



SAN DIEGO MUSEUM OF ART
Financial Statements and Supplemental Information

Years Ended June 30, 2015 and 2014



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Years Ended June 30, 2015 and 2014

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INDEPENDENT AUDITORS' REPORT

To the Board of Trustees
of San Diego Museum of Art

Report on the Financial Statements

We have audited the accompanying financial statements of San Diego Museum of Art (a nonprofit organization), which comprise the statements of financial position as of June 30, 2015 and 2014, and the related statements of activities, functional expenses, and cash flows for the years 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the 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 San Diego Museum of Art as of June 30, 2015 and 2014, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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AKT LLP

Other Matter

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplemental information on page 21 is presented for purposes of additional analysis and is not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 financial statements as a whole.

AKT LLP

San Diego, California
November 18, 2015

SAN DIEGO MUSEUM OF ART**Statements of Financial Position**

June 30, 2015 and 2014

	<u>2015</u>	<u>2014</u>
ASSETS		
Cash	\$ 359,024	\$ 981,343
Accounts receivable	131,082	239,202
Pledges receivable	81,168	603,834
Grants receivable	-	312
Inventory	190,811	226,371
Prepaid expenses	40,468	32,876
Property and equipment, net of accumulated depreciation	6,703,712	6,708,112
Deferred charges, net of accumulated amortization	121,673	129,738
Investments - charitable remainder trusts and gift annuities	2,508,106	2,605,550
Investments	75,767,773	78,267,743
Collections (Note 1)	-	-
	<u> </u>	<u> </u>
Total Assets	<u>\$ 85,903,817</u>	<u>\$ 89,795,081</u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable	\$ 747,158	\$ 1,013,548
Accrued expenses	491,181	434,269
Debt obligations	6,185,422	5,813,895
	<u> </u>	<u> </u>
Total Liabilities	7,423,761	7,261,712
Net Assets:		
Unrestricted:		
Board designated endowment	50,131,878	51,650,250
Art acquisitions	1,137,810	1,490,635
Support organizations	231,179	206,719
Operating	4,935,701	5,530,320
	<u> </u>	<u> </u>
	56,436,568	58,877,924
Temporarily restricted	10,503,280	12,018,169
Permanently restricted	11,540,208	11,637,276
	<u> </u>	<u> </u>
Total Net Assets	78,480,056	82,533,369
	<u> </u>	<u> </u>
Total Liabilities and Net Assets	<u>\$ 85,903,817</u>	<u>\$ 89,795,081</u>

See accompanying notes to financial statements.

SAN DIEGO MUSEUM OF ART

Statement of Activities

Year Ended June 30, 2015

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Revenue, Support and Investment Activity:				
Revenue and Support:				
City of San Diego	\$ 317,150	\$ -	\$ -	\$ 317,150
County of San Diego	92,000	-	-	92,000
Contributions	2,839,130	243,420	-	3,082,550
Memberships	1,050,184	-	-	1,050,184
Support organizations	135,917	-	-	135,917
Admissions	970,221	-	-	970,221
Traveling exhibitions	50,000	-	-	50,000
Concerts	10,887	-	-	10,887
Education	60,870	-	-	60,870
Store sales, \$717,348, less cost of goods sold of \$362,670	354,678	-	-	354,678
Special events	1,307,623	-	-	1,307,623
Miscellaneous	261,123	-	-	261,123
Net assets released from restrictions, satisfaction of program restrictions	<u>1,127,115</u>	<u>(1,127,115)</u>	<u>-</u>	<u>-</u>
Total Revenue and Support	8,576,898	(883,695)	-	7,693,203
Investment Activity:				
Interest income	45	-	-	45
Endowment allocation	<u>4,932,506</u>	<u>-</u>	<u>-</u>	<u>4,932,506</u>
Total Investment Activity	<u>4,932,551</u>	<u>-</u>	<u>-</u>	<u>4,932,551</u>
Total Revenue, Support and Investment Activity	13,509,449	(883,695)	-	12,625,754
Expenses:				
Programs	6,848,835	-	-	6,848,835
Program services	4,451,401	-	-	4,451,401
Supporting services	<u>3,199,760</u>	<u>-</u>	<u>-</u>	<u>3,199,760</u>
Total Expenses	<u>14,499,996</u>	<u>-</u>	<u>-</u>	<u>14,499,996</u>
Change in Operations	(990,547)	(883,695)	-	(1,874,242)
Other Income (Loss):				
Investment return	2,103,595	746,908	(97,068)	2,753,435
Endowment allocation	<u>(3,554,404)</u>	<u>(1,378,102)</u>	<u>-</u>	<u>(4,932,506)</u>
Total Other Loss	<u>(1,450,809)</u>	<u>(631,194)</u>	<u>(97,068)</u>	<u>(2,179,071)</u>
Change in Net Assets	(2,441,356)	(1,514,889)	(97,068)	(4,053,313)
Net Assets, beginning	<u>58,877,924</u>	<u>12,018,169</u>	<u>11,637,276</u>	<u>82,533,369</u>
Net Assets, ending	<u>\$ 56,436,568</u>	<u>\$ 10,503,280</u>	<u>\$ 11,540,208</u>	<u>\$ 78,480,056</u>

See accompanying notes to financial statements.

