


TOURISM PROMOTION PROGRAM • APPLICATION FOR FUNDING

Project Title: Cultural Programs
 Project Dates: Beginning: 8/1/21 Ending: 12/20/21
 Name of Organization BIMA Web Site www.biartmuseum.org
 Mailing Address: 249 Winslow Way E, #300, BT, WA 98110
 Contact Person: Peter Raffa E-Mail: petrebiartmuseum.org Phone: 206-641-1747
 Amount Requested: \$ 10,000.00 Total Project Cost: \$ 149,700
 Portion of Total Project Cost Requested: 7 (%)
 Signature of Authorized Representative 

 Tourism Infrastructure:

Support tourism-related facilities, which is defined as real or tangible personal property with a usable life of three or more years or constructed with volunteer labor and used to support tourism, performing arts, or to accommodate tourist activities.

 Tourism Marketing Activities:

Activities and expenditures designed to increase tourism, including but not limited to advertising, publicizing or otherwise distributing information for the purpose of attracting and welcoming tourists; developing strategies to expand tourism; operating tourism promotion agencies; and funding marketing of special events and festivals designed to attract tourists (*not a current funding priority*).

APPLICANTS MUST SUBMIT THE FOLLOWING:

1. A one-page budget including all income and expenses for the entire project (including matching funds and in-kind contributions) and clearly showing expenses for which County lodging tax dollars will be used.
2. Documentation of non-profit status.
3. Your organization's **most recent tax return** or most recent annual financial statement created by an independent source should a tax return not be available. Other documentation showing financial viability may be considered if agency is newly created and the documentation is prepared by an independent source.
4. A two-page document including a description of the proposed project with an explanation of how it will assist in building tourism and/or promoting events or activities that will bring tourists to Kitsap County. Include marketing plans and examples of performance indicators and well as plans for future sustainability. For more information see the included template.
5. No additional materials will be accepted.
6. If these basic criteria are not met, the application will not be reviewed
7. Certificate of Insurance evidencing that any required insurance coverages are, or will be, in effect through the 2021 calendar year.

Send Completed Application and Required Documentation to:

Please submit by mail to: OR

MAILING ADDRESS

Vicki Martin, Buyer
 Kitsap County Purchasing Office
 614 Division Street, MS-7
 Port Orchard, WA 98366

Hand deliver to:

PHYSICAL ADDRESS

Vicki Martin, Buyer
 Kitsap County Administration Building
 Purchasing Office – Fourth Floor
 619 Division Street
 Port Orchard, WA 98366

All documentation must be received by deadline and contain ALL submission requirements to be considered for funding. **Please provide (7) copies of submission package without staples.**
 Questions? Call Vicki Martin at 360.337.4788 or e-mail vmartin@co.kitsap.wa.us

**Bainbridge Island Museum of Art:
2021 LTAC Budget Cultural Programs and Festivals**

Program Costs

Personnel Costs

Staffing \$50,000

Non-personnel Costs

Marketing materials* \$20,000
Advertising, social media* \$20,000
Workshop Supplies \$ 1,200
Mojo Festival* \$ 4,000
Music on the Plaza \$ 1,000
Dia de los Muertos Festival* \$ 2,000
Within Earshot/Jazz Festival* \$10,000
Day of Remembrance \$ 500
Silent Film Festival* \$10,000
Indigenous Artists Exhibition \$25,000
International Holiday Marketplace* \$ 6,000

Total Costs \$149,700

Program Revenue

Grants Received \$40,000
COBI LTAC Grant request \$10,000
Kitsap LTAC Grant request* \$10,000
Sponsorships requests \$28,000
BIMA operating funds for staff \$62,000

Total Revenue \$150,000

***Kitsap LTAC grant-will used to support marketing materials, advertising, social media ads, support festivals, outreach to Seattle tourism bureau and concierge groups to encourage tourism to Kitsap county and overnight stays.**



Department of the Treasury
Internal Revenue Service

P.O. Box 2508, Room 4010
Cincinnati OH 45201

In reply refer to: 4077550279
Feb. 15, 2012 LTR 4168C 0
27-0183255 000000 00

00032222

BODC: TE

BAINBRIDGE ISLAND MUSEUM OF ART
PO BOX 11413
BAINBRIDGE IS WA 98110-5413



007873

Employer Identification Number: 27-0183255
Person to Contact: Sophia Brown
Toll Free Telephone Number: 1-877-829-5500

Dear Taxpayer:

This is in response to your Jan. 06, 2012, request for information regarding your tax-exempt status.

Our records indicate that you were recognized as exempt under section 501(c)(3) of the Internal Revenue Code in a determination letter issued in November 2009.

Our records also indicate that you are not a private foundation within the meaning of section 509(a) of the Code because you are described in section(s) 509(a)(1) and 170(b)(1)(A)(vi).

Donors may deduct contributions to you as provided in section 170 of the Code. Bequests, legacies, devises, transfers, or gifts to you or for your use are deductible for Federal estate and gift tax purposes if they meet the applicable provisions of sections 2055, 2106, and 2522 of the Code.

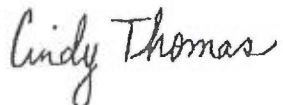
Please refer to our website www.irs.gov/eo for information regarding filing requirements. Specifically, section 6033(j) of the Code provides that failure to file an annual information return for three consecutive years results in revocation of tax-exempt status as of the filing due date of the third return for organizations required to file. We will publish a list of organizations whose tax-exempt status was revoked under section 6033(j) of the Code on our website beginning in early 2011.

4077550279
Feb. 15, 2012 LTR 4168C 0
27-0183255 000000 00
00032223

BAINBRIDGE ISLAND MUSEUM OF ART
PO BOX 11413
BAINBRIDGE IS WA 98110-5413

If you have any questions, please call us at the telephone number shown in the heading of this letter.

Sincerely yours,



Cindy Thomas
Manager, EO Determinations

BAINBRIDGE ISLAND MUSEUM OF ART

**INDEPENDENT AUDITOR'S REPORT
AND FINANCIAL STATEMENTS**

December 31, 2018

BAINBRIDGE ISLAND MUSEUM OF ART

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Hearthstone CPA Group

Certified Public Accountants

4312 Kitsap Way, Suite 102
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Christopher J. Cook, CPA, CFP®
David H. Ball, CPA (retired)
Dennis R. Tregor, CPA

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Bainbridge Island Museum of Art

We have audited the accompanying financial statements of Bainbridge Island Museum of Art (a nonprofit organization), which comprise the statement of financial position as of December 31, 2018, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Bainbridge Island Museum of Art as of December 31, 2018, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the Bainbridge Island Museum of Art's December 31, 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 2, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Hearthstone CPA Group

Bremerton, WA
November , 2019

**BAINBRIDGE ISLAND MUSEUM OF ART
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2018
With comparative totals as of December 31, 2017**

ASSETS	2018	2017
Current assets		
Cash and cash equivalents -unrestricted	\$ 609,944	\$ 298,907
Cash and cash equivalents-restricted	59,243	8,672
Investments at fair market value - cash reserve	320,639	998,301
Pledges receivable	66,075	161,721
Inventory	26,093	20,666
Prepaid asset	2,445	27,340
Total current assets	1,084,439	1,515,607
Property and equipment, net	11,649,421	11,997,761
Other assets - long term		
Cash - restricted for deferred maintenance	53,000	
Cash - restricted for operating endowment	12,500	5,000
Security deposit - office lease	5,185	13,206
Pledges receivable	90,000	122,300
Website design and signage, net	42,352	5,365
Investments at fair market value - cash reserve	1,156,496	810,914
Investments at fair market value - deferred maintenance	196,160	100,584
Curator - endowment	2,678,731	2,500,000
Operating endowment	1,035,391	1,000,957
Total other assets	5,269,815	4,558,326
Total assets	\$ 18,003,675	\$ 18,071,694
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable	\$ 105,799	\$ 91,149
Other current liabilities	9,800	11,198
Deferred revenue	52,350	7,550
Payroll liabilities	49,501	36,781
Sales tax payable	10,810	7,455
403(b) Retirement plan payable	19,920	15,983
Vacation payable	24,986	20,536
Total current liabilities	273,166	190,652
Net assets		
Without donor restrictions		
Unrestricted	13,797,375	13,754,286
Board designated funds		427,000
Board designated for deferred maintenance	196,160	153,584
Total	13,993,535	14,334,870
With donor restrictions		
Purpose restricted funds	33,243	33,672
Endowment - operating	1,025,000	1,012,500
Endowment - Curator	2,678,730	2,500,000
Total	3,736,973	3,546,172
Total net assets	17,730,509	17,881,042
Total liabilities and net assets	\$ 18,003,675	\$ 18,071,694

