterments that materially prolong the useful lives of assets are capitalized. Donations are reported as unrestricted contributions unless the donor has restricted the donated asset to a specific purpose. Routine repairs and maintenance are expensed as incurred. Depreciation expense is provided on a straight-line basis over the estimated useful lives of the assets ranging from 5 - 15 years.

The Tampa Museum of Art, Inc. and Affiliates

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2016

NOTE A - DESCRIPTION OF THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

11. Impairment of Long-Lived Assets

The Organization evaluates its long-lived assets for any events or changes in circumstances which indicate that the carrying amount of such assets may not be fully recoverable. The Organization evaluates the recoverability of long-lived assets by measuring the carrying amount of such assets against the estimated undiscounted future cash flows associated with them. At the time such evaluation indicates that the future undiscounted cash flows of certain long-lived assets are not sufficient to recover the carrying value of such assets, the assets are adjusted to their fair values.

12. Intangible Assets

Intangible assets include capitalized closing costs related to the NMTC transaction. Intangible assets are being amortized on a straight-line basis over the term of the transaction.

13. Contributions and Grants

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence or nature of any donor restrictions.

Donor-restricted support is reported as an increase in temporarily or permanently restricted net assets depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restricted. Donor-restricted contributions whose restrictions are met in the same reporting periods are reported as unrestricted support.

Federal, state and local government and other grants are recognized as support when performance occurs pursuant to the contract agreement.

14. Membership Revenues

The Organization collects general membership dues whereby the term of the membership is for twelve months, and members receive benefits proportionate to their dues. Revenues are recognized in full when payment for the membership is received.

15. Future Exhibits

Sponsorship and underwriting revenues received for exhibits are recorded as temporarily restricted revenues at the earlier of the receipt of a pledge or the collection of the revenue. The temporary restriction is considered to have been satisfied at the time the exhibit opens.

The Tampa Museum of Art, Inc. and Affiliates

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2016

NOTE A - DESCRIPTION OF THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Expenses relating to future exhibits are recorded as deposits and/or deferred costs until such time as the exhibit opens, then the costs are recorded as exhibit expenses. Subsequent to opening of the exhibit, related expenses are recorded as incurred.

Ticket sales and underwriting revenues collected at the consolidated statement of financial position date, but relating to fundraising events scheduled to take place in a subsequent year, are presented as deferred revenue.

16. Donated Services and Facilities

Donated materials are recorded as support at their fair value at the date of donation. Contributions of services are recorded as support at their estimated fair value if the services received create or enhance non-financial assets or require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

For the year ended December 31, 2016, the value of contributed services meeting the requirements for recognition in the consolidated financial statements has been recorded as unrestricted support. A number of volunteers have donated a significant amount of time toward the operation of the Museum and the Museum store. No amounts are presented in the consolidated financial statements for such donated services since these services did not enhance or create nonfinancial assets or require specialized skills that would typically need to be purchased if not provided by donation.

The City of Tampa provides the Museum space. Contributed rent is recognized as in-kind contribution revenue and rent expense.

17. Advertising

Advertising costs are expensed as incurred. Total advertising costs for the year ended December 31, 2016 were approximately \$125,000.

18. Collections

The art collections, which were acquired through purchases and contributions since the Organization's inception, are not recognized as assets on the consolidated statement of financial position. Purchases of collection items are recorded as decreases in unrestricted net assets in the year in which the items are acquired, or in temporarily or permanently restricted net assets if the assets used to purchase the items are restricted by donors.

Contributed collection items are not reflected on the consolidated financial statements. Proceeds from deaccessions or insurance recoveries are reflected as increases in the appropriate net asset classes.

The Tampa Museum of Art, Inc. and Affiliates

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2016

NOTE A - DESCRIPTION OF THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

19. Expense Allocation

The costs of providing the various programs and other activities have been summarized on a functional basis in the accompanying consolidated statement of activities and statement of functional expenses based on management's estimate of the time and expense for each of the functions. Expenses that can be identified with a specific program or support service are allocated directly by program activity and supporting services benefitted. All other costs are allocated by management.

The operating expenses of the Organization are allocated to three different functional categories based on management's estimate of the time and expense spent for each of the functions.

These functions are defined as follow:

Program expenses - the costs associated with the Organization's efforts to achieve the stated mission and goals.

General and administrative - the costs of operating the Organization's offices, including gathering, processing, and maintaining financial information.

