



**Palm Springs
Art Museum**

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**Statement from the Board of Trustees of the Palm Springs Art Museum
Regarding the Completion of Internal Investigation**

Palm Springs, CA (May 15, 2026) — The Board of Trustees of the Palm Springs Art Museum (“PSAM” or the “Museum”) today announced the completion of an internal investigation commissioned by a Special Committee of the Audit Committee of the Board of Trustees. The investigation was initiated in December 2025 in response to anonymous allegations received in October 2025 and subsequent media reports regarding the Museum’s financial and governance practices. The Board retained Barnes & Thornburg LLP (an AmLaw 100 national law firm) and RSM US LLP (a nationally recognized forensic accounting firm) to conduct an independent, wide-ranging, and thorough investigation. The investigation team collected and reviewed over 350,000 documents, including financial records, audit workpapers, Board and committee minutes, employment records, payroll registers, tax filings, and email communications. The investigative team interviewed numerous witnesses, including current and former employees, Board members, finance personnel, and museum consultants. RSM conducted forensic analyses of endowment reclassifications, payroll records, accounts payable disbursements, and sales tax filings. The investigative team performed detailed transactional testing and financial statement analysis for fiscal years 2021 through 2024, and conducted targeted financial analyses of records dating back more than 10 years.

The Board of Trustees now wishes to share the following conclusions of this investigation with the Museum’s stakeholders, donors, employees, and the broader community.

The anonymous allegations of fraud, theft, and other malicious conduct were not substantiated. Specifically, allegations of sales tax fraud were not substantiated; the investigation confirmed that the Museum had previously paid sales taxes in error on certain artwork acquisitions, corrected its practices upon learning of the applicable exemption, and obtained lawful refunds from the State of California. All refund proceeds were deposited in the Museum’s accounts. The Museum is in the process of confirming that no donors had funded these erroneous sales tax payments.

Similarly, anonymous allegations of payroll fraud — including claims of fictitious employees and fraudulent payroll diversions — were not substantiated. The forensic

analysis found no evidence of ghost employees or payroll diversion. More broadly, no evidence was found to support allegations of intentional misappropriation of Museum funds or systematic concealment of financial information from the Board of Trustees. Allegations that Museum employees and Board members acted with malicious intent were not substantiated. The Board notes with concern that these unfounded and unsubstantiated allegations — lodged anonymously and without adequate factual basis — caused significant disruption to the Museum’s operations and to the dedicated service of its employees and volunteers.

The investigation confirmed that some of the Museum’s historical governance, reporting, and recordkeeping practices fell short of the Board’s standards; however, these shortcomings did not involve missing funds, errors in underlying balance sheet amounts, or discrepancies in bank account balances. With respect to the classification of endowment funds, the investigative team determined that the Museum’s management and advisors acted in good faith in addressing legacy issues and worked to align reported balances with donor intent and applicable accounting standards.

With respect to art sale proceeds, the investigation confirmed a long-standing, Board-acknowledged practice of using such proceeds for purposes beyond strictly the acquisition of art during periods of operating stress. The practice has been disclosed in the Museum’s audited financial statements for several years, along with the outstanding balance of the loan. The Museum has been repaying this internal loan in annual installments over the past several years and plans to repay the entire balance by 2030. The Museum, which was reaccredited by the American Alliance of Museums in 2023, has amended its collection management policy several times since 2000 in order to align with best practices for deaccession funds usage, and will continue to monitor and revise its policies as necessary.

Another anonymous allegation that was not substantiated was the claim that funds raised by the Museum for the Q+ Art Initiative had been used for general operating expenses rather than their designated purpose. The investigation confirmed that the Museum’s general ledger reflects contributions, pledges, expenditures, and non-cash offsets (such as complimentary admissions and related benefits) associated with the initiative. Funds allocated to the Q+ Art Initiative are recorded in the accounting system according to a specific project code, and contributions and expenditures are tracked in detail. The investigation did not identify any incidents in which administrative expenses were booked against the Q+ Art Initiative project code, and expenses paid from this project code appeared to directly support the Q+ Art Initiative.

The investigation also examined concerns raised regarding the 2025 Board officer nomination process and the selection of the current Executive Director. With respect to

officer nominations, the investigation identified certain procedural deficiencies in the process but did not substantiate allegations that these shortcomings were motivated by improper purposes. The Board is committed to strengthening its governance procedures to ensure full compliance with its bylaws. With respect to the Executive Director search, the investigation found that the selection process, while expedited, was not improperly manipulated and did not violate Museum policy.

The Board of Trustees has treated this process as an important opportunity to examine and strengthen the Museum's governance, financial transparency, and internal controls. To that end, the Board has committed to implementing a comprehensive set of remedial measures. These measures include mandatory annual governance training for all trustees; enhanced and standardized quarterly financial reporting to the full Board, including a liquidity analysis; a written policy ensuring that all materially significant communications from the Museum's outside auditor are distributed directly to the full Board; enhanced documentation standards for meeting minutes, governance records, auditor transitions, officer elections, and any reclassifications of accounting entries. Additionally, the Board will implement a comprehensive review and formalization of policies governing deaccession proceeds and restricted donor funds; enhanced protocol within the Museum's finance department, including comprehensive written manuals for financial policies and procedures; written charters for all standing and ad-hoc committees; and a multi-year financial sustainability plan with clear metrics and milestones.

The Palm Springs Art Museum takes its obligations to its donors, its community, and the public trust seriously. This process has provided the Museum with meaningful opportunities to examine and improve its operations. The Museum's employees and Board members are united in their commitment to transparency, accountability, and the highest standards of nonprofit governance.

The Board is confident that the reforms described above will meaningfully strengthen the Museum's operations and position PSAM for a strong and sustainable future. The Trustees will continue to work with management and external advisors to implement these measures and will provide updates to stakeholders as appropriate.

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Palm Springs Art Museum

Palm Springs Art Museum is the largest cultural institution in the Coachella Valley. The flagship building, located in downtown Palm Springs, features compelling art exhibitions, a vast permanent collection, and the Annenberg Theater, all in a 150,000-square-foot, architecturally significant building. Five blocks away, Palm Springs Art Museum's Architecture and Design Center, Edwards Harris Pavilion, features exhibitions and programming that explores architecture and design. The museum's collection also contains two icons of modernist design: *Frey House II* (1962) on the mountainside behind the main building and *Aluminaire House™* (1932) on museum grounds.