The accompanying notes are an integral
part of these financial statements

BAINBRIDGE ISLAND MUSEUM OF ART
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2018
 With comparative totals for the year ended December 31, 2017

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>2018 Total</u>	<u>2017 Total</u>
Support and revenues				
Support:				
Contributions	\$ 1,116,516	\$ 533,243	\$ 1,649,759	\$ 4,121,798
Grants	148,135		148,135	70,938
Membership fees	132,912		132,912	118,080
Special events - BIMA Bash				
Less: costs of direct benefits to donors	\$ 790,934		\$ 730,176	
(108,195)			(79,820)	
Donated noncash contributions	682,739		682,739	650,356
Less: in-kind services	525		525	
3,140			3,140	
Total public support	<u>2,083,967</u>	<u>533,243</u>	<u>2,617,210</u>	<u>4,987,839</u>
Revenues:				
Bistro revenue, net of sales discounts	\$ 247,624		\$ 264,877	
Less: direct costs	(261,424)		(307,832)	
Less: allocated indirect costs	(50,149)		(63,949)	(42,955)
Store revenue, net of sales discounts	\$ 319,749		\$ 334,342	
Less: direct costs	(315,845)		(313,080)	
Less: allocated indirect costs	(26,414)		(22,510)	21,262
Rentals	\$ 79,123		\$ 103,260	
Less: direct costs	(86,503)		(108,334)	
Less: allocated indirect costs	(41,681)			(5,074)
Program income	64,219		64,219	62,464
Community partnerships				22,307
Interest - savings	161		161	887
Cash reserves - return (loss) on investments, net	(79,080)		(79,080)	58,899
Deferred maintenance - return (loss) on investments, net	(10,425)		(10,425)	736
Operating endowment - return (loss) on investments, net	(65,566)		(65,566)	83,464
Chief curator endowment - loss on investments, net		(184,287)	(184,287)	
(Loss) on sale of donated stocks	(5,424)		(5,424)	
Miscellaneous income	11		11	76
Total revenues	<u>(231,624)</u>	<u>(184,287)</u>	<u>(415,911)</u>	<u>202,066</u>
Net assets released from restrictions:				
Satisfaction of donor restrictions	21,172	(21,172)		
Principal and interest draw from curator endowment	136,983	(136,983)		
Total support and revenues	<u>2,010,497</u>	<u>190,801</u>	<u>2,201,299</u>	<u>5,189,905</u>

The accompanying notes are an integral part of these financial statements

BAINBRIDGE ISLAND MUSEUM OF ART
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2018
 With comparative totals for the year ended December 31, 2017

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>2018 Total</u>	<u>2017 Total</u>
Expenses				
Program services	\$ 1,420,175	\$	1,420,175	1,327,110
Management and general	552,479		552,479	568,905
Fundraising	379,178		379,178	430,015
Total expenses	<u>2,351,832</u>		<u>2,351,832</u>	<u>2,326,030</u>
Change in net assets	(341,335)	190,801	(150,533)	2,863,875
Net assets at beginning of year	14,332,426	3,546,172	17,878,598	15,026,034
Prior period adjustment	<u>2,444</u>		<u>2,444</u>	<u>(8,867)</u>
Net assets at beginning of year - as restated	14,334,870	3,546,172	17,881,042	15,017,167
Net assets at end of year	<u>\$ 13,993,535</u>	<u>\$ 3,736,973</u>	<u>\$ 17,730,509</u>	<u>\$ 17,881,042</u>

The accompanying notes are an integral part of these financial statements

**BAINBRIDGE ISLAND MUSEUM OF ART
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2018**

With comparative totals for the year ended December 31, 2017

	Program Services				Supporting Services				Total	2018 Total	2017 Total	
	Store	Bistro	Rentals	Other Programs	Total	Management and General	Auction Events-Direct Benefits to Donors	Other Fundraising				Total Fundraising
Salaries and wages	\$ 117,597	\$ 132,415	\$ 54,025	\$ 461,258	\$ 765,295	\$ 289,567	\$	\$ 207,503	\$ 207,503	\$ 497,070	\$ 1,262,365	\$ 1,193,529
Retirement	1,442	1,905	2,701	2,701	6,048	10,929		2,943	19,920	13,872	19,920	15,983
Payroll taxes	12,038	18,570	6,609	32,558	69,775	35,062		15,862	15,862	50,924	120,698	112,117
Employee benefits	6,293	8,303	12,325	36,684	63,605	29,535		14,674	14,674	44,209	107,814	102,700
Total personnel expenses	137,370	161,193	72,959	533,200	904,722	365,093		240,982	240,982	606,074	1,510,797	1,424,329
Inventory costs	43,230	84,231	6,608		134,069					134,069	134,069	157,820
Consignment commissions	120,719				120,719					120,719	124,079	124,079
Other programs expenses	14,526	16,000	6,936		37,462					37,462	37,462	51,587
Cost of meals and beverages									19,997	19,997	19,997	17,295
Cost of entertainment									3,181	3,181	3,181	1,112
Cost of rentals									11,055	11,055	11,055	9,892
Cost of auction packages									72,561	72,561	72,561	50,570
Cost of raffles									1,401	1,401	1,401	951
Arts Commissions									15,719	15,719	15,719	13,417
Other fundraising expenses									6,856	6,856	6,856	13,523
Board expenses									6,110	6,110	6,110	5,148
Office equipment and data base	3,916	6,526	2,284	8,485	21,211	7,506		3,916	3,916	11,422	32,633	31,667
Occupancy	8,159	21,757	21,757	176,776	228,449	43,514			43,514	271,963	271,963	247,001
Accounting & bookkeeping						13,145			13,145	13,145	13,145	12,400
Other professional expenses	1,390	2,316	810	3,010	7,526	2,958			14,258	17,216	24,742	26,346
Operations and office expenses	3,222	5,548	1,780	6,612	17,162	5,484			41,112	46,596	63,758	24,051
Bank and credit card charges	3,711	6,185	2,165	8,041	20,102	7,113			14,929	22,042	42,144	47,702
Taxes	127	339	339	8,391	9,196	2,230			2,230	2,230	11,426	9,858
Travel, meeting, entertainment						14,025			3,523	17,548	17,548	10,396
Dues & subscription	574	574	574	11,482	13,204	2,584			2,584	2,584	2,584	2,101
Insurance						5,358			574	5,932	19,136	18,413
Memberships									21,460	21,460	21,460	24,090
Education/workshops/exhibits									12,166	12,166	117,538	101,141
Community partnerships						8,734				20,900	170,339	29,070
Marketing and advertising											107,205	21,050
Pledge write-off											60,767	26,667
Arts collection purchases											2,855,547	2,713,490
In-kind donated services											386,495	424,051
Depreciation and amortization	342,261	311,573	128,184	1,105,987	1,888,004	483,854			483,690	967,543	3,242,042	3,137,541
Total expenses	11,793	30,715	29,967	241,712	314,187	68,625			3,683	72,308	1,039,851	931,657
Less expenses included with revenues on the statement of activities	354,054	342,288	158,151	1,347,699	2,202,191	552,479			108,195	1,039,851	(962,687)	(809,066)
Total expenses included in the expense section of the statement of activities (Note 21)	(354,054)	(342,288)	(158,151)	(854,493)	(854,493)				(108,195)	(108,195)	931,657	2,328,475

The accompanying notes are an integral part of these financial statements

BAINBRIDGE ISLAND MUSEUM OF ART
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2018
With comparative totals for the year ended December 31, 2017