Marketing and fundraising - the costs associated with soliciting contributions or planning special events for the benefit of the Organization.

20. Income Tax Status

The Organization is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code.

21. Uncertain Tax Positions

The Organization accounts for the effect of any uncertain tax positions based on a "more likely than not" threshold to the recognition of the tax positions being sustained based on the technical merits of the position under scrutiny by the applicable taxing authority. If a tax position or positions are deemed to result in uncertainties of those positions, the unrecognized tax benefit is estimated based on a "cumulative probability assessment" that aggregates the estimated tax liability for all uncertain tax positions. The Organization has identified its tax status as a tax- exempt entity as its only significant tax position; however, the Organization has determined that such tax position does not result in an uncertainty requiring recognition. The Organization is not currently under examination by any taxing jurisdiction. The Organization's federal returns are generally open for examination for three years following the date filed.

The Tampa Museum of Art, Inc. and Affiliates

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2016

NOTE A - DESCRIPTION OF THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

22. Comparative Financial Information

The accompanying consolidated financial statements include certain prior year summarized comparative total amounts. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. GAAP. Accordingly, such information should be read in conjunction with the Organization's consolidated financial statements for the year ended December 31, 2015, from which the summarized information was derived.

NOTE B - INVESTMENTS

Investments are carried at fair value and consist of the following at December 31, 2016:

Common and preferred stock	\$ 4,224,740
Corporate fixed income funds	304,148
Government treasury securities	549,893
Mutual funds	<u>761,482</u>
	<u>\$ 5,840,263</u>

The components of investment income are summarized as follows for year ended December 31, 2016:

Interest and dividends	\$ 146,901
Investment fees	(57,654)
Net realized losses on investments	(160,555)
Net unrealized gains on investments	<u>337,094</u>
	<u>\$ 265,786</u>

Investments consist of marketable securities, which management have classified as available for sale, and are carried at fair market value with net unrealized gains and losses reported in the consolidated statements of activity. Realized gains and losses on marketable securities are recognized upon sale using the specific identification method.

During the year ended December 31, 2016, the Museum transferred investments and net assets to the Foundation to correctly record in the proper entity. This transfer has no net effect on consolidated net assets in the current year.

The Tampa Museum of Art, Inc. and Affiliates

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2016

NOTE C - FAIR VALUE MEASUREMENT

The Organization's assets and liabilities are reported at fair value in the accompanying consolidated statement of financial position. Following is a description of valuation methodologies used for assets and liabilities measured at fair value. There have been no changes in the methodology used at December 31, 2016:

Common/Preferred Stock: Comprised of common and preferred stock valued at the closing price reported in the active market in which the individual securities are traded.

Government Treasury Securities: Valued at the closing quoted price reported in the active market using market pricing and other observable inputs for similar securities obtained from industry standard data providers.

Corporate Fixed Income Funds: Valued at the closing price reported in the active market in which the individual securities are traded.

Mutual Funds: Valued at the net asset value (NAV) of shares held by the Organization at year- end based on quoted prices of the various funds in active markets.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although management believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Fair value of assets measured on a recurring basis at December 31, 2016 is as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total Fair Value</u>
Common/preferred stock	\$ 4,224,740	\$ -	\$ -	\$ 4,224,740
Corporate fixed income funds	304,148	-	-	304,148
Government treasury securities	-	549,893	-	549,893
Mutual funds	761,482	-	-	761,482
	<u>761,482</u>	<u>-</u>	<u>-</u>	<u>761,482</u>
Total assets at fair value	<u>\$ 5,290,370</u>	<u>\$ 549,893</u>	<u>\$ -</u>	<u>\$ 5,840,263</u>

The Tampa Museum of Art, Inc. and Affiliates

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2016

NOTE D - ENDOWMENT FUND

The Organization's endowment consists of individual funds established for a variety of purposes. The endowment is comprised of donor-restricted endowment funds. As required by US GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The Organization has interpreted the Florida Uniform Prudent Management of Institutional Funds Act (FUPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by FUPMIFA.

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

- (1) The duration and preservation of the fund
- (2) The purposes of the Organization and the 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 Organization
- (7) The investment policies of the Organization

For the year ended December 31, 2016 the Organization has elected not to add appreciation for cost of living or other spending policies to its permanently restricted endowment for inflation and other economic conditions.