SAN DIEGO MUSEUM OF ART

Statement of Activities

Year Ended June 30, 2014

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenue, Support and Investment Activity:				
Revenue and Support:				
City of San Diego	\$ 366,050	\$ -	\$ -	\$ 366,050
County of San Diego	13,000	-	-	13,000
Contributions	2,088,538	1,030,091	446,375	3,565,004
Grants	11,685	-	-	11,685
Memberships	1,033,410	-	-	1,033,410
Support organizations	183,019	-	-	183,019
Admissions	596,916	-	-	596,916
Traveling exhibitions	210,000	-	-	210,000
Concerts	7,596	-	-	7,596
Education	41,576	-	-	41,576
Store sales, \$438,995, less cost of goods sold of \$213,937	225,058	-	-	225,058
Special events	1,201,012	-	-	1,201,012
Miscellaneous	172,680	-	-	172,680
Net assets released from restrictions, satisfaction of program restrictions	625,664	(625,664)	-	-
Total Revenue and Support	6,776,204	404,427	446,375	7,627,006
Investment Activity:				
Interest income	83	-	-	83
Endowment allocation	5,909,557	-	-	5,909,557
Total Investment Activity	5,909,640	-	-	5,909,640
Total Revenue, Support and Investment Activity	12,685,844	404,427	446,375	13,536,646
Expenses:				
Programs	3,848,906	-	-	3,848,906
Program services	4,550,562	-	-	4,550,562
Supporting services	3,484,472	-	-	3,484,472
Total Expenses	11,883,940	-	-	11,883,940
Change in Operations	801,904	404,427	446,375	1,652,706
Other Income (Loss):				
Investment return	8,382,783	2,794,214	195,455	11,372,452
Endowment allocation	(4,395,321)	(1,514,236)	-	(5,909,557)
Total Other Income	3,987,462	1,279,978	195,455	5,462,895
Change in Net Assets	4,789,366	1,684,405	641,830	7,115,601
Net Assets, beginning	54,088,558	10,333,764	10,995,446	75,417,768
Net Assets, ending	\$ 58,877,924	\$ 12,018,169	\$ 11,637,276	\$ 82,533,369

See accompanying notes to financial statements.

SAN DIEGO MUSEUM OF ART

Statement of Functional Expenses

Year Ended June 30, 2015 with Comparative Totals for 2014

	Programs						
	Curatorial	Exhibitions and Collections	Art Acquisitions	Education	Audience Program	Membership	Library
Labor Costs:							
Payroll expenses:							
Wages	\$ 536,254	\$ 548,813	\$ -	\$ 448,021	\$ 96,058	\$ 191,032	\$ 14,711
Payroll taxes	35,288	40,478	-	34,238	6,784	12,792	1,097
Employee benefits	52,566	94,285	-	91,303	25,086	20,799	-
Pension benefits	12,325	14,267	-	12,531	2,632	4,141	-
Workers' compensation	6,949	6,528	-	6,432	1,121	2,206	278
	643,382	704,371	-	592,525	131,681	230,970	16,086
Temporary labor	291,970	-	-	42,473	-	-	-
	935,352	704,371	-	634,998	131,681	230,970	16,086
Other Expenses:							
Advertising	-	-	-	-	-	-	-
Amortization	-	-	-	-	-	-	-
Art acquisition	-	-	2,183,783	-	-	-	-
Audio visual	-	-	-	1,637	6,772	188	-
Automobile	821	178	-	2,375	61	-	-
Books	1,008	-	-	279	438	-	575
Cash short (over)	-	-	-	-	-	-	-
Catalogs	838	-	-	470	36	-	-
Catering	3,756	86	-	9,910	21,883	7,046	-
Conservation and binding	-	82,870	-	-	-	-	-
Contract services	163,718	125,185	-	53,519	168,319	6,481	19,389
Credit card charges	-	-	-	-	-	28,581	-
Depreciation	512,263	58,875	-	30,296	30,296	3,731	58,502
Dues and subscriptions	710	80	-	440	105	175	3,600
Equipment	-	380	-	-	-	-	-
Fees	117,589	397,368	-	13,359	74,370	2,142	6,324
Fundraising	-	-	-	-	-	-	-
Freight	5,231	312,793	-	2,000	-	-	-
Graphics	-	30,288	-	-	-	-	-
Income tax	-	-	-	-	-	-	-
Insurance	79,911	350,466	-	4,726	6,198	582	9,126
Interest	2,913	335	-	172	172	21	333
Legal and audit	-	-	-	-	-	-	-
Marketing	-	-	-	-	-	14,087	-
Miscellaneous	-	-	-	-	-	-	-
Photographs and slides	18,325	22,948	-	-	1,310	-	-
Postage	5,457	1,209	-	844	162	15,264	914
Printing	75,767	455	-	19,444	23,528	24,311	136
Property taxes	-	-	-	-	-	-	-
Rentals	6,663	14,787	-	6,434	29,783	2,397	11,799
Repair and maintenance	-	7,887	-	-	-	-	-
Small tools	33	18,004	-	556	13,348	1,600	611
Supplies and materials	2,141	72,241	-	63,967	56,539	1,024	1,295
Telephone	4,312	2,792	-	2,792	2,126	1,047	1,047
Travel and seminars	17,592	5,425	-	3,210	3,014	1,854	-
Utilities	449,919	51,710	-	33,205	26,608	3,277	51,382
	1,468,967	1,556,362	2,183,783	249,635	465,068	113,808	165,033
Total Expenses	\$ 2,404,319	\$ 2,260,733	\$ 2,183,783	\$ 884,633	\$ 596,749	\$ 344,778	\$ 181,119
		Total Programs	\$ 6,848,835				

See accompanying notes to financial statements.