	2018	2017
Cash flows from operating activities:		
Change in net assets	\$ (150,533)	\$ 2,863,875
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Contributions restricted for endowment	(512,500)	(2,512,500)
Unrealized/realized loss from chief curator endowment	213,536	
Unrealized/realized gain (loss) from operating endowment	79,190	(68,712)
Unrealized/realized loss from deferred maintenance	12,469	356
Unrealized/realized gain (loss) from cash reserves	98,970	(44,440)
Investment income restricted for chief curator endowment	(29,249)	
Amortization and depreciation	386,495	424,051
Loss on sale of investments	5,424	
Prior period adjustment	2,444	(8,867)
(Increase) decrease in:		
Receivables	127,946	239,002
Prepaid	24,895	10,318
Inventory	(5,427)	6,791
Security deposit	8,021	(5,185)
Increase (decrease) in:		
Accounts payable	14,650	33,245
Retirement plan payable	3,937	15,983
Annual leave	4,450	(6,951)
Accrued expenses	59,477	8,573
Net cash provided by operating activities	344,195	955,539
Cash flows from investing activities:		
Purchase of investments	(3,525,956)	(4,671,149)
Proceeds from sale of investments	3,275,642	1,103,517
Purchase of furniture, fixtures, equipment, web design	(75,141)	(30,212)
Net cash provided (used) by investing activities	(325,455)	(3,597,844)
Cash flows from financing activities:		
Collections on contributions restricted for chief curator endowment	500,000	2,500,000
Investment income restricted for chief curator endowment	29,249	
Cash draw - chief curator endowment	(138,381)	
Collections on contributions restricted for operating endowment	12,500	12,500
Net cash provided (used) by financing activities	403,368	2,512,500
Net increase (decrease) in cash and cash equivalents	422,108	(129,805)
Cash and cash equivalents - unrestricted and restricted		
Beginning of year	312,579	442,384
End of year	\$ 734,687	\$ 312,579

The accompanying notes are an integral part of these financial statements

**BAINBRIDGE ISLAND MUSEUM OF ART
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 1 – DESCRIPTION OF ORGANIZATION OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of Operations: Bainbridge Island Museum of Art (Art Museum) was formed in April 2009 as a non-profit organization. It is an educational institution whose mission is to engage a diverse population with the art of our region and our time. The Museum exhibits, interprets, preserves, collects, and promotes works of proven cultural value as well as new works by emerging artists and craftspeople. It is supported through donor contributions including memberships and fundraising/special events, gift shop (approximately 80% arts consignment from various local artists) and Bistro revenues, auditorium, classroom and museum rentals.

Basis of Presentation: The financial statements of the Organization have been prepared on the accrual basis in accordance with accounting principles generally accepted in the United States of America. The financial statements are presented in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958 and the provisions of the American Institute of Certified Public Accountants (AICPA) "Audit and Accounting Guide for Not-for-Profit Organizations" (the "Guide"). ASC 958-205 was effective January 1, 2018.

Under the provisions of the Guide, net assets and revenues, and gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Organization and changes therein are classified as follow:

Net Assets without Donor Restrictions: Net assets that are not subject to donor-imposed restrictions and be expended for any purpose in performing the primary objectives of the Organization. The Organization's board may designate assets without restrictions for specific operational purpose from time to time.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Contributions: Unconditional contributions are recognized when pledged and recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Gifts of cash and other assets are reported with donor restricted support if they are received with donor stipulations that limit the use of the donated assets. Restricted contributions whose restrictions are met in the same reporting period are reported as unrestricted contributions.

Unconditional pledges are stated at the amount management expects to collect from outstanding promises. Management believes that promises to give (Pledges receivable) are fully collectible; therefore no allowance for uncollectible accounts is required at December 31, 2018.

New Accounting Pronouncement: On August 18, 2016, FASB issued ASU 2016-14, Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities. The update addresses net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Organization has adjusted the presentation of these statements accordingly. The ASU has been applied retrospectively to all periods presented.

**BAINBRIDGE ISLAND MUSEUM OF ART
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 1 – DESCRIPTION OF ORGANIZATION OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Functional Expenses:

The costs of providing program and other activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among program services and supporting services benefited. Such allocations are determined by management on an equitable basis. The expenses that are allocated include the following:

Expense	Method of Allocation
Salaries and benefits-Executive Director and Chief Curator	Full Time Equivalent
Office equipment and database	Full Time Equivalent
Occupancy	Square Footage
Other professional services	Full Time Equivalent
Operations and office expenses	Full Time Equivalent
Property taxes	Square Footage
Insurance	Full Time Equivalent
Depreciation	Square Footage
Amortization	Full Time Equivalent
Marketing-website/general	Full Time Equivalent

Property and Equipment: Property and equipment are recorded at cost or at fair market value when received, if donated. Expenditures that materially increase estimated useful lives of assets are capitalized. Maintenance and repairs are expensed as incurred. Gains or losses on disposition of property are recognized as changes in unrestricted net assets. Contributions of cash that must be used to acquire property and equipment are reported as net assets with donor restrictions. The Organization reclassifies net assets with donor restrictions to net assets without donor restrictions upon expirations of donor restrictions.

Depreciation: Depreciation is provided on the straight-line method over the estimated useful lives of the assets ranging from 3 to 39 years.

Collections of Artwork: The Organization has a collection of artwork valued at \$778,802 at December 31, 2018 that is available for public display. The Organization has adopted a policy of not capitalizing the collection of art work in its financial statements. Accordingly, no collection items are recognized as assets, whether they are purchased or received as a donation. Purchases of collection items reduce net assets in the period when purchased. Proceeds from sales or insurance recoveries are recorded as increases in net assets when received. It is the policy of the organization that proceeds from the sale of any collection items are to be used to purchase additional collection items. A total of \$38,075 and \$32,300 was donated to the Organization in 2018 and 2017, respectively, and used to purchase permanent art work. None was removed from the collection in 2018 and 2017.

Federal Income Taxes: Bainbridge Island Museum of Art is a nonprofit organization exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The Organization has been determined by the Internal Revenue Service not to be a "private foundation" within the meaning of Section 509(a) of the Internal Revenue Code. However, income from certain activities not directly related to the Organization's tax-exempt purpose is subject to taxation as unrelated business income. Income taxes for such unrelated business income totaled \$2,500 and \$2,300 in 2018 and 2017, respectively.

Use of Estimates: The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**BAINBRIDGE ISLAND MUSEUM OF ART
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 1 – DESCRIPTION OF ORGANIZATION OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Inventory: Inventories are valued at the lower of cost or market. Cost is determined on the first-in, first-out method.

Supplemental Cash Flow Information: The Organization considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

Web Site Development Costs: The Organization expenses all costs incurred that relate to the planning and post-implementation phases of web site development. Costs incurred in the development phase are capitalized to the extent their estimated useful lives exceed one year. Any capitalized costs are amortized over the assets' useful lives of three years. Costs incurred associated with repairs and maintenance of the existing site or the development of website content is expensed as incurred.

Advertising: Advertising costs are expensed as incurred. Advertising expense for the year ended December 31, 2018 and 2017 was \$85,301 and \$75,626, respectively.

Concentration of Credit Risk: The Organization at times has cash and savings balances in excess of the FDIC insurance amounts. The Organization believes it is not exposed to significant credit risk on cash and cash equivalents. Cash exceeded the FDIC insured limit at December 31, 2018 by approximately \$543,000.

Comparative Financial Statements: The financial statements include certain prior-year summarized comparative information. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2017, from which the summarized information was derived.

Reclassifications: Certain accounts in the prior-year financial statements have been reclassified for comparative purposes to conform to the presentation in the current-year financial statements and as a result of adopting ASU 2016-14.

NOTE 2 – CASH AND CASH EQUIVALENTS AND RESTRICTIONS

The Organization considers short-term highly liquid investments to be cash equivalents provided that they are both readily convertible to cash and had an original maturity of three months or less when purchased. The balance in cash and cash equivalents at December 31, 2018 and 2017 was \$734,687 and \$312,579, respectively.