The Tampa Museum of Art, Inc. and Affiliates

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2016

NOTE D - ENDOWMENT FUND - Continued

Changes in endowment net assets are as follows for the year ended December 31, 2016:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, at December 31, 2015	\$ 744,247	\$ -	\$ 1,417,474	\$ 2,161,721
Additions	-	-	116,000	116,000
Released from restrictions	-	-	-	-
Transfers	-	-	-	-
Endowment net assets, at December 31, 2016	<u>\$ 744,247</u>	<u>\$ -</u>	<u>\$ 1,533,474</u>	<u>\$ 2,277,721</u>

Return Objectives, Risk Parameters, and Strategies

The Organization has adopted an investment and spending policy for endowment assets that attempts to preserve the real (inflation adjusted) value of endowment assets, increase the real value of the portfolio, and facilitate a potential distribution to support some level of future operations. Endowment assets include those assets of donor-restricted funds that the Organization must hold in perpetuity or for a donor-specified period(s) as well as board-designated funds. The terms of the operating policies of the endowment fund (the Fund) requires that the Fund will be managed by an outside investment counselor recommended by the Investment Committee and approved by the Board of Trustees. The investment manager is responsible for the investment selections, subject to guidance from the Investment Committee. The objective of the Fund is to invest funds in accordance with the standards set forth in Section 518.11, Florida Statutes. The amount invested in equities shall vary from time to time and shall be established by the committee as conditions permit.

Spending Policy

The Organization is operating under an approved endowment spending policy that seeks to preserve the purchasing power of the Fund while providing income at the highest attainable level. There is to be no invasion of the original principal of the gift given to the Organization unless the donor instructs otherwise.

The Organization's investment policy states that withdrawals are subject to the lesser of the prior year net income amount or 5% of the prior March balance.

NOTE E - CONCENTRATIONS OF RISK

The estimated value of mutual funds may be subjected to uncertainty. There may be a difference between their estimated value as reported in the accompanying consolidated financial statements and their net realizable value that could ultimately result in a loss to the Organization. Management has determined that the likelihood of sustaining losses from the investments in money market and mutual funds to be remote based on the marketability of the underlying investments of the funds.

The Tampa Museum of Art, Inc. and Affiliates

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2016

NOTE F - PLEDGES RECEIVABLE

Unconditional promises to give due in more than one year are reflected at the present value of estimated future cash flows using a discount rate based on the U.S. Treasury Securities yield with an added amount for economic uncertainty. The rate used to discount the promises to give was 2.53%.

Pledges receivable consist of the following at December 31, 2016:

Total unconditional pledges receivable	\$ 140,648
Less allowance for bad debt	(79,000)
Less unamortized discount	<u>(599)</u>
Total pledges receivable, net	<u>\$ 61,049</u>

The expected cash receipts for pledges receivable are summarized as follows:

Year ending December 31,:

2017	\$ 116,362
2018	<u>24,286</u>
	<u>\$ 140,648</u>

NOTE G - NOTE RECEIVABLE

The noncurrent note receivable (Leverage Loan) of the Museum from the NMTC transaction (see note U) is secured by first interest in pledged securities and consists of the following at December 31, 2016:

Note receivable (Leverage Loan) from 2012 USB Florida Investment Fund, LLC (the Investor) dated May 15, 2014, interest accrues at 1.22%, quarterly interest payments commencing July 10, 2014 through April 1, 2020, then annual principal and interest payments beginning April 1, 2020 and maturing July 10, 2039	<u>\$4,816,912</u>
---	--------------------

The Tampa Museum of Art, Inc. and Affiliates

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2016

NOTE H - PROPERTY AND EQUIPMENT

Property and equipment consist of the following at December 31, 2016

Computer equipment	\$ 170,454
Furniture, fixtures and equipment	665,794
Chilled Water Facility	<u>2,621,496</u>
	3,457,744
Less accumulated depreciation	<u>(1,846,902)</u>
	<u>\$ 1,610,842</u>

NOTE I - UNAMORTIZED LEASEHOLD INTEREST

Effective February 2010, the new 66,000 square foot Museum opened. Pursuant to a lease agreement entered into in February 2010, the City of Tampa leases the Museum building to the Museum. The costs of additions and improvements to the leasehold property are recorded at cost as increases in the value of the leasehold interest. This leasehold interest is being amortized using the straight-line method over the life of the lease (48 years).