Program Services					Supporting Services				Total	2014
Marketing	Support Organizations	Store	Special Events	Visitor Services	Administration	Building and Security	Development			
\$ 216,114	\$ -	\$ 148,334	\$ 167,861	\$ 196,738	\$ 703,294	\$ 562,513	\$ 374,265	\$ 4,204,008	\$ 4,214,878	
15,147	-	11,922	12,131	15,267	44,343	42,050	22,698	294,235	294,274	
15,257	-	24,033	13,611	13,430	60,427	79,237	38,143	528,177	523,798	
5,138	-	3,821	3,120	5,219	22,895	12,595	11,605	110,289	105,682	
2,906	-	1,885	2,783	2,740	9,109	7,313	6,181	56,431	59,636	
254,562	-	189,995	199,506	233,394	840,068	703,708	452,892	5,193,140	5,198,268	
2,557	-	13,439	6,750	2,035	-	96,769	-	455,993	441,540	
257,119	-	203,434	206,256	235,429	840,068	800,477	452,892	5,649,133	5,639,808	
267,811	472	-	3,302	-	30	25	1,346	272,986	341,046	
-	-	-	-	-	8,065	-	-	8,065	8,065	
-	-	-	-	-	-	-	-	2,183,783	7,875	
-	1,938	-	6,847	150	4,262	-	564	22,358	20,668	
53	-	-	280	-	193	3,714	579	8,254	10,350	
-	1,847	-	-	-	136	-	44	4,327	4,276	
-	-	(17)	-	64	-	-	-	47	(40)	
123	-	-	-	-	-	-	482	1,949	2,814	
166	20,285	-	213,954	474	6,400	-	22,922	306,882	289,595	
-	-	-	40	-	-	-	-	82,910	62,465	
12,036	13,682	1,000	227,892	9,451	161,817	34,856	53,586	1,050,931	940,352	
-	-	15,026	-	21,428	-	-	-	65,035	47,100	
5,597	-	5,597	2,836	5,597	12,011	12,163	8,432	746,196	672,489	
1,092	-	250	-	25	31,547	-	2,539	40,563	40,754	
-	-	-	-	-	13,003	587	-	13,970	35,802	
9,753	14,708	2,096	52,095	2,732	27,982	11,022	3,886	735,426	1,142,142	
-	-	-	-	-	-	-	-	-	72,688	
-	-	-	-	-	-	-	-	320,024	1,376	
-	-	-	83	-	-	-	33	30,404	28,329	
-	-	-	-	-	1,076	-	-	1,076	2,631	
873	-	-	442	1,746	1,874	2,237	1,315	459,496	272,067	
32	-	-	16	64	68	69	48	4,243	6,202	
-	-	-	-	-	116,586	-	-	116,586	88,418	
258,411	-	-	-	-	-	-	6,199	278,697	378,641	
-	50,062	-	-	-	-	-	-	50,062	71,460	
595	-	-	7,602	-	450	-	300	51,530	18,819	
13,896	399	7,911	1,564	496	2,112	34	8,339	58,601	44,896	
93,149	1,651	357	5,381	13,838	861	677	21,881	281,436	177,303	
-	-	-	-	-	-	10,256	-	10,256	10,242	
1,333	3,448	10,069	83,967	1,333	5,522	69,844	8,581	255,960	199,903	
-	-	3,424	-	-	13,860	227,671	-	252,842	265,711	
132	3	100	-	1,063	4,504	10,055	565	50,574	71,193	
536	1,832	4,927	14,051	3,269	6,899	66,605	6,738	302,064	215,202	
1,047	-	2,094	1,129	2,689	12,503	6,593	2,689	42,860	38,721	
-	1,131	7,643	168	10	23,910	1,842	12,693	78,492	75,359	
4,915	-	-	2,490	9,831	10,552	10,683	7,406	661,978	579,218	
671,550	111,458	60,477	624,139	74,260	466,223	468,933	171,167	8,850,863	6,244,132	
\$ 928,669	\$ 111,458	\$ 263,911	\$ 830,395	\$ 309,689	\$ 1,306,291	\$ 1,269,410	\$ 624,059	\$ 14,499,996	\$ 11,883,940	
Total Program Services				\$ 4,451,401	Total Supporting Services			\$ 3,199,760		

SAN DIEGO MUSEUM OF ART
Statement of Functional Expenses
Year Ended June 30, 2014

	Programs						
	Curatorial	Exhibitions and Collections	Art Acquisitions	Education	Audience Program	Membership	Library
Labor Costs:							
Payroll expenses:							
Wages	\$ 312,609.00	\$ 474,941	\$ -	\$ 527,424	\$ 121,496	\$ 159,491	\$ 57,036
Payroll taxes	19,675	35,257	-	37,456	9,195	10,488	4,197
Employee benefits	37,651	81,928	-	77,856	25,342	16,128	4,955
Pension benefits	4,472	11,850	-	13,668	3,402	2,719	1,379
Workers' compensation	5,921	6,289	-	7,048	1,730	2,127	631
	380,328	610,265	-	663,452	161,165	190,953	68,198
Temporary labor	299,029	11,079	-	23,589	-	-	-
	679,357	621,344	-	687,041	161,165	190,953	68,198
Other Expenses:							
Advertising	731	25	-	-	-	-	-
Amortization	-	-	-	-	-	-	-
Art Acquisition	-	-	7,875	-	-	-	-
Audio visual	-	-	-	3,268	9,068	555	-
Automobile	815	401	-	3,661	290	-	-
Books	623	-	-	988	453	-	1,451
Cash short (over)	-	-	-	-	-	100	-
Catalogs	173	-	-	60	180	-	-
Catering	855	171	-	8,450	9,168	28,180	-
Conservation and binding	1,265	61,200	-	-	-	-	-
Contract services	136,664	31,564	-	74,733	147,015	5,866	20,426
Credit card charges	-	-	-	-	-	16,261	-
Depreciation	461,664	53,059	-	27,303	27,303	3,362	52,723
Dues and subscriptions	500	85	-	610	-	175	4,455
Equipment	-	245	-	-	-	-	805
Fees	76,758	813,870	-	15,148	112,699	2,142	6,192
Freight	-	69,832	-	-	2,856	-	-
Fundraising	-	-	-	-	-	1,376	-
Graphics	-	27,633	-	-	168	-	-
Income taxes	-	-	-	-	-	-	-
Insurance	74,356	169,778	-	4,397	4,397	542	8,492
Interest	4,257	489	-	252	252	31	486
Legal and audit	-	-	-	-	-	-	-
Marketing	-	-	-	-	3,179	14,731	-
Miscellaneous	-	-	-	-	-	-	-
Photographs and slides	-	7,560	-	-	-	-	396
Postage	2,499	985	-	367	488	15,829	791
Printing	5,794	356	-	7,108	18,351	19,997	177
Property taxes	-	-	-	-	-	-	-
Rentals	6,358	5,563	-	4,837	13,066	3,277	5,553
Repair and maintenance	-	8,707	-	-	-	-	-
Small tools	289	12,116	-	12,508	21,532	2,336	28
Supplies and materials	1,637	46,087	-	55,416	10,290	1,455	2,346
Telephone	3,817	2,537	-	2,537	829	951	951
Travel and seminars	5,847	3,008	-	15,586	2,202	-	231
Utilities	394,784	45,373	-	27,498	23,348	2,875	45,085
	1,179,686	1,360,644	7,875	264,727	407,134	120,041	150,588
Total Expenses	\$ 1,859,043	\$ 1,981,988	\$ 7,875	\$ 951,768	\$ 568,299	\$ 310,994	\$ 218,786
		Total Programs	\$ 3,848,906				

See accompanying notes to financial statements.