**BAINBRIDGE ISLAND MUSEUM OF ART
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 2 – CASH AND CASH EQUIVALENTS (CONTINUED)

Cash and cash equivalents consist of the following as of December 31:

	2018	2017
Unrestricted:		
Checking and savings	\$ 606,589	\$ 286,017
Other cash	<u>3,355</u>	<u>12,890</u>
Sub-total	609,944	298,907
Restricted:		
Murdock grant	38,500	
Checking - operating endowment	12,500	
Savings - operating endowment		5,000
Checking - purpose restricted	20,743	8,672
Savings - deferred maintenance	<u>53,000</u>	
Sub-total	124,743	13,672
Total cash	<u>734,687</u>	<u>312,579</u>
Investment - cash reserve	<u>320,639</u>	<u>998,301</u>
Total cash including investment cash equivalents	\$ <u>1,055,326</u>	\$ <u>1,310,880</u>

NOTE 3 – LIQUIDITY

For the year 2018, total financial assets available within one year of the statement of financial position is \$1.15 million as shown below. The Organization estimates this meet 180 days of normal operating expenses, which are, on average \$210,000 every 30 days. The Organization also has an additional \$1.15 million in another investment account that can be drawn upon at the Board's discretion (Laird Norton Cash Reserve). Income from the operating endowment is unrestricted; therefore, it is available for general expenditure. Furthermore, the Organization generates additional cash flow through normal business activities.

The Organization is committed to maintaining the principal balances of the investment accounts, subject to donor requirements, and invests excess cash alongside the corpus. There is no intention to spend from any of the endowment funds other than amounts appropriated for general expenditures as part of its annual budget approval process.

The investment income from the chief curator endowment is donor restricted; therefore, it is not available for general expenditure. It is reported under net assets with donor restrictions until appropriated for expenditure.

The financial assets have been reduced by amounts not available for general use because of donor imposed restrictions within one year of the balance sheet date and amounts set aside for long-term investing in endowments.

**BAINBRIDGE ISLAND MUSEUM OF ART
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 3 – LIQUIDITY (CONTINUED)

The Organization's financial assets available within one year of the balance sheet date for general expenditures are as follow:

	2018	2017
Cash and cash equivalents	\$ 734,687	\$ 312,579
Contribution Receivable	66,075	161,721
Short Term Investments	320,639	998,301
Other investments appropriated for current use	155,000	150,000
	<u>1,276,401</u>	<u>1,622,601</u>
Not available for general use - Note 2	<u>(124,743)</u>	<u>(13,672)</u>
Total	<u>\$ 1,151,658</u>	<u>\$ 1,608,929</u>

NOTE 4 – IN-KIND DONATED SERVICES, GOODS, AND NONCASH CONTRIBUTIONS

The donations of services are recognized if the services received (a) create or enhance nonfinancial assets or (b) require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. During the year ended December 31, 2018 and 2017, the Organization received \$3,140 of phone installation and photography services and \$26,667 of legal services, respectively, that meet the requirements of FASB Accounting Standards Codification 958 (formerly SFAS No. 116) for recognition in the financial statements. Donated goods and noncash contributions are valued at estimated fair market value at date of donation.

The value of other donated volunteer services is not reflected in the accompanying financial statements as the services do not meet the criteria of ASC 958 and are not required to be recorded. However, a substantial number of volunteers have donated significant amounts of their time to the Organization.

NOTE 5 – WEBSITE DESIGN AND SIGNAGE

The ultra-cart website was completed and launched in April 2016 for a total cost of \$13,208 and is being amortized over three years. The Island Gateway permanent signage was completed and commenced amortization in 2018; total cost was \$27,340. It is being amortized over seven years. Website development service was completed at the end of 2018 for \$18,000. It will be amortized over three years. Total amortization expense in 2018 and 2017 was \$8,354 and \$4,470, respectively.

**BAINBRIDGE ISLAND MUSEUM OF ART
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 5 – WEBSITE DESIGN AND SIGNAGE (CONTINUED)

Amortized assets consisted of the following as of December 31:

	2018	2017
Signage	\$ 27,809	\$ 469
Ultra cart	13,209	13,209
Website development	18,000	
	<u>59,018</u>	<u>13,678</u>
Accumulated amortization	<u>(16,666)</u>	<u>(8,313)</u>
Total amortized assets - net	<u>\$ 42,352</u>	<u>\$ 5,365</u>

NOTE 6 – PROPERTY AND EQUIPMENT

Property and equipment consisted of the following as of December 31:

	2018	2017
Building - art museum and auditorium/classroom	\$ 10,127,273	\$ 10,125,006
Equipment, furniture, and fixtures	657,359	629,825
Land - art museum	3,102,516	3,102,516
Leasehold improvement - D1 sublease	68,743	68,743
Leasehold improvement - 249 Winslow Way	3,153	3,153
Sub-total	<u>13,959,044</u>	<u>13,929,243</u>
Accumulated depreciation	<u>(2,309,623)</u>	<u>(1,931,482)</u>
Total property and equipment - net	<u>\$ 11,649,421</u>	<u>\$ 11,997,761</u>

NOTE 7 – RELATED PARTY TRANSACTIONS

A board member and her family donated approximately \$1,400,000 and \$3,584,000 in 2018 and 2017, respectively. Total pledges receivable balance from other board members as of December 31, 2018 and 2017 were approximately \$110,000 and \$232,000, respectively.

The Organization signed a five-year lease contract with a board member's spouse in October 2017. Refer to Note 13.

**BAINBRIDGE ISLAND MUSEUM OF ART
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 8 – INCOME TAXES

The Organization has analyzed the tax positions taken in its filing with the Internal Revenue Service and state jurisdictions where it operates. The Organization believes that its income tax filing positions will be sustained upon examination and does not anticipate any adjustments that would result in a material adverse effect on the Organization's financial condition, results of operations or cash flows. Accordingly, the Organization has not recorded any reserve, or related accruals for interest and penalties for uncertain income tax positions at December 31, 2018.

The organization is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. The Organization believes it is no longer subject to income tax examinations for years prior to 2015.

NOTE 9 – NET ASSETS - ENDOWMENT FUNDS

Operating Endowment:

Bainbridge Island Museum of Art's endowment consists of two funds held with an institutional investment company. The endowment includes both donor-restricted endowment funds which are classified and reported based on the existence or absence of donor-imposed restrictions.

Return Objectives and Risk Parameters

Bainbridge Island Museum of Art's philosophy is that the endowment is to exist into perpetuity and therefore should provide funding for operations in perpetuity. To achieve this goal, the primary objective in the investment management for endowment fund assets is:

- Preservation of purchasing power: Achieve returns in excess of the rate of inflation over the investment horizon in order to preserve capital.
- Income and growth: Achieve a balanced return of income and growth.

Bainbridge Island Museum of Art believes there should be an emphasis on contributions to the endowment as the most important source of new funds to assure significant growth of assets. Accordingly, future giving will serve to increase endowment fund principal.

Strategies Employed for Achieving Objectives

In order to meet its needs, the investment strategy of Bainbridge Island Museum of Art is to emphasize total return. Investment assets should be allocated to a combination of growth-oriented and cash flow-producing investments.

Spending Policies and How the Investment Objectives Relate to Spending Policy

It is the policy of the Bainbridge Island Museum of Art Board of Directors to determine the use for monies earned from the investment of endowment funds.

**BAINBRIDGE ISLAND MUSEUM OF ART
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 9 – NET ASSETS - ENDOWMENT FUNDS (CONTINUED)

Interpretation of Relevant Law

Bainbridge Island Museum of Art follows the Uniform Management of Institutional Funds Act (UMIFA) and its own governing documents. UMIFA requires the historical dollar amount of a donor-restricted endowment fund to be preserved. In the absence of donor restrictions, the net appreciation on a donor-restricted endowment fund is spendable under UMIFA.