The details of the transactions are as follows as of December 31, 2016:

Portion contributed by The Tampa Museum of Art	\$ 11,669,944
Portion contributed by City of Tampa	<u>13,398,538</u>
Total unamortized leasehold interest	25,068,482
Less accumulated amortization	<u>(3,612,299)</u>
Unamortized leasehold interest	<u>\$ 21,456,183</u>

Amortization expense and amount released from restriction for the year ended December 31, 2016 was \$532,450.

The NMTC transaction resulted in an agreement between the Museum and TMAOS (Transfer of Leasehold Interest) that transferred the operations, management and administration of the leased premises (the Museum) to TMAOS as of May 2014. The purchase price of this leasehold interest was \$5,425,000 of which \$5,118,401 was paid in cash and financed through the qualified low-income community investment loan and \$306,599 was deemed a contribution from the Museum. These amounts are eliminated in the consolidated financial statements.

The Tampa Museum of Art, Inc. and Affiliates

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2016

NOTE J - CLOSING COSTS

Intangible assets subject to amortization consists of the closing costs related to the NMTC transaction and are as follows at December 31, 2016:

Closing costs	\$ 299,216
Less accumulated amortization	<u>(26,622)</u>
	<u>\$ 272,594</u>

Annual amortization expense is estimated as follows:

Year ending December 31,:

2017	\$ 10,190
2018	10,190
2019	10,190
2020	10,190
2021	10,190
Thereafter	<u>221,644</u>
	<u>\$ 272,594</u>

NOTE K - ART COLLECTION

The Organization has significant holdings, which are not valued in these consolidated financial statements, in three major areas: Greek and Roman antiquities, photography, and twentieth century/contemporary art. The collection of Greek and Roman antiquities is especially strong in painted Greek ceramic vases of the sixth, fifth, and fourth centuries B.C. Twentieth century holdings consist of prints, drawings, watercolors, sculptures and paintings, primarily by U.S. artists. The photography collection includes nineteenth and twentieth century works with an emphasis on contemporary photography.

For the year ended December 31, 2016, the Museum assessed donated art, having an estimated fair value of \$109,795 into its collection.

NOTE L - LINES-OF-CREDIT

The Organization has a \$200,000 revolving line-of-credit available at a financial institution. The interest rate on this line-of-credit is at prime rate. The outstanding balance is \$-0- at December 31, 2016.

The Tampa Museum of Art, Inc. and Affiliates

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2016

NOTE L - LINES-OF-CREDIT - Continued

Effective December 2012, the Organization entered into an agreement with Morgan Stanley Bank for a \$1,487,000 portfolio loan account. The interest rate on this loan is at one month LIBOR plus one and a half percent (2.27% at December 31, 2016). This account is collateralized with the investments of the Organization which are held by Morgan Stanley & Co. The outstanding balance at December 31, 2016 is \$-0-.

NOTE M - NOTES PAYABLE

Notes payable consist of the following at December 31, 2016:

Notes payable to USBCDE Sub-CDE 89, LLC (the Investment Fund)		
Note A interest accrues at 1%, due October 1, 2043		\$ 4,816,912
Note B interest accrues at 1%, due October 1, 2043		<u>1,081,656</u>
		5,898,568
Less current portion		<u>-</u>
Total notes payable, net		<u>\$ 5,898,568</u>

The NMTC provides tax credits over the first seven years to investors in the investment group. The Organization expects to have the net NMTC debt substantially reduced through exercise of the State Investment Fund Call Agreement (the Call Agreement). In connection with making the Leverage Loan to the Investor, TMA entered into the Call Agreement. The Call Agreement allows the Museum to call the Investor's interest, six months following the seven year anniversary (December 12, 2019) of the Qualified Equity Investment (QEI). The purchase price of the call option is the fair market value of the Investor's interest at the time of the call (substantially notes payable A and B). The purchase price of the Investor's interest is the greater of (1) the fair market value of the community development entities' (CDE's) interest and (2) the aggregate amount of principal and interest owed by the Investment Fund on the Leverage Loan as of the call options' closing dates. The call price may be paid by first forgiving the principal and interest due and owed on the Leverage Loan which should be equal to the amount of the call price thus zeroing out any cash exchange required.