Program Services					Supporting Services				Total
Marketing	Support Organizations	Store	Special Events	Visitor Services	Administration	Building and Security	Development		
\$ 147,779	\$ -	\$ 141,409	\$ 175,666	\$ 216,901	\$ 725,285	\$ 561,226	\$ 593,615	\$ 4,214,878	
9,799	-	10,705	12,348	16,309	49,350	41,578	37,917	294,274	
12,406	-	24,061	16,731	16,471	66,215	86,816	57,238	523,798	
2,474	-	3,456	3,153	5,497	23,213	12,764	17,635	105,682	
2,021	-	1,684	2,230	2,937	9,895	8,561	8,562	59,636	
174,479	-	181,315	210,128	258,115	873,958	710,945	714,967	5,198,268	
-	-	3,978	5,055	2,135	-	96,527	148	441,540	
174,479	-	185,293	215,183	260,250	873,958	807,472	715,115	5,639,808	
329,540	16	250	10,139	-	245	100	-	341,046	
-	-	-	-	-	8,065	-	-	8,065	
-	-	-	-	-	-	-	-	7,875	
-	709	-	5,526	150	-	169	1,223	20,668	
116	236	29	561	20	697	2,410	1,114	10,350	
-	417	-	13	40	291	-	-	4,276	
-	-	(100)	-	(40)	-	-	-	(40)	
212	-	-	38	-	61	-	2,090	2,814	
120	16,525	22	203,749	314	11,182	82	10,777	289,595	
-	-	-	-	-	-	-	-	62,465	
7,067	21,429	1,217	241,543	10,774	164,869	21,869	55,316	940,352	
-	-	9,471	-	21,368	-	-	-	47,100	
5,044	-	5,044	2,555	5,044	10,827	10,962	7,599	672,489	
1,092	-	255	-	25	30,996	195	2,366	40,754	
-	-	-	-	-	32,327	2,425	-	35,802	
934	14,837	822	55,734	2,873	22,658	9,563	7,912	1,142,142	
-	-	-	-	-	-	-	-	72,688	
-	-	-	-	-	-	-	-	1,376	
328	-	200	-	-	-	-	-	28,329	
-	-	-	-	-	2,631	-	-	2,631	
812	-	-	412	1,625	1,744	4,288	1,224	272,067	
47	-	-	24	93	100	101	70	6,202	
-	-	-	-	-	88,418	-	-	88,418	
345,040	-	-	3,700	-	-	-	11,991	378,641	
-	71,460	-	-	-	-	-	-	71,460	
-	-	-	9,653	-	-	-	1,210	18,819	
11,252	385	4,021	802	501	2,017	305	4,654	44,896	
81,757	3,783	155	1,609	11,148	948	655	25,465	177,303	
-	-	-	-	-	-	10,242	-	10,242	
2,262	1,925	6,644	75,357	1,515	4,638	66,804	2,104	199,903	
-	-	3,785	-	-	13,119	239,847	253	265,711	
1,016	626	512	1,079	408	1,249	17,063	431	71,193	
429	3,447	4,076	14,201	2,981	7,371	58,092	7,374	215,202	
951	-	1,903	1,163	2,240	12,314	6,061	2,467	38,721	
75	(1,398)	278	224	150	38,778	3,928	6,450	75,359	
4,313	-	-	2,185	8,626	9,259	9,374	6,498	579,218	
792,407	134,397	38,584	630,267	69,855	464,804	464,535	158,588	6,244,132	
\$ 966,886	\$ 134,397	\$ 223,877	\$ 845,450	\$ 330,105	\$ 1,338,762	\$ 1,272,007	\$ 873,703	\$ 11,883,940	
Total Program Services				\$ 4,550,562	Total Supporting Services			\$ 3,484,472	

SAN DIEGO MUSEUM OF ART

Statements of Cash Flows

Years Ended June 30, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Cash Flows from Operating Activities:		
Change in net assets	\$ (4,053,313)	\$ 7,115,601
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Depreciation	746,196	672,489
Amortization	8,065	8,065
Net realized and unrealized gains on investments	(2,002,536)	(11,180,816)
Changes in operating assets and liabilities:		
Accounts receivable	108,120	77,954
Pledges receivable	522,666	(190,135)
Grants receivable	312	6,569
Inventory	35,560	(40,707)
Prepaid expenses	(7,592)	39,537
Accounts payable	(266,390)	335,227
Accrued expenses	56,912	(30,917)
Net Cash Used by Operating Activities	(4,852,000)	(3,187,133)
Cash Flows from Investing Activities:		
Proceeds from sales of investments	15,231,071	5,880,000
Purchases of investments	(10,728,565)	(551,910)
Change in charitable remainder trusts and gift annuities	97,444	(171,514)
Purchases of property and equipment	(741,796)	(1,199,166)
Net Cash Provided by Investing Activities	3,858,154	3,957,410
Cash Flows from Financing Activities:		
Payments of debt obligations	(130,634)	(68,335)
Proceeds from debt issued	502,161	-
Net Cash Provided (Used) by Financing Activities	371,527	(68,335)
Net Increase (Decrease) in Cash	(622,319)	701,942
Cash, beginning	981,343	279,401
Cash, ending	\$ <u>359,024</u>	\$ <u>981,343</u>
Supplemental disclosures of cash flow information:		
Cash paid for interest	\$ <u>4,243</u>	\$ <u>6,202</u>

See accompanying notes to financial statements.

SAN DIEGO MUSEUM OF ART

Notes to Financial Statements

Years Ended June 30, 2015 and 2014

Note 1 – Organization and Summary of Significant Accounting Policies

Nature of Activities

San Diego Museum of Art (Museum) is a California nonprofit corporation formed in 1925. The Museum's purpose is to promote artistic interests, operate a museum and related facilities, maintain collections of art and assist in the education and entertainment of those interested in art. The Museum's support and revenue comes primarily from memberships, contributions, admissions and investment returns.

Financial Statement Presentation

The Museum reports information regarding its financial position and activities according to the three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

- Unrestricted net assets represent expendable funds available for operations, which are not otherwise limited by donor restrictions.
- Temporarily restricted net assets consist of contributed funds subject to donor-imposed restrictions contingent upon specific performance of a future event or a specific passage of time before the Museum may spend the funds.
- Permanently restricted net assets are subject to irrevocable donor restrictions requiring that the assets be maintained in perpetuity usually for the purpose of generating investment income to fund current operations.

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.

Accounts and Grants Receivable

Accounts and grants receivable consist primarily of amounts due in less than one year from the City of San Diego, other museums and miscellaneous other small amounts. Because of the nature of the Museum's revenues and collection history, no allowance for doubtful accounts is deemed necessary at June 30, 2015 and 2014.