The State of Washington enacted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) on May 11, 2009. The Board of Directors has interpreted UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, Bainbridge Island Museum of Art will classify as net assets with donor restrictions the original value of gifts. The remaining portion of the donor-restricted endowment that is not restricted is available for expenditure upon approval by the Board in a manner consistent with the standard of prudence prescribed by UPMIFA. An investment policy was developed in the first half of 2018 and signed July 2018. The Finance Committee of the Board of Directors is working with the Investment Management team to determine appropriate asset allocation, spending rates (if different from the general policy) and investment goals for each of the investment funds held with Laird Norton Wealth Management. Each investment fund will have an addendum to the investment policy that guides the prudent management and realistic return of the organization's assets.

Late in 2010, a donor offered a matching gift of up to \$500,000 to help the organization establish an operating endowment to support its operations. The Organization, by way of a fundraising appeal that ended on December 31, 2013, successfully raised the \$500,000 from community donations. Most of the community donations were raised in 2013. During the fundraising appeal, the organization advertised and maintained the flexibility of applying specific donations first to the museum building construction in order to be debt-free at the end of the construction and then to the initial establishment of an endowment.

Following a formal review process in 2014, the board approved the selection of an investment company to handle the organization's endowment. A total of \$500,000 (organization's portion) was approved to open and fund the endowment account in August 2014. Additionally, in 2014, the organization received the first of five payments of \$100,000 per year from a donor, who helped establish the operating endowment. The donor paid off the pledge by the end of 2018.

In 2018 and 2017, the Organization received donations of \$12,500 each year. The 2017 donation was added to the endowment account. The 2018 donation will be added to the endowment account in 2019; the funds are currently in the checking account.

The corpus is to be maintained in perpetuity. The investment income will be unrestricted according to the donor.

Total cash deposited into the endowment account as of December 31, 2018 and 2017 was \$1,012,500 and \$912,500, respectively, as shown below.

Management believes that the investment income generated from the endowment is unrestricted. The donor intended it to be used for activities not specifically supported by the public.

**BAINBRIDGE ISLAND MUSEUM OF ART
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 9 – NET ASSETS - ENDOWMENT FUNDS (CONTINUED)

Changes in the operating endowment net assets for the year ended December 31:

	2018		2017	
	Without Donor Restrictions	With Donor Restrictions	Without Donor Restrictions	With Donor Restrictions
Funded operating endowment, beginning of year	\$ 88,457	\$ 912,500	\$ 4,993	\$ 800,000
Investment return, net:				
Dividend and capital gain distributions	23,636		23,891	
Realized gain (loss)	8,118		(3,203)	
Unrealized gain (loss)	(87,308)		71,915	
	(55,554)		92,603	
Contributions				112,500
Fees	(10,012)		(9,139)	
	(65,566)		83,464	
Funded operating endowment, end of year	22,891	912,500	88,457	912,500
Deposit in transit		100,000		
Checking		12,500		
Savings				5,000
Endowment pledge receivable				95,000
Total operating endowment, end of year	\$ 22,891	\$ 1,025,000	\$ 88,457	\$ 1,012,500

Chief Curator Endowment:

In late December 2017, a new endowment was created for \$2,500,000. The funding was provided for a new Curator Endowment established by the Museum Founder. The new endowment account was established with RBC Wealth Management to accept the funds. It was transferred to Laird Norton in 2018. Another \$500,000 was added to the endowment account at the end of 2018, bringing the total corpus at \$3 million less the principal draw in 2018.

The Curator Endowment stipulates that it will be used to annually fund the chief curator's salary and benefits. The return objectives, risk parameters, and spending policy will be similar to the existing operating endowment.

As stipulated in the Endowment language, the Organization released \$138,382 from the corpus and investment income in March 2018, for the 2017 appropriated salary and benefits for the chief curator. Board approved the transaction. The salary and benefits were initially paid from the Organization's checking account.

**BAINBRIDGE ISLAND MUSEUM OF ART
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 9 – NET ASSETS - ENDOWMENT FUNDS (CONTINUED)

Changes in the chief curator endowment net assets for the year ended December

	2018	2017
	With Donor Restrictions	With Donor Restrictions
Funded operating endowment, beginning of year	\$ 2,500,000	
Investment income (loss):		
Dividend and capital gain distributions	41,975	
Realized gain (loss)	(19,881)	
Unrealized gain (loss)	(193,655)	
	(171,561)	
Deposit to the endowment	500,000	
Fees	(11,327)	
Investment income draw	(1,398)	
Principal draw	(136,983)	
	178,731	
Funded chief curator endowment, end of year	2,678,731	
Savings		\$ 2,500,000
Total chief curator endowment, end of year	\$ 2,678,731	\$ 2,500,000

Underwater Endowment Funds:

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Organization to retain as a fund of perpetual duration. Deficiency of this nature exists in one donor restricted endowment fund. This deficiency resulted from unfavorable market fluctuations that occurred shortly after the investment of new contributions for donor-restricted endowment fund. There was also a draw from the corpus in 2018 as stated above.

The Organization has a policy that permits spending underwater endowment funds (from chief curator) depending on the degree to which the fund is underwater, unless otherwise precluded by donor intent or relevant laws and regulations.

Chief Curator Endowment account was underwater at December 31, 2018.

Initial principal	\$ 3,000,000
2018 draw	(136,983)
Principal balance	2,863,017
Fair value	(2,678,731)
Underwater	\$ 184,286

**BAINBRIDGE ISLAND MUSEUM OF ART
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 10 – PROMISES TO GIVE (PLEDGES RECEIVABLE)

Unconditional promises to give consist of the following as of December 31:

	2018	2017
Less than one year	\$ 66,075	\$ 161,721
One to five years	90,000	122,300
Total	\$ <u>156,075</u>	\$ <u>284,021</u>

NOTE 11 – SUBSEQUENT EVENTS

The Organization has evaluated events and transactions for potential recognition or disclosure through the date the audit report of November , 2019 which was the date the financial statements were available to be issued.

NOTE 12 – RESTRICTIONS ON PROPERTY

In June 2011, the Washington State Building for the Arts (grantor agency) provided \$502,460 for the construction of the auditorium/classroom building. The organization’s matching rate was 80% of total costs. A promissory note was signed by the Washington State Department of Commerce and the organization to secure the State’s interest in case of default (noncompliance). The State has no expectation of repayment of the grant so long as the funds are used according to the conditions set out in the contract. If the funds are not used as required by the contract for a period of 10 years, the State shall be entitled to the unpaid principal balance of the note with interest at a rate of 5%, compounded annually.

The organization was awarded a second grant of \$1.7 million from the Washington State Building for the Arts Program in July 2013 for the museum building construction. The Washington State Department of Commerce administered the grant. The Organization received the funds in 2014. The grantor agency-imposed property usage restrictions similar to the grant received in year 2011 as shown on the promissory note.

The Organization’s policy is to depreciate the above costs based on their useful lives, which is consistent with their overall policy regarding long lived assets.

NOTE 13 – OPERATING LEASES

The Organization has a non-cancellable operating lease for rental of two copiers. It is a five-year lease for \$411 a month beginning in September 2013. In January 2018, these leases were updated as part of the new Administrative office set-up. The operating lease renewed at \$358 per month for five years. Annual scheduled lease payments are \$4,291 from 2019 through 2022 for a total of \$17,164.

The organization signed an office sublease (Unit D1) effective January 1, 2016 through March 31, 2018 for \$4,010 per month and a security deposit of \$8,021. The lease contract terminated the end of March 2018. Lease expense in 2018 was \$12,031.

The Organization signed a five-year lease for the 249 Winslow Way administration office effective October 2017 for a total of \$308,245; however, the administration personnel actually moved to the new office in January 2018. Thus, no lease payments were required to be paid for October 2017 through December 2017. A security deposit was paid in 2017 for \$5,185. The owner of the building is a spouse of one of the Board members. The Board member joined in 2018. Lease expense in 2018 was \$62,532.

**BAINBRIDGE ISLAND MUSEUM OF ART
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 13 – OPERATING LEASES (CONTINUED)

Subsequently in 2019, the leased building is undergoing a major improvement. As a result, the landlord has suspended lease rent effective July 1, 2019 through November 2019. The effect of this abatement is a reduction of actual lease payments of approximately \$26,500 and a rent abatement liability, which will be amortized over the remaining life of the lease. The effect of the abatement was not included in the minimum lease payments below since this matter occurred later in 2019.