The net NMTC debt is comprised of the non-current notes payable by TMAOS to the Investment Fund, less the noncurrent note receivable owed to the Museum by the Investor, as follows:

NMTC Transaction Date	Call Option	NMTC Payable	Noncurrent Notes Receivable	Net NMTC Debt
May 2014	June 2020	<u>\$ 5,898,568</u>	<u>\$ 4,816,912</u>	<u>\$ 1,081,656</u>

The Tampa Museum of Art, Inc. and Affiliates

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2016

NOTE M - NOTES PAYABLE - Continued

Future maturities of the notes payable as of December 31, 2016 are as follows:

Year ending December 31,:

2017	\$ -
2018	-
2019	-
2020	-
2021	-
Thereafter	<u>5,898,568</u>
	<u>\$ 5,898,568</u>

NOTE N - CAPITAL LEASE OBLIGATION

In April 2010, the Museum entered into a capital lease agreement with the City of Tampa (the City) to begin repayment of the construction costs of the Chilled Water Facility (the Chiller). The agreement states that the capital costs for the Chiller shall be based upon the total cost to the City for construction and shall bear interest at the average annual rate of the City's invested funds which is 2.38% at December 31, 2016, and is adjustable each June. The agreement also indicates that payments should be amortized for no more than 30 years. Any improvements will be amortized over the useful life of the improvements. The cost of the Chiller under capital lease is approximately \$2,583,000 with accumulated depreciation totaling approximately \$1,160,800 as of December 31, 2016. Depreciation expense on this asset under capital lease is \$172,000 for the year ended December 31, 2016. In addition to the capital cost recovery charges, monthly bills will also include the Chiller Usage Charge. The Chiller Usage Charge shall be comprised of all costs, fees and expenses incurred by the City in the operation, maintenance, or management of the Chiller including but not limited to such costs in transition from construction to operation.

Capital lease obligation to the City of Tampa beginning May 2010 payable in monthly installments of \$13,779 including interest at a rate set each June by the City of Tampa (currently at 2.38%), through March 1, 2040, collateralized by the Chilled Water Facility	\$ 2,001,816
Less current portion	<u>(86,100)</u>
Capital lease obligation, net	<u>\$ 1,915,716</u>

The Tampa Museum of Art, Inc. and Affiliates

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2016

NOTE N - CAPITAL LEASE OBLIGATION - Continued

Approximate minimum payments required under the remainder of the capital lease (utilizing an average interest rate of 2.38%), together with the present value as of December 31, 2016, are as follows:

<u>Year ending December 31,:</u>		
2017		\$ 128,833
2018		130,754
2019		128,705
2020		126,656
2021		124,607
Thereafter		<u>1,914,129</u>
Total minimum lease payments		2,553,684
Less interest portion included in payments		<u>(551,868)</u>
Present value of lease obligations		2,001,816
Less current portion		<u>(86,100)</u>
Non-current		<u>\$ 1,915,716</u>

NOTE O - NET ASSETS

The components of net assets as of December 31, 2016 are summarized as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Dr. Richard E. Perry Endowment for Greek and Roman Art	\$ -	\$ -	\$ 1,021,392	\$ 1,021,392
State matching grant	-	-	240,000	240,000
Bus transportation endowment	-	-	30,000	30,000
Board-designated exhibition and acquisition fund	744,247	-	-	744,247
Boas endowment	-	-	13,348	13,348
Time restricted pledges	-	43,549	-	43,549
Unamortized leasehold interest	-	11,467,846	-	11,467,846
Purpose restricted - other	-	65,005	-	65,005
Tampa Museum Operating Endowment	-	-	228,734	228,734
Unrestricted funds	<u>13,724,367</u>	-	-	<u>13,724,367</u>
Totals	<u>\$ 14,468,614</u>	<u>\$ 11,576,400</u>	<u>\$ 1,533,474</u>	<u>\$ 27,578,488</u>

Net assets released from restrictions for the year ended December 31, 2016 were comprised of the following:

Time restrictions - net payments on pledges	\$ (131,435)
Purpose restrictions - building donated by City of Tampa	<u>(279,163)</u>
	<u>\$ (410,598)</u>

The Tampa Museum of Art, Inc. and Affiliates

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2016

NOTE P - GOVERNMENT GRANTS AND APPROPRIATIONS

The City of Tampa annually contributes to the Museum an operating expense contribution not to exceed \$1,000,000 (Original Operating Cost Subsidy), payable quarterly in equal installments at the beginning of each quarter, subject to the City's annual budget approval process. Due to changes in municipal financing, the Operating Cost Subsidy was reduced by 10% for the fiscal year beginning October 1, 2007. The Museum received \$729,000 of its Operating Cost Subsidy during the year ended December 31, 2016.