Pledges Receivable

Pledges that are expected to be collected within one year are recorded at their net realizable value. Pledges that are expected to be collected in future years are discounted to their estimated net present value. After pledges are originally recorded, an allowance for uncollectible pledges may be established based on specific circumstances.

Inventory

Inventory consists primarily of books and catalogs for resale and is valued at the lower of cost (first-in, first-out method) or market.

Property and Equipment

The Museum capitalizes all expenditures for property and equipment in excess of \$2,500. Equipment and improvements are recorded at cost or at estimated fair value at date of gift if donated. Expenditures for maintenance and repairs are charged against operations. Depreciation is provided on a straight-line basis over the estimated useful lives of the assets of five to 57 years.

Deferred Charges

Bond issuance costs and the bond underwriter's discount are capitalized and amortized using the straight-line method over the term of the bonds.

Charitable Remainder Trusts

Charitable remainder trusts are trusts established in connection with split-interest agreements, in which the donors or third-party beneficiaries receive specified distributions during the term of the agreements. Remainder trusts are recorded at net present value which approximates market value. Upon termination of the trusts, the Museum receives the assets remaining in the trusts.

SAN DIEGO MUSEUM OF ART

Notes to Financial Statements

Years Ended June 30, 2015 and 2014

Note 1 – Organization and Summary of Significant Accounting Policies, continued

Charitable Gift Annuities

All gift annuities are managed by local banks in accordance with a Trust Agreement. The gift annuity agreements are negotiated between the Museum and the donor/annuitant and are based on the rate tables approved by the California Insurance Commissioner for gift annuity agreements. Annuities are recorded at net present value which approximates market value.

The Museum does not allow distributions, except to cover expenditures payable to the annuitant and necessary administrative expenses of the fund, until the annuity matures.

Investments

The Museum carries investments in marketable securities with readily determinable fair values and all investments in debt securities at their fair values in the statements of financial position. The fair value is determined using quoted market prices. Alternative investments, for which quoted market prices are not readily available, are valued at fair value by the investment manager based on factors deemed relevant by the manager including, but not limited to, market conditions, purchase price, estimated liquidation value, restrictions on transfer and meaningful third party transactions in the private market. Because of the inherent uncertainty of valuations, the estimated fair values may differ significantly from the values that would have been used had a ready market for such investments existed or had such investments been liquidated, and those differences could be material. Unrealized gains and losses are included in the change in net assets in the statements of activities.

Investment return on restricted assets is reported as an increase in unrestricted net assets if the asset restriction expires in the reporting period in which the income is recognized. All other restricted investment return is reported as an increase or decrease in temporarily or permanently restricted net assets, depending on the nature of the restriction.

Collections

The Museum maintains collections of art that are significant in relation to its total assets. Collection items acquired either through purchase or donation are not capitalized or recognized as revenues or gains provided that such donations are added to collections and are held for public exhibition, education, or research in furtherance of public service rather than financial gain; are protected, kept unencumbered, cared for, and preserved; and are subject to a policy that requires the proceeds from sales of collection items to be used to acquire other items for collections. Purchases of collection items are recorded as decreases in unrestricted net assets if purchased with unrestricted assets and as decreases in temporarily restricted net assets if purchased with donor-restricted assets. Proceeds from deaccessions or insurance recoveries are reflected in the statements of activities based on the absence or existence and nature of donor-imposed restrictions. The Museum employs curators to ensure that the collections are protected and preserved.

Revenue and Support

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. All donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the 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 statements of activities as net assets released from restrictions. Contributions received with donor-imposed restrictions that are satisfied within the same reporting period are reported as unrestricted support in that period.

Contributions

Many individuals volunteer their time and perform a variety of tasks that assist the Museum with various programs. The services do not meet the criteria for recognition as a contribution, and are not reflected in the financial statements. The fair market value of contributed professional services is reported as support and expense in the period in which the services are performed. Contributions of noncash assets, except for works of art, are recorded at their fair values in the period received.

SAN DIEGO MUSEUM OF ART

Notes to Financial Statements

Years Ended June 30, 2015 and 2014

Note 1 – Organization and Summary of Significant Accounting Policies, continued

Advertising

The Museum follows the policy of charging the costs of advertising to expense as incurred.

Income Tax Status

The Museum is a qualified nonprofit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and Section 23701(d) of the California Revenue and Taxation Code. However, the Museum remains subject to taxes on any net income which is derived from a trade or business regularly carried on and unrelated to its exempt purpose.

The Museum follows accounting standards generally accepted in the United States of America related to the recognition of uncertain tax positions. The Museum recognizes accrued interest and penalties associated with uncertain tax positions as part of the statement of activities, when applicable. Management has determined that the Museum has no uncertain tax positions at June 30, 2015 and 2014 and therefore no amounts have been accrued.

The Museum files informational and income tax returns in the United States, California, and in local jurisdictions. State and local jurisdictions have statutes of limitations that generally range from three to five years.

Fair Value Measurements

The Museum defines fair value as the exchange price that would be received for an asset or paid for a liability in the principal or most advantageous market. The Museum applies fair value measurements to assets and liabilities that are required to be recorded at fair value under generally accepted accounting principles. Fair value measurement techniques maximize the use of observable inputs and minimize the use of unobservable inputs, and are categorized in a fair value hierarchy based on the transparency of inputs. In addition, the Museum reports certain investments using the net asset value per share as determined by investment managers, allowing the net asset value per share to represent fair value for reporting purposes when the criteria for using this method are met. The three levels are defined as follows:

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets.

Level 2 - Inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the same term of the financial instrument.

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

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

The carrying value of cash, receivables, other current assets, and payables approximate fair values as of June 30, 2015 and 2014, due to the relative short maturities of these instruments.

Subsequent Events

The Museum has evaluated subsequent events through November 18, 2015, which is the date the financial statements were available to be issued.