Future minimum lease payments under this lease as of December 31:

		2018		2017
2018	\$		\$	62,532
2019		63,783		63,783
2020		65,058		65,058
2021		66,360		66,360
2022		50,512		50,512
Total	\$	245,713	\$	308,245

NOTE 14 – INVESTMENTS

Net appreciation (depreciation) in the fair value of investments, which consists of the realized gains or losses, and the unrealized appreciation (depreciation) on those investments, are presented in the statement of activities in accordance with donor restrictions. Investment income is presented net of investment fees.

Cash reserve investments (which include investments other than cash) and endowments by type as of December 31 are as follow:

Cash reserves, short term, with RBC consisted of the following as of December 31:

	2018		2017	
	Fair Value	Historical Cost	Fair Value	Historical Cost
Sweep	\$ 272,196	\$ 272,196	\$ 450,240	\$ 450,240
Cash and money market			500,000	500,000
Vanguard fixed income	48,443	49,735	48,061	48,488
Total	\$ 320,639	\$ 321,931	\$ 998,301	\$ 998,728

**BAINBRIDGE ISLAND MUSEUM OF ART
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 14 – INVESTMENTS (CONTINUED)

Cash reserves, long term, with Laird Norton consisted of the following as of December 31:

	2018		2017	
	Fair Value	Historical Cost	Fair Value	Historical Cost
Cash and cash equivalents	\$ 19,296	\$ 19,296	\$ 38,902	\$ 38,902
Domestic fixed income	278,115	286,835	311,841	312,595
Domestic equity	380,395	386,315	260,761	226,365
International equity	478,690	510,552	199,410	180,526
Total	<u>\$ 1,156,496</u>	<u>\$ 1,202,998</u>	<u>\$ 810,914</u>	<u>\$ 758,388</u>

	2018	2017
Return (loss) on investments without donor restrictions:		
Cash reserves:		
Cash reserves-interest, dividend, capital gain distribution, net of investment fees of \$11,160 and \$5,814, respectively	\$ 19,890	\$ 14,459
Unrealized/realized gain (loss) from investments	(98,970)	44,440
Total	<u>\$ (79,080)</u>	<u>\$ 58,899</u>

Deferred maintenance cash reserve with Laird Norton consisted of the following as of December 31:

	2018		2017	
	Fair Value	Historical Cost	Fair Value	Historical Cost
Cash and cash equivalents	\$ 3,806	\$ 3,806	\$ 6,240	\$ 6,240
Domestic fixed income	34,466	35,319	38,844	38,800
Domestic equity	45,011	50,400	30,240	30,800
International equity	59,877	65,897	25,260	25,100
	<u>143,160</u>	<u>155,422</u>	<u>100,584</u>	<u>100,940</u>
Deposit in transit	53,000	53,000		
Total	<u>\$ 196,160</u>	<u>\$ 208,422</u>	<u>\$ 100,584</u>	<u>\$ 100,940</u>

	2018	2017
Return (loss) on investments without donor restrictions:		
Deferred maintenance:		
Interest, dividend, capital gain distribution, net of investment fees of \$1,552 and \$25, respectively	\$ 2,044	\$ 1,092
Unrealized/realized (loss) from investments	(12,469)	(356)
Total	<u>\$ (10,425)</u>	<u>\$ 736</u>

**BAINBRIDGE ISLAND MUSEUM OF ART
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 14 – INVESTMENTS (CONTINUED)

Operating endowment funds with Laird Norton consisted of the following as of December 31:

	2018		2017	
	Fair Value	Historical Cost	Fair Value	Historical Cost
Cash and cash equivalents	\$ 15,939	\$ 15,939	\$ 135,507	\$ 135,507
Domestic fixed income	221,709	230,766	327,611	327,367
Domestic equity	306,176	290,345	303,257	255,445
International equity	<u>391,567</u>	<u>405,125</u>	<u>234,582</u>	<u>205,051</u>
Total	<u>\$ 935,391</u>	<u>\$ 942,175</u>	<u>\$ 1,000,957</u>	<u>\$ 923,370</u>

	2018	2017
Return (loss) on investments without donor restrictions:		
Operating endowment:		
Operating endowment-interest, dividend, capital gain distribution, net of investment fees of \$10,012 and \$9,139, respectively	\$ 13,624	\$ 14,752
Unrealized/realized gain (loss) from investments	<u>(79,190)</u>	<u>68,712</u>
Total	<u>\$ (65,566)</u>	<u>\$ 83,464</u>

Chief curator endowment funds with Laird Norton consisted of the following as of December 31:

	2018		2017	
	Fair Value	Historical Cost	Fair Value	Historical Cost
Deposit in transit			\$ 2,500,000	\$ 2,500,000
Cash and cash equivalents	\$ 48,385	\$ 48,385		
Domestic fixed income	598,117	597,000		
Domestic equity	866,656	971,000		
International equity	<u>1,165,573</u>	<u>1,256,000</u>		
Total	<u>\$ 2,678,731</u>	<u>\$ 2,872,385</u>	<u>\$ 2,500,000</u>	<u>\$ 2,500,000</u>

	2018
(Loss) on investments with donor restrictions:	
Chief curator endowment:	
Interest, dividend, capital gain distribution, net of investment fees of \$11,307 and \$0, respectively	\$ 29,249
Unrealized/realized (loss) from investments	<u>(213,536)</u>
Total	<u>\$ (184,287)</u>

The historical costs reported above represent the initial costs adjusted for dividends and capital gains since inception.

**BAINBRIDGE ISLAND MUSEUM OF ART
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 15 – FAIR VALUE OF FINANCIAL INSTRUMENTS

In September 2006, the FASB issued ASC 820 (formerly SFAS No. 157 "Fair Value Measurements") in order to establish a single definition of fair value and a framework for measuring fair value in generally accepted accounting principles (GAAP) that is intended to result in increased consistency and comparability in fair value measurements. FASB ASC 820 also expands disclosures about fair value measurements. FASB ASC 820 applies whenever other authoritative literature requires (or permits) certain assets or liabilities to be measured at fair value, but does not expand the use of fair value. FASB ASC 820 was originally effective for financial statements issued for fiscal years beginning after November 15, 2007, and interim periods within those years with early adoption permitted.

The three levels of the fair value hierarchy under FASB ASC 820 are described as follows:

Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the entity has the ability to access.

Level 2 – Inputs to the valuation methodology include: quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in inactive markets; inputs other than quoted prices that are observable for the asset or liability; inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

All fair values for stocks and bonds were determined under Level 1 inputs. The sweep program investments were determined under Level 2 inputs. 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.

NOTE 16 – PRIOR YEAR ADJUSTMENTS

Prior period adjustments were made in 2018 and 2017 to correct various general ledger accounts, none of which was individually significant. The effect on unrestricted net assets in 2018 and 2017 was a net increase of \$2,444 and a net decrease of (\$8,867), respectively.

NOTE 17– CONDITIONAL PROMISE TO GIVE

In 2016, the Organization received a conditional pledge from a Board member (Founder) for \$500,000 per year for the next five years contingent upon the Organization raising that amount of money through alternative revenue sources each year of the gift. The annual pledge will be recognized as contribution income when the Founder's requirements are met. The Organization received the first donation of \$500,000 in December 2016, upon meeting the Founder's conditions for 2016. The Organization received an additional \$500,000 in 2017 upon meeting the donor's conditions.

This agreement was revised effective in June 2018 where the donor will donate \$500,000 to the Organization each year starting in 2018 for four years if the organization can raise an equal amount each year. Management believes that they will be able to meet the Founder's requirements.

**BAINBRIDGE ISLAND MUSEUM OF ART
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 18 – RETIREMENT PLAN

Effective April 1, 2017, the Organization adopted a 403(b) plan or TSA (Tax Sheltered Annuity). The Plan allows for elective deferrals. The Organization may contribute matching and nonelective contributions.

The discretionary matching contributions equal to a uniform percentage or dollar amount of the elective deferrals. If employees are not making elective deferrals, such employees will not receive any matching contributions. To be eligible for the matching contributions, an employee must be employed by the Organization on the last day of the Plan year and must have completed at least 1,000 hours of service with the Organization during the Plan year. For the year 2017, the Organization made matching contributions of 3% of participants' gross wages. Total employer matching contributions for 2018 and 2017 was \$19,920 and \$15,983, respectively.