NOTE Q - CONDITIONAL GIFTS AVAILABLE

The Museum is the beneficiary of four donor-advised, designated funds held within The Community Foundation of Tampa Bay, Inc. Because of the conditions imposed on the gifts, they are not recorded by the Museum until the conditions are fulfilled. The total value of these assets was \$687,238 at December 31, 2016.

NOTE R - DEFINED CONTRIBUTION PLAN

The Organization adopted the Tampa Museum of Art, Inc. 401(k) Profit Sharing Plan & Trust on September 1, 2000, which allows employees to contribute pretax dollars to the plan. At the discretion of the Board of Trustees, the Organization may match employee contributions at 100% up to 3% of the employees' salary. Total contributions amounted to approximately \$23,000 for the year ended December 31, 2016.

NOTE S - LEASES

The Organization leases land from the City of Tampa, Florida, on which a building owned by the City was constructed, at an annual lease expense of \$10, commencing in April 2007. The lease expires in 2057. The Organization records rent on the land at its net realizable value estimated by management at \$60,000 for the year ended December 31, 2016.

The Organization also leases various office equipment. The total lease expense for these leased items was approximately \$22,000 for the year ended December 31, 2016.

Future minimum lease payments consist of the following for the years ending December 31:

<u>Year ending December 31,:</u>	
2017	\$ 8,100
2018	1,700
2019	300
2020	10
2021	10
Thereafter	<u>370</u>
	<u>\$ 10,490</u>

The Tampa Museum of Art, Inc. and Affiliates

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2016

NOTE T - OPERATING AND FINANCE AGREEMENTS

The Museum entered into an operating agreement with the City of Tampa effective December 20, 2007. The agreement discusses the City of Tampa and the Museum's financial and management responsibilities of operating the Museum. The Museum obtained full autonomy from the City of Tampa effective July 1, 2008. The term of the operating agreement is fifty years, as long as the Museum is not in default under the agreement.

The City of Tampa, the Museum, and the Foundation entered into a construction and finance agreement on April 3, 2008 that was approved by City Council Resolution No. 2008-373. This agreement discusses the details of the lease agreement between the City of Tampa and the Museum with regards to the new construction of the Museum. The City of Tampa has agreed to expend certain City funds for the construction of the improvements upon adequate assurances that the Museum has sufficient funds to ensure the lien-free completion of the Museum in accordance with a certain Guaranteed Maximum Price Contract. The agreement details the respective responsibilities and obligations of the City of Tampa, the Museum, and the Foundation relating to the funding of construction, furnishing, equipping, and opening of the Museum.

The sole financial contribution of the City of Tampa shall be the Sales Tax Revenue Bonds, Series 2001A approved for construction of the improvements. The fund total is \$18.5 million.

The Museum's share of the Guaranteed Maximum Price of \$24,774,595, coupled with other capital campaign and construction costs, was determined to be approximately \$12 million.

NOTE U - NEW MARKETS TAX CREDIT

The Museum entered into several transactions during 2014, in order to make additional funds available to it through the New Markets Tax Credit (NMTC) Program. TMAOS was formed on April 25, 2014 to accept the funds from the NMTC on May 15, 2014. Proceeds from the NMTC were used by the Museum to pay off short-term debt, expand operating capital, hire personnel, and secure future exhibitions.

The NMTC Program permits taxpayers to claim a credit against federal income taxes for Qualified Equity Investments (QEI) in designated Community Development Entities (CDE). These designated CDEs must use substantially all (85%) of the proceeds to make Qualified Low-Income Community Investments (QLICI). The taxpaying investor is provided with a tax credit which is claimed over a seven-year period. The credit is equal to 5% of the total amount paid for the capital investment over the first three years and 6% annually for the final four years.

US Bancorp Community Development Corporation made an equity investment indirectly through 2012 USB Florida Investment Fund, LLC (the Investor) in USBCDE Sub-CDE89 (the Investment Fund). The Investor made two QLICI loans totaling \$5,898,568 to TMAOS in amounts of \$4,816,912 and \$1,081,656.