SAN DIEGO MUSEUM OF ART
Notes to Financial Statements
Years Ended June 30, 2015 and 2014

Note 2 – Investments

The fair market value of investments is categorized as follows for the year ended June 30, 2015:

Description	Level 1	Level 2	Level 3	Total
Money market funds	\$ 3,870,387	\$ -	\$ -	\$ 3,870,387
Mutual funds:				
Large cap – domestic	15,835,137	-	-	15,835,137
Large cap – international developed	-	11,006,790	-	11,006,790
Large cap – emerging markets	3,058,892	-	-	3,058,892
Mid cap – domestic	1,830,125	3,779,409	-	5,609,534
Small cap – domestic	1,857,957	-	-	1,857,957
Fixed income – domestic	12,941,389	-	-	12,941,389
Fixed income – international	4,915,575	-	-	4,915,575
Equity securities:				
Large cap – domestic	5,880,771	-	-	5,880,771
Alternative investments:				
Hedge funds	-	-	5,737,697	5,737,697
Private equity funds	-	-	6,696,170	6,696,170
Beneficial interest in assets held at the San Diego Foundation	-	-	865,582	865,582
	\$ 50,190,233	\$ 14,786,199	\$ 13,299,449	\$ 78,275,881

Level 2 investments are valued once a month and their values are reported at that value. Level 3 investments are valued based on the reported market values by the management of the funds held.

Changes in the fair value of level 3 investments for the year ended June 30, 2015 are as follows:

	Hedge funds	Private equity funds	Beneficial interests in assets held at the San Diego Foundation	Total
Fair value, beginning	\$ 5,612,511	\$ 6,458,857	\$ 882,435	\$ 12,953,803
Transfers	-	(644,769)	-	(644,769)
Distributions	-	-	(33,238)	(33,238)
Investment expenses	-	(45,902)	(4,314)	(50,216)
Investment gains	125,186	927,984	20,699	1,073,869
Fair value, ending	\$ 5,737,697	\$ 6,696,170	\$ 865,582	\$ 13,299,449

SAN DIEGO MUSEUM OF ART

Notes to Financial Statements

Years Ended June 30, 2015 and 2014

Note 2 – Investments, continued

Commitments and redemption schedules for those investments valued based on net asset values are as follows:

Description	Fair value at June 30, 2015	Unfunded commitments	Redemption frequency	Redemption notice period
Mutual funds [a]:				
Large cap – international developed	\$ 11,006,790	none	monthly	10 – 30 days
Mid cap – domestic	5,609,534	none	monthly	7 days
Hedge funds [b]	5,737,697	none	quarterly	90 – 95 days
Private equity funds [c]	6,696,170	2,807,453	not allowed	n/a

[a] Mutual funds represent investments in publically traded companies, using various strategies as identified above.

[b] Hedge funds are considered to be investments in fund of funds. These investments employ a variety of strategies including absolute return, various long/short strategies, and credit funds of which \$3,972,621 is subject to a one year lockup period.

[c] Private equity funds are invested in funds organized as limited partnerships which invest in real estate, mezzanine capital, secondaries, investments in distressed securities, and buyouts.

The fair market value of investments is categorized as follows for the year ended June 30, 2014:

Description	Level 1	Level 2	Level 3	Total
Money market funds	\$ 2,074,246	\$ -	\$ -	\$ 2,074,246
Mutual funds:				
Large cap – domestic	23,007,374	-	-	23,007,374
Large cap – international developed	-	11,801,098	-	11,801,098
Large cap – emerging markets	3,417,997	-	-	3,417,997
Mid cap – domestic	-	4,138,640	-	4,138,640
Small cap – domestic	2,282,014	1,631,665	-	3,913,679
Fixed income – domestic	13,346,788	-	-	13,346,788
Fixed income – international	5,174,175	-	-	5,174,175
Equity securities:				
Large cap – domestic	484,557	-	-	484,557
Large cap – international developed	337,327	-	-	337,327
Large cap - emerging markets	118,584	-	-	118,584
Mid cap – domestic	75,916	-	-	75,916
Small cap – domestic	29,109	-	-	29,109
Alternative investments:				
Hedge funds	-	-	5,612,511	5,612,511
Private equity funds	-	-	6,458,857	6,458,857
Beneficial interest in assets held at the San Diego Foundation	-	-	882,435	882,435
	<u>\$ 50,348,087</u>	<u>\$ 17,571,403</u>	<u>\$ 12,953,803</u>	<u>\$ 80,873,293</u>

SAN DIEGO MUSEUM OF ART
Notes to Financial Statements
Years Ended June 30, 2015 and 2014

Note 2 – Investments, continued

Changes in the fair value of level 3 investments for the year ended June 30, 2014 are as follows:

	<u>Hedge funds</u>	<u>Private equity funds</u>	<u>Beneficial interests in assets held at the San Diego Foundation</u>	<u>Total</u>
Fair value, beginning	\$ 5,115,318	\$ 6,077,393	\$ 801,285	\$ 11,993,996
Transfers	-	(147,946)	-	(147,946)
Distributions	-	(22,059)	(38,143)	(60,202)
Investment expenses	-	(13,061)	(4,265)	(17,326)
Investment gains	497,193	564,530	123,558	1,185,281
Fair value, ending	<u>\$ 5,612,511</u>	<u>\$ 6,458,857</u>	<u>\$ 882,435</u>	<u>\$ 12,953,803</u>

Commitments and redemption schedules for those investments valued based on net asset values are as follows:

<u>Description</u>	<u>Fair value at June 30, 2014</u>	<u>Unfunded commitments</u>	<u>Redemption frequency</u>	<u>Redemption notice period</u>
Mutual funds [a]:				
Large cap – international developed	\$ 11,801,098	none	monthly	10 – 30 days
Mid cap – domestic	4,138,640	none	monthly	7 days
Small cap – domestic	1,631,665	none	quarterly	30 days
Hedge funds [b]	5,612,511	none	quarterly	90 – 95 days
Private equity funds [c]	6,458,857	3,025,498	not allowed	n/a

[a] Mutual funds represent investments in publically traded companies, using various strategies as identified above.

[b] Hedge funds are considered to be investments in fund of funds. These investments employ a variety of strategies including absolute return, various long/short strategies, and credit funds of which \$3,852,092 is subject to a one year lockup period.

[c] Private equity funds are invested in funds organized as limited partnerships which invest in real estate, mezzanine capital, secondaries, investments in distressed securities, and buyouts.