In order to share in the nonelective contribution, the employees must be employed by the Organization on the last day of the Plan year. For the year 2018 and 2017, the Organization did not make nonelective contributions.

Employees are eligible to make elective deferrals beginning on the date of hire upon meeting one year of service and 1,000 service hours. The contributions are made to the Plan through payroll deductions.

Plan participants are immediately vested in all amounts in their accounts. Plan participants are able to direct the investments in their accounts.

NOTE 19 – NET ASSETS WITH DONOR RESTRICTIONS

As of December 31, 2018 and 2017, net assets with donor restrictions consisted of the following:

Subject to expenditure for specified purpose:

	2018	2017
Cultural diversity series	\$ 12,500	\$ 25,000
Exhibitions		500
Exhibition catalogs	<u>20,743</u>	<u>8,172</u>
	<u>\$ 33,243</u>	<u>\$ 33,672</u>

Subject to spending policy and appropriation:

Chief curator	\$ 2,678,731	\$ 2,500,000
Operating endowment	<u>1,025,000</u>	<u>1,012,500</u>
	<u>\$ 3,703,731</u>	<u>\$ 3,512,500</u>
 Total	 <u>\$ 3,736,973</u>	 <u>\$ 3,546,172</u>

NOTE 20 – NEW ACCOUNTING STANDARDS AND DEVELOPMENTS

ASU 2016-18 Statement of Cash Flows (Topic 230): Restricted Cash - It provides guidance on the presentation of restricted cash or restricted cash equivalents in the statement of cash flows, thereby reducing the diversity in practice. It is effective for fiscal years beginning after December 15, 2018 for nonpublic and other entities; early adoption is permitted. It should be applied on a retrospective basis. The Organization did not adopt this ASU in 2016.

**BAINBRIDGE ISLAND MUSEUM OF ART
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 20 – NEW ACCOUNTING STANDARDS AND DEVELOPMENTS (CONTINUED)

In May 2014, the FASB issued ASU 2014-09, Revenue from Contracts with Customers. The ASU introduces a comprehensive, principles-based framework for recognizing revenue. ASU 2015-14, Revenue from Contracts with Customers: Deferral of the Effective Date, defers the original effective date of ASU 2014-09 by one year. For nonpublic entities, ASU 2014-09 (as revised) is effective for annual reporting periods beginning after December 15, 2018, and interim reporting periods within annual reporting periods beginning after December 15, 2019. Early application is allowed for nonpublic entities, but no earlier than annual reporting periods beginning after December 15, 2016, including interim reporting periods within that period. The Organization did not adopt this ASU in 2017. The Organization does not anticipate that this standard will have a material effect on how revenues are recognized.

On June 21, 2018, the Financial Accounting Standards Board (FASB) released Accounting Standards Update (ASU) 2018-08, Clarifying the Scope of the Accounting Guidance for Contributions Received and Contributions Made. The update provides clarifying guidance on accounting for the grants and contracts of nonprofit organizations as they relate to the new revenue standard (ASU 2014-09 Revenue from Contracts with Customers), and aims to minimize diversity in the classification of grants and contracts that exists under current guidance. The effective date of the new ASU 2018-08 is the same as ASU 2014-09: Annual periods beginning after December 15, 2017, for entities that have issued, or is a conduit debt obligor for, securities that are traded, listed, or quoted on an exchange or an over-the-counter market or annual periods beginning after December 15, 2018, for all other entities. Early adoption of the amendments is permitted. The Organization did not adopt this ASU in 2017. The Organization does not anticipate that this standard will have a material effect on how revenues are recognized.

In January 2016 the FASB issued ASU 2016-01, Financial Instruments – Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities, to improve how entities account for equity investments, present and disclose financial instruments, and measure valuation allowance on deferred tax assets related to available-for-sale debt securities. ASU 2016-01 adds a new Topic (ASC 321, Investments – Equity Securities) to the FASB Accounting Standards Codification, which provides guidance on accounting for all equity investments with a few exceptions. The guidance in ASC 321 requires all equity investments that are within its scope to be measured at fair value with changes in fair value recognized in net income. This guidance is effective to nonprofit organizations for fiscal years beginning after December 15, 2018. The Organization does not anticipate that this standard will have a material effect on how they are accounting for their investments.

**BAINBRIDGE ISLAND MUSEUM OF ART
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 21 – STATEMENT OF FUNCTIONAL EXPENSES RECONCILIATION

The following schedule reconciles the statement of functional expenses with the statement of activities as of December 31:

	Programs	Management and General	Fundraising	Total 2018	Total 2017
Total expenses as reported on the Statement of Functional Expenses	\$ 1,347,699	\$ 552,479	\$ 379,178	\$ 2,279,356	\$ 2,328,475
Store depreciation	11,794				
Bistro depreciation	30,715				
Rentals depreciation	29,967				
Prior period adjustment					(2,444)
	_____	_____	_____	_____	_____
Total expenses as reported on the Statement of Activities	<u>\$ 1,420,175</u>	<u>\$ 552,479</u>	<u>\$ 379,178</u>	<u>\$ 2,351,832</u>	<u>\$ 2,326,030</u>

Lodging Tax Request: Organization/Event Description

Final length may not exceed two pages



Project Title: Cultural Programs and Festivals

Name of Organization: Bainbridge Island Museum of Art (BIMA)

Size of staff and board: Size of Volunteer Base: Staff: 32, Volunteers: 152, Board: 22

Geographic Area Served: Demographic Served: BIMA serves all of Kitsap County and parts of King, Clallam, Jefferson and Pierce.

Type of Service Provided: Art education, creative aging programs, art exhibitions, film, music and cultural programs and festivals.

Description of Proposed Project:

BIMA Community Cultural Programs and Festivals for 2021 will include several ways to engage our broader community members and visitors to Kitsap County through high quality cultural experiences, activities, art exhibitions for all ages.

Cultural Music of the Plaza (August 2021) various performers throughout Kitsap County perform outside the BIMA Bistro on Sunday to engage the area and bring people into the art museum. **Dia de los Muertos Festival** (October 2021) a weeklong celebration of Mexican culture remembering loved ones who have passed on through art projects, alters, face painting, sugar skulls, exhibitions, music, etc. **Within Earshot/Jazz Festival** (October 2021) a month long celebration in partnership with nonprofit Earshot Jazz of Seattle. BIMA brings in nationally known Grammy winning jazz musicians for concerts, lectures, films, jazz exhibitions. **Day of Remembrance** (November 2021) in support of the LGBTQ++ community in Kitsap County. A day to reflect on transgender people who have been murdered for being themselves. **Silent Film Festival** (November 2021) a weekend festival in partnership with the San Francisco Silent Film Festival, showing classic films, lectures all accompanied by an orchestra or piano. **Indigenous Artists Exhibition** (Oct-March 2021-2022) In remembrance of Steven Charles and to honor his Native heritage, BIMA will showcase several Indigenous Artists of the Pacific Northwest in our Fall Exhibition cycle. Bringing together many Salish tribes to celebrate the art and culture of their ancestors as well as contemporary work of up and coming artists. Partnering with the Suquamish, S'Klallam, Tulalip, Muckleshoot, Puyallup people and others to bring together a wide variety of art and voices

We have found by partnering with organizations, nonprofits, community leaders, etc. our outreach programs, festivals and events have become more popular and draw larger and larger audiences to BIMA and Kitsap County. Reaching well over 40,000 people that are drawn to our area because of these cultural community programs in 2019. In addition the art museum is free to the public as are many of the programs and event. A few events are ticketed with a discount to members of BIMA. We focus on being as welcoming and accessible as possible, our

front desk has become a mini-chamber of commerce for Kitsap County. Often the first stop for thousands of tourists disembarking the Ferry everyday asking "Where shall I go?" or "Where should we stay?" Due to COVID19 we will no longer have docents at the front desk but rather staff until it becomes for our volunteers to join us again.