The Tampa Museum of Art, Inc. and Affiliates

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2016

NOTE U - NEW MARKETS TAX CREDIT - Continued

NMTC transaction proceeds include the following:

QLICI Loan - (Notes payable A and B)	\$ 5,898,568
Contribution from the Museum to TMAOS	<u>306,599</u>
Total	<u>\$ 6,205,167</u>

The Museum issued a loan to the Investor for \$4,816,912. See Note G for terms of this noncurrent note receivable.

The Museum entered into a Lease Agreement with the City in February 2010 (see Note I). The Museum then entered into a Transfer of Leasehold Interest in relation to the NMTC which transferred the operations, management and administration of the leased premises (the Museum) to TMAOS as of May 2014. The purchase price of this leasehold interest was \$5,425,000, of which \$5,118,401 was paid in cash and financed through the QCLI loan (notes payable A and B), and \$306,599 was deemed a contribution from the Museum. These amounts are eliminated in the consolidated financial statements.

The Museum entered into an Operating Agreement with the City in December 2007 and a First Amendment to the City Operating Agreement in November 2008 (see Note I). The City, the Museum, and TMAOS entered into a Second Amendment to the City Operating Agreement on May 15, 2014, amending the agreement so as to allow delineation of operational, administration and management responsibilities under the City Operation Agreement between the Museum and TMAOS. The Sub-operating Agreement allows the Museum to focus on maintenance of its art collection and ongoing development of the art collection while transferring the operating, administration, and management functions to TMAOS. The Museum will pay TMAOS an annual operating expense contribution not to exceed \$1,000,000, payable quarterly in equal installments of \$250,000. The Museum contributed \$764,019 to TMAOS for the year ended December 31, 2016. These amounts are eliminated in the consolidated financial statements.

The Museum entered into a Bilateral Employee Leasing Agreement with TMAOS effective May 15, 2014 to benefit the work of each entity. Certain employees of the Museum are shared with TMAOS and certain employees of TMAOS are shared with the Museum. These amounts are eliminated in the consolidated financial statements.

In connection with making the Leverage Loan (see noncurrent note receivable in Note G) to the Investor, TMA entered into the Call Agreement. The Call Agreement allows the Museum to call the Investor's interest, six months following the seven year anniversary (December 12, 2019) of the QEI. The purchase price of the call option is the fair market value of the Investor's interest at the time of the call (substantially notes payable A and B). The purchase price of the Investor's interest is the greater of (1) the fair market value of the CDE's interest and (2) the aggregate amount of principal and interest owed by the Investment Fund on the Leverage Loan as of the call options closing dates. The call price may be paid by first forgiving the principal and interest due and owing on the Leverage Loan which should be equal to the amount of the call price thus zeroing out any cash exchange required.

The Tampa Museum of Art, Inc. and Affiliates

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2016

NOTE V - OTHER INCOME

The Museum settled an operating claim in December 2016 for approximately \$540,000 which is included in other income. This amount is included in other receivables at December 31, 2016 and was collected in January 2017.

NOTE W - SUBSEQUENT EVENTS

The Museum evaluated events and transactions occurring subsequent to December 31, 2016, as of May 23, 2017 which is the date the consolidated financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

The Tampa Museum of Art, Inc. and Affiliates

CONSOLIDATING STATEMENT OF FINANCIAL POSITION

December 31, 2016
(With comparative totals for December 31, 2015)