SAN DIEGO MUSEUM OF ART**Notes to Financial Statements**

Years Ended June 30, 2015 and 2014

Note 2 – Investments, continued

The following schedules summarize the investment return and its classification:

	June 30, 2015			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Interest and dividends	\$ 1,043,943	\$ 336,604	\$ -	\$ 1,380,547
Investment expenses	(398,506)	(133,698)	-	(532,204)
Net realized gains	1,990,132	665,659	-	2,655,791
Net unrealized gains	(531,974)	(121,281)	-	(653,255)
Change in charitable remainder trusts	-	(376)	(97,068)	(97,444)
Investment return	<u>\$ 2,103,595</u>	<u>\$ 746,908</u>	<u>\$ (97,068)</u>	<u>\$ 2,753,435</u>

	June 30, 2014			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Interest and dividends	\$ 316,871	\$ 98,767	\$ -	\$ 415,638
Investment expenses	(313,512)	(103,347)	-	(416,859)
Net realized gains	178,300	59,377	-	237,677
Net unrealized gains	8,201,124	2,742,015	-	10,943,139
Change in charitable remainder trusts	-	(2,598)	195,455	192,857
Investment return	<u>\$ 8,382,783</u>	<u>\$ 2,794,214</u>	<u>\$ 195,455</u>	<u>\$ 11,372,452</u>

Note 3 – Pledges Receivable

Pledges receivable consist of the following:

	2015	2014
Due in one year or less	\$ 73,168	\$ 557,667
Due after one year through five years	8,000	46,167
	<u>\$ 81,168</u>	<u>\$ 603,834</u>

No allowance was considered necessary at June 30, 2015 and 2014 because management believes that all amounts are collectible. No discount was imputed because management determined the amounts to be insignificant.

SAN DIEGO MUSEUM OF ART

Notes to Financial Statements

Years Ended June 30, 2015 and 2014

Note 4 – Property and Equipment

The Museum buildings constructed with Museum funds have been gifted to the City of San Diego. Other improvements to the real property by the Museum will revert to the City of San Diego at the termination of the lease agreement (Note 5). Improvements made and assets owned by the Museum are as follows:

	<u>2015</u>	<u>2014</u>
Building and improvements	\$ 16,030,256	\$ 14,935,538
Furniture, fixtures and equipment	329,519	361,104
Construction in progress	-	411,798
	<u>16,359,775</u>	<u>15,708,440</u>
Less accumulated depreciation	<u>(9,656,063)</u>	<u>(9,000,328)</u>
	<u>\$ 6,703,712</u>	<u>\$ 6,708,112</u>

Note 5 – Leases

The Museum leases real property located in Balboa Park from the City of San Diego. The lease term is 25 years commencing March 1, 1990 with an option to extend an additional 25 years at the Museum's option, and provides for renegotiation of lease provisions every five years. Renegotiation affects alterations in the terms and conditions of the lease solely to reflect any significant changes which have occurred during the interim period and shall not increase the consideration, terminate the lease, or shorten the term. Consideration for the lease is the Museum's agreement to operate an art museum and related services for the benefit of the general public. No amounts have been reflected in the financial statements for the use of the real property as no objective basis is available to measure the relative value. On September 18, 2014, the option to extend the lease was executed. The new lease expires February 28, 2040 and retains the same terms.

Note 6 – Debt Obligations

The Museum issued \$6,000,000 of variable rate demand certificates of participation through the County of San Diego. The purpose of the issue was to fund the remodeling of the Museum's office facilities and the renovation of the museum building. Payments of principal and interest with respect to the certificates are supported by an irrevocable direct-pay letter of credit issued by Wells Fargo Bank. The interest rate on the issue was 0.08% and 0.10% at June 30, 2015 and 2014, respectively. The principal is due in full on September 1, 2030. In prior years, the Museum made voluntary early principal payments of \$300,000, resulting in a remaining balance of \$5,700,000 as of June 30, 2015 and 2014.

The Museum has entered into loan agreements with San Diego Gas & Electric Company (SDG&E) to provide contracted services to replace and upgrade lighting and mechanical fixtures. In 2015, the Museum entered into an additional \$502,161 loan agreement with SDG&E for the replacement of two large chillers that maintain the temperature and humidity of the galleries. Amounts due to SDG&E are \$485,422 and \$113,895 at June 30, 2015 and 2014, respectively. The loans are payable in monthly installments of \$4,185 with 0% interest through February 2025. The loan agreements outstanding at June 30, 2014 were paid in full as of July 31, 2014.

SAN DIEGO MUSEUM OF ART**Notes to Financial Statements**

Years Ended June 30, 2015 and 2014

Note 6 – Debt Obligations, continued

Principal payments on debt obligations at June 30, 2015 are due as follows:

	Year Ending June 30	
	2016	\$ 50,216
	2017	50,216
	2018	50,216
	2019	50,216
	2020	50,216
	Thereafter	<u>5,934,342</u>
	Total	<u>\$ 6,185,422</u>

Note 7 – Restrictions on Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following purposes:

	<u>2015</u>	<u>2014</u>
Art acquisitions	\$ 96,944	\$ 96,944
Charitable remainder trusts and gift annuities	-	377
Education	116,952	369,074
Exhibits	241,112	761,066
Other special projects	67,944	179,562
Unappropriated endowment earnings	<u>9,980,328</u>	<u>10,611,146</u>
	<u>\$ 10,503,280</u>	<u>\$ 12,018,169</u>

Note 8 – Employee Retirement Plan

The Museum sponsors a tax deferred annuity plan (the Plan) that qualifies under Section 403(b) of the Internal Revenue Code and covers substantially all employees. On behalf of each eligible employee, the Plan allows the Museum to contribute 3.5% of compensation. For the years ended June 30, 2015 and 2014, the Museum contributed \$110,289 and \$105,682, respectively.