We have data from last year's program to support our efforts in expanding our Community Cultural Programs and Festivals thanks to your support last year.

History of Organization/Event:

The Bainbridge Island Museum of Art is celebrating our sixth year in operation. We have seen a significant growth in our membership, visitors and guests over this period. We started with very few field trips to underserved schools in our region. This year we have seen 130 schools participate and more than 2,000 children served. Our membership now stands over 1,800 people and our visitors per year has finally exceeded 100,000 people. People coming from 38 different countries, all over the US. Only 9%-11% come from Bainbridge Island with the vast number of visitors from Kitsap and King County.

Scope of Work:

Beginning in the fall of 2019 our Marketing team will begin the strategic marketing planning process for 2020 to market our series of Community Cultural Programs and Festivals. This includes all forms of social media, print advertising, webpage updates, collaboration with Visit Kitsap, various Chambers, BIDA, Seattle tourism groups and hotel concierge groups. Marketing keeps track of all data points: The number of attendees, where they come from, satisfaction, did they attend previously, and is the event worthwhile doing again. We also do follow up surveys to gauge audience feedback, suggestions and area for improvements.

Project Timeline:

The timeline is broken out above within the descriptions of the various events and what month they occur in 2021. Basically we have a festival, program. Exhibition or event throughout the year. The busiest months pre COVID19 were April, March, summer and October. In putting this proposal together, I tried to focus on events that are not in the typical "Shoulder months" i.e. summer and focus on late summer, fall and winter. We have seen an uptick in tourism, however, the museum has been closed by the state mandate and are waiting for phase 3 to occur before we can reopen again. It is my sincere hope that by the fourth quarter of next year we will have flattened the curve and adjusted to safety protocols to better deal with COVID19. In any event, people will desire a safe place to come together and enjoy themselves safely and we trust BIMA will be that place.



CERTIFICATE OF LIABILITY INSURANCE

DATE (MM/DD/YYYY)

07/07/2020

THIS CERTIFICATE IS ISSUED AS A MATTER OF INFORMATION ONLY AND CONFERS NO RIGHTS UPON THE CERTIFICATE HOLDER. THIS CERTIFICATE DOES NOT AFFIRMATIVELY OR NEGATIVELY AMEND, EXTEND OR ALTER THE COVERAGE AFFORDED BY THE POLICIES BELOW. THIS CERTIFICATE OF INSURANCE DOES NOT CONSTITUTE A CONTRACT BETWEEN THE ISSUING INSURER(S), AUTHORIZED REPRESENTATIVE OR PRODUCER, AND THE CERTIFICATE HOLDER.

IMPORTANT: If the certificate holder is an ADDITIONAL INSURED, the policy(ies) must be endorsed. If SUBROGATION IS WAIVED, subject to the terms and conditions of the policy, certain policies may require an endorsement. A statement on this certificate does not confer rights to the certificate holder in lieu of such endorsement(s).

PRODUCER SEARS & ASSOCIATES/PHS 52812083 The Hartford Business Service Center 3600 Wiseman Blvd San Antonio, TX 78251	CONTACT NAME:	
	PHONE (A/C, No, Ext): (866) 467-8730	FAX (A/C, No): (888) 443-6112
E-MAIL ADDRESS:		
INSURER(S) AFFORDING COVERAGE		NAIC#
INSURED BAINBRIDGE ISLAND MUSEUM OF ART 550 WINSLOW WAY E BAINBRIDGE ISLAND WA 98110-2418	INSURER A: Sentinel Insurance Company Ltd.	11000
	INSURER B:	
	INSURER C:	
	INSURER D:	
	INSURER E:	
	INSURER F:	

COVERAGES**CERTIFICATE NUMBER:****REVISION NUMBER:**

THIS IS TO CERTIFY THAT THE POLICIES OF INSURANCE LISTED BELOW HAVE BEEN ISSUED TO THE INSURED NAMED ABOVE FOR THE POLICY PERIOD INDICATED. NOTWITHSTANDING ANY REQUIREMENT, TERM OR CONDITION OF ANY CONTRACT OR OTHER DOCUMENT WITH RESPECT TO WHICH THIS CERTIFICATE MAY BE ISSUED OR MAY PERTAIN, THE INSURANCE AFFORDED BY THE POLICIES DESCRIBED HEREIN IS SUBJECT TO ALL THE TERMS, EXCLUSIONS AND CONDITIONS OF SUCH POLICIES. LIMITS SHOWN MAY HAVE BEEN REDUCED BY PAID CLAIMS.

INSR LTR	TYPE OF INSURANCE	ADDL INSR	SUBR WVD	POLICY NUMBER	POLICY EFF (MM/DD/YYYY)	POLICY EXP (MM/DD/YYYY)	LIMITS	
A	COMMERCIAL GENERAL LIABILITY <input type="checkbox"/> CLAIMS-MADE <input checked="" type="checkbox"/> OCCUR <input checked="" type="checkbox"/> General Liability	X		52 SBA PT2495	06/22/2020	06/22/2021	EACH OCCURRENCE	\$1,000,000
	GEN'L AGGREGATE LIMIT APPLIES PER: <input type="checkbox"/> POLICY <input type="checkbox"/> PRO-JECT <input checked="" type="checkbox"/> LOC <input type="checkbox"/> OTHER:						DAMAGE TO RENTED PREMISES (Ea occurrence)	\$1,000,000
							MED EXP (Any one person)	\$10,000
							PERSONAL & ADV INJURY	\$1,000,000
							GENERAL AGGREGATE	\$2,000,000
							PRODUCTS - COMP/OP AGG	\$2,000,000
A	AUTOMOBILE LIABILITY <input type="checkbox"/> ANY AUTO <input type="checkbox"/> ALL OWNED AUTOS <input checked="" type="checkbox"/> HIRED AUTOS <input type="checkbox"/> SCHEDULED AUTOS <input checked="" type="checkbox"/> NON-OWNED AUTOS			52 SBA PT2495	06/22/2020	06/22/2021	COMBINED SINGLE LIMIT (Ea accident)	\$1,000,000
							BODILY INJURY (Per person)	
							BODILY INJURY (Per accident)	
							PROPERTY DAMAGE (Per accident)	
A	<input checked="" type="checkbox"/> UMBRELLA LIAB <input checked="" type="checkbox"/> EXCESS LIAB <input type="checkbox"/> OCCUR <input checked="" type="checkbox"/> CLAIMS-MADE			52 SBA PT2495	06/22/2020	06/22/2021	EACH OCCURRENCE	\$5,000,000
	<input type="checkbox"/> DED <input checked="" type="checkbox"/> RETENTION \$ 10,000						AGGREGATE	\$5,000,000
A	WORKERS COMPENSATION AND EMPLOYERS' LIABILITY ANY PROPRIETOR/PARTNER/EXECUTIVE OFFICER/MEMBER EXCLUDED? (Mandatory In NH) If yes, describe under DESCRIPTION OF OPERATIONS below	N/A					<input type="checkbox"/> PER STATUTE <input type="checkbox"/> OTH-ER	
							E.L. EACH ACCIDENT	
							E.L. DISEASE -EA EMPLOYEE	
							E.L. DISEASE - POLICY LIMIT	
A	EMPLOYMENT PRACTICES LIABILITY			52 SBA PT2495	06/22/2020	06/22/2021	Each Claim Limit	\$10,000
							Aggregate Limit	\$10,000

DESCRIPTION OF OPERATIONS / LOCATIONS / VEHICLES (ACORD 101, Additional Remarks Schedule, may be attached if more space is required)

Those usual to the Insured's Operations. Certificate holder is an additional insured per the Business Liability Coverage Form SS0008 attached to this policy.

CERTIFICATE HOLDER

Kitsap County
 614 Division Street
 Port Orchard WA 98366

CANCELLATION

SHOULD ANY OF THE ABOVE DESCRIBED POLICIES BE CANCELLED BEFORE THE EXPIRATION DATE THEREOF, NOTICE WILL BE DELIVERED IN ACCORDANCE WITH THE POLICY PROVISIONS.

AUTHORIZED REPRESENTATIVE

Susan L. Castaneda

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