	Tampa Museum of Art	Foundation	TMAOS	Eliminations	Consolidated Total	2015
ASSETS						
Cash and cash equivalents	\$ 558,998	\$ 423,055	\$ 16,230	\$ -	\$ 998,283	\$ 1,016,355
Investments	-	5,840,263	-	-	5,840,263	5,089,559
Pledges receivable, net	17,500	43,549	-	-	61,049	85,849
Grants and other receivables	546,041	-	-	-	546,041	206,831
Museum store inventory	52,567	-	-	-	52,567	51,359
Prepaid expenses and other assets	885	-	-	-	885	56,744
Property and equipment, net	1,500,960	109,882	-	-	1,610,842	1,776,171
Related party, net	(1,027,073)	670,295	356,778	-	-	-
Intangible assets, net	-	-	272,594	-	272,594	282,784
Collections (note K)	-	-	-	-	-	-
Leasehold interest from USB FLA Investment Fund	(5,425,000)	-	5,118,401	306,599	-	-
Leasehold interest from TMA	-	-	306,599	(306,599)	-	-
Noncurrent note receivable USB FLA Investment Fund	4,816,912	-	-	-	4,816,912	4,816,912
Unamortized leasehold interest	11,467,846	9,988,337	-	-	21,456,183	21,978,443
TOTAL ASSETS	\$ 12,509,636	\$ 17,075,381	\$ 6,070,602	\$ -	\$ 35,655,619	\$ 35,361,007
LIABILITIES AND NET ASSETS						
LIABILITIES						
Accounts payable	\$ 55,927	\$ -	\$ 14,746	\$ -	\$ 70,673	\$ 112,622
Accrued expenses	24,319	-	5,505	-	29,824	64,806
Deferred revenue	76,250	-	-	-	76,250	214,592
Note payable A - USBCDE-Sub-CDE 89, LLC	-	-	4,816,912	-	4,816,912	4,816,912
Note payable B - USBCDE-Sub-CDE 89, LLC	-	-	1,081,656	-	1,081,656	1,081,656
Capital lease obligation	2,001,816	-	-	-	2,001,816	2,087,916
Total liabilities	2,158,312	-	5,918,819	-	8,077,131	8,378,504
NET ASSETS						
Unrestricted net assets						
Board designated	744,247	-	-	-	744,247	744,247
Unrestricted	(2,187,856)	15,760,440	151,783	-	13,724,367	12,833,784
Temporarily restricted net assets	11,532,851	43,549	-	-	11,576,400	11,986,998
Permanently restricted net assets	262,082	1,271,392	-	-	1,533,474	1,417,474
Total net assets	10,351,324	17,075,381	151,783	-	27,578,488	26,982,503
TOTAL LIABILITIES AND NET ASSETS	\$ 12,509,636	\$ 17,075,381	\$ 6,070,602	\$ -	\$ 35,655,619	\$ 35,361,007

The Tampa Museum of Art, Inc. and Affiliates
CONSOLIDATING STATEMENT OF ACTIVITIES

For the year ended December 31, 2016
 (With comparative totals for December 31, 2015)

	Tampa Museum of Art	Foundation	TMAOS	Eliminations	Consolidated Total	2015
PUBLIC SUPPORT AND REVENUE						
Public support						
Individual	\$ 988,829	\$ 300	\$ 471,835	\$ -	\$ 1,460,964	\$ 963,775
Corporate	-	-	301,939	-	301,939	161,319
Foundations and grants	433,294	11,000	-	-	444,294	328,450
Government grants	819,952	-	-	-	819,952	831,703
Admissions and education	-	-	254,112	-	254,112	542,771
Special events, net of direct costs of \$376,351	-	-	539,833	-	539,833	484,618
Museum store sales	-	-	143,508	-	143,508	134,361
In-kind land lease	60,000	-	-	-	60,000	60,000
Other income	540,583	-	-	-	540,583	19,000
Revenue						
Building rentals and beverage sales	-	-	327,296	-	327,296	183,022
NMTC Revenue	58,766	-	-	-	58,766	58,766
TMA contribution to TMAOS	-	-	764,019	(764,019)	-	-
Employee leasing to TMA / TMAOS	863,750	-	137,624	(1,001,374)	-	-
Investment income, net	-	89,247	-	-	89,247	54,420
Realized gain (loss) on investments	-	(160,555)	-	-	(160,555)	35,502
Unrealized gain (loss) on investments	-	337,094	-	-	337,094	(276,566)
	<u>3,765,174</u>	<u>277,086</u>	<u>2,940,166</u>	<u>(1,765,393)</u>	<u>5,217,033</u>	<u>3,581,141</u>
EXPENSES						
Program services	846,818	219,867	1,891,099	-	2,957,784	2,741,316
Marketing and fundraising	286,252	-	211,368	-	497,620	476,116
General and administrative	2,032,621	60,717	837,699	(1,765,393)	1,165,644	960,741
	<u>3,165,691</u>	<u>280,584</u>	<u>2,940,166</u>	<u>(1,765,393)</u>	<u>4,621,048</u>	<u>4,178,173</u>
Change in net assets	599,483	(3,498)	-	-	595,985	(597,032)
Net assets at beginning of year	14,470,910	12,359,810	151,783	-	26,982,503	27,579,535
Net asset transfers	(4,719,069)	4,719,069	-	-	-	-
Net assets at end of year	<u>\$ 10,351,324</u>	<u>\$ 17,075,381</u>	<u>\$ 151,783</u>	<u>\$ -</u>	<u>\$ 27,578,488</u>	<u>\$ 26,982,503</u>