Note 9 – Endowments

The Museum's endowment consists of both donor-restricted endowment funds and funds designated by the Board of Trustees to function as endowments. As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

SAN DIEGO MUSEUM OF ART

Notes to Financial Statements

Years Ended June 30, 2015 and 2014

Note 9 – Endowments, continued

The Board of Trustees of the Museum 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, the Museum 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 Museum in a manner that is consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Museum considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- 1) The duration and preservation of the fund
- 2) The purposes of the Museum and the donor-restricted endowment fund
- 3) General economic conditions
- 4) The possible effect of inflation and deflation
- 5) The expected total return from income and the appreciation of investments
- 6) Other resources of the Museum
- 7) The investment policies of the Museum

At June 30, 2015, the endowment net assets composition by type of fund consists of the following:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ 9,980,328	\$ 9,032,102	\$ 19,012,430
Charitable remainder trust assets to be included in endowment	-	-	2,508,106	2,508,106
Board-designated endowment funds	<u>50,131,878</u>	<u>-</u>	<u>-</u>	<u>50,131,878</u>
Total endowment funds	<u>\$ 50,131,878</u>	<u>\$ 9,980,328</u>	<u>\$ 11,540,208</u>	<u>\$ 71,652,414</u>

At June 30, 2014, the endowment net assets composition by type of fund consists of the following:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ 10,611,146	\$ 9,032,101	\$ 19,643,247
Charitable remainder trust assets to be included in endowment	-	-	2,605,175	2,605,175
Board-designated endowment funds	<u>51,650,250</u>	<u>-</u>	<u>-</u>	<u>51,650,250</u>
Total endowment funds	<u>\$ 51,650,250</u>	<u>\$ 10,611,146</u>	<u>\$ 11,637,276</u>	<u>\$ 73,898,672</u>

SAN DIEGO MUSEUM OF ART
Notes to Financial Statements
Years Ended June 30, 2015 and 2014

Note 9 – Endowments, continued

Changes in endowment net assets for the year ended June 30, 2015 consists of the following:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 51,650,250	\$ 10,611,146	\$ 11,637,276	\$ 73,898,672
Investment return:				
Investment income	1,020,581	336,604	-	1,357,185
Investment expenses	(398,506)	(133,698)	-	(532,204)
Net realized and unrealized gains	1,413,957	544,378	-	1,958,335
Change in charitable remainder trust assets	-	-	(97,068)	(97,068)
Total investment return	<u>2,036,032</u>	<u>747,284</u>	<u>(97,068)</u>	<u>2,686,248</u>
Appropriation of endowment assets for expenditure	<u>(3,554,404)</u>	<u>(1,378,102)</u>	<u>-</u>	<u>(4,932,506)</u>
Endowment net assets, end of year	<u>\$ 50,131,878</u>	<u>\$ 9,980,328</u>	<u>\$ 11,540,208</u>	<u>\$ 71,652,414</u>

Changes in endowment net assets for the year ended June 30, 2014 consists of the following:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 47,804,254	\$ 9,307,226	\$ 10,995,446	\$ 68,106,926
Donations	105,535	-	446,375	551,910
Investment return:				
Investment income	321,191	103,340	-	424,531
Investment expenses	(313,512)	(82,003)	-	(395,515)
Net realized and unrealized gains	8,128,103	2,796,819	-	10,924,922
Change in charitable remainder trust assets	-	-	195,455	195,455
Total investment return	<u>8,135,782</u>	<u>2,818,156</u>	<u>195,455</u>	<u>11,149,393</u>
Appropriation of endowment assets for expenditure	<u>(4,395,321)</u>	<u>(1,514,236)</u>	<u>-</u>	<u>(5,909,557)</u>
Endowment net assets, end of year	<u>\$ 51,650,250</u>	<u>\$ 10,611,146</u>	<u>\$ 11,637,276</u>	<u>\$ 73,898,672</u>

SAN DIEGO MUSEUM OF ART

Notes to Financial Statements

Years Ended June 30, 2015 and 2014

Note 9 – Endowments, continued

Return Objectives and Risk Parameters

The Museum has adopted investment and spending policies for endowment assets that attempt to provide funding for the operating expenses of programs supported by its endowments and increase the value of the original contributed capital by an amount not less than the annual increase in the Consumer Price Index (CPI). In order to meet this objective, the endowment asset portfolio is structured to achieve a compounded annual return, net of investment management expenses, of 6% plus the annual rate of inflation (Target Return) over ten years. In achieving the Target Return, the Museum seeks to maintain a level of portfolio risk, as measured by the annualized monthly standard deviation, commensurate with the portfolio's market-related index. The market-related index is made up of selected market indices that are representative of the asset classes in which the portfolio is invested and which is weighted in the same percentages as the asset classes in which the portfolio is invested.

Investment Strategy

The investment strategy of the Museum is to develop a diversified portfolio of investments. For equity investments, the selection of such holdings is based on the merits of long-term ownership without the intent of short-term trading. To achieve the Target Return, the Museum relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends).

Spending Policy

Each year, the Museum appropriates a portion of the fair market value of endowment assets for distribution. The portion of the fair market value appropriated for the years ended June 30, 2015 and 2014 was 5.00% each year. Market value, for the purpose of calculating the spending policy, is based on the trailing twenty quarter average of the market value of the endowment assets as of December 31st of each year. The Board of Trustees may, upon recommendation of the Finance Committee, in response to changes in economic circumstances, raise or lower the percentage to be distributed in any given year.

Note 10 – Concentration of Credit Risk

The Museum maintains its cash in bank deposit accounts that are insured by the Federal Deposit Insurance Corporation (FDIC) up to a limit of \$250,000 per financial institution. The Museum maintains cash balances at several banks which, at times, exceed the federal insurable limit. As of June 30, 2015 and 2014, the Museum's uninsured cash balance was \$174,129 and \$496,862, respectively.

Note 11 – Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Note 12 – Reclassifications

Certain items in the 2014 financial statements have been reclassified to conform to current year classifications. Such reclassifications had no effect on previously reported changes in net assets.

SUPPLEMENTAL INFORMATION

SAN DIEGO MUSEUM OF ART

Schedule of Contributions

Years Ended June 30, 2015 and 2014

	June 30, 2015			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Individual gifts	\$ 277,468	\$ -	\$ -	\$ 277,468
Corporate support	273,404	41,920	-	315,324
Trustee support	252,596	95,000	-	347,596
Foundations	2,033,350	106,500	-	2,139,850
Contribution box	2,312	-	-	2,312
	<u>\$ 2,839,130</u>	<u>\$ 243,420</u>	<u>\$ -</u>	<u>\$ 3,082,550</u>

	June 30, 2014			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Individual gifts	\$ 1,574,058	\$ 592,236	\$ 446,375	\$ 2,612,669
Corporate support	209,390	78,334	-	287,724
Trustee support	129,384	38,100	-	167,484
Foundations	173,076	321,421	-	494,497
Contribution box	2,630	-	-	2,630
	<u>\$ 2,088,538</u>	<u>\$ 1,030,091</u>	<u>\$ 446,375</u>	<u>\$ 3,565,004</u>