

# San Diego Museum of Art

Financial Statements and Supplemental Information

Years Ended June 30, 2019 and 2018



**SAN DIEGO MUSEUM OF ART**  
**Financial Statements and Supplemental Information**  
Years Ended June 30, 2019 and 2018

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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 are comprised of the statements of financial position as of June 30, 2019 and 2018, 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, 2019 and 2018, 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.

### Emphasis-of-Matter Regarding a Change in Accounting Principle

As discussed in Note 1 to the financial statements, San Diego Museum of Art adopted Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. Our opinion is not modified with respect to that matter.

## INDEPENDENT AUDITORS' REPORT, CONTINUED

### Report on Supplemental Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplemental information on page 22 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.

*Aldrich CPAs + Advisors LLP*

San Diego, California  
November 20, 2019

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

June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
<b>ASSETS</b>		
Cash	\$ 663,845	\$ 281,754
Accounts receivable	175,188	173,216
Promises to give, net of discount on promises to give	3,095,688	1,498,850
Grants receivable	30,000	-
Inventory	150,071	160,361
Prepaid expenses	32,428	16,964
Property and equipment, net of accumulated depreciation	5,278,083	5,703,978
Deferred charges, net of accumulated amortization	89,408	97,474
Beneficial interest in assets held at the San Diego Foundation	874,057	882,386
Investments	71,814,588	71,518,958
Collections (Note 1)	-	-
	<u>                    </u>	<u>                    </u>
Total Assets	<u>\$ 82,203,356</u>	<u>\$ 80,333,941</u>
<b>LIABILITIES AND NET ASSETS</b>		
Liabilities:		
Accounts payable	\$ 644,425	\$ 353,000
Accrued expenses	426,259	392,247
Debt obligations	5,984,558	6,034,774
	<u>                    </u>	<u>                    </u>
Total Liabilities	7,055,242	6,780,021
Net Assets:		
Without donor restrictions:		
Board designated endowment	49,805,507	49,695,530
Art acquisitions	21,236	-
Operating	397,068	1,493,676
	<u>                    </u>	<u>                    </u>
Total without donor restrictions	50,223,811	51,189,206
With donor restrictions	24,924,303	22,364,714
	<u>                    </u>	<u>                    </u>
Total Net Assets	<u>75,148,114</u>	<u>73,553,920</u>
	<u>                    </u>	<u>                    </u>
Total Liabilities and Net Assets	<u>\$ 82,203,356</u>	<u>\$ 80,333,941</u>

See accompanying notes to financial statements.

# SAN DIEGO MUSEUM OF ART

## Statement of Activities

Year Ended June 30, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, Support and Investment Activity:			
Revenue and Support:			
Contributions	\$ 2,219,561	\$ 3,187,711	\$ 5,407,272
Admissions	1,219,861	-	1,219,861
Special events	1,122,861	-	1,122,861
Memberships	919,473	-	919,473
City of San Diego	368,448	-	368,448
Store sales, \$528,161, less cost of goods sold of \$249,652	278,509	-	278,509
Café commissions	239,647	-	239,647
Miscellaneous	130,790	-	130,790
Support organizations	83,419	-	83,419
Traveling exhibitions	81,793	-	81,793
Education	54,186	-	54,186
Grants	50,535	-	50,535
Art deaccessions	21,236	-	21,236
Concerts	18,660	-	18,660
County of San Diego	17,500	-	17,500
Net assets released from restrictions, satisfaction of program restrictions	592,905	(592,905)	-
Total Revenue and Support	7,419,384	2,594,806	10,014,190
Investment Activity:			
Interest income	10,104	-	10,104
Endowment allocation	3,637,182	-	3,637,182
Total Investment Activity	3,647,286	-	3,647,286
Total Revenue, Support and Investment Activity	11,066,670	2,594,806	13,661,476
Expenses:			
Program services	8,453,582	-	8,453,582
Supporting services	3,491,307	-	3,491,307
Total Expenses	11,944,889	-	11,944,889
Change in Operations	(878,219)	2,594,806	1,716,587
Other Income (Loss):			
Investment return	2,542,785	972,004	3,514,789
Endowment allocation	(2,629,961)	(1,007,221)	(3,637,182)
Total Other Loss	(87,176)	(35,217)	(122,393)
Change in Net Assets	(965,395)	2,559,589	1,594,194
Net Assets, beginning	51,189,206	22,364,714	73,553,920
Net Assets, ending	\$ 50,223,811	\$ 24,924,303	\$ 75,148,114

See accompanying notes to financial statements.

# SAN DIEGO MUSEUM OF ART

## Statement of Activities

Year Ended June 30, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, Support and Investment Activity:			
Revenue and Support:			
Art deaccessions	\$ 4,660,449	\$ -	\$ 4,660,449
Contributions	1,371,585	1,605,965	2,977,550
Admissions	1,141,479	-	1,141,479
Memberships	1,107,657	-	1,107,657
Special events	1,082,766	-	1,082,766
City of San Diego	397,018	-	397,018
Store sales, \$555,783, less cost of goods sold of \$269,676	286,107	-	286,107
Café commissions	247,665	-	247,665
Support organizations	87,521	-	87,521
Education	56,778	-	56,778
County of San Diego	43,000	-	43,000
Miscellaneous	27,783	-	27,783
Concerts	19,404	-	19,404
Grants	3,688	-	3,688
Net assets released from restrictions, satisfaction of program restrictions	170,302	(170,302)	-
<b>Total Revenue and Support</b>	<b>10,703,202</b>	<b>1,435,663</b>	<b>12,138,865</b>
Investment Activity:			
Interest income	5,696	-	5,696
Endowment allocation	4,238,613	-	4,238,613
<b>Total Investment Activity</b>	<b>4,244,309</b>	<b>-</b>	<b>4,244,309</b>
<b>Total Revenue, Support and Investment Activity</b>	<b>14,947,511</b>	<b>1,435,663</b>	<b>16,383,174</b>
Expenses:			
Program services	13,904,810	-	13,904,810
Supporting services	3,604,652	-	3,604,652
<b>Total Expenses</b>	<b>17,509,462</b>	<b>-</b>	<b>17,509,462</b>
<b>Change in Operations</b>	<b>(2,561,951)</b>	<b>1,435,663</b>	<b>(1,126,288)</b>
Other Income (Loss):			
Investment return	4,319,816	1,718,254	6,038,070
Endowment allocation	(2,264,231)	(1,974,382)	(4,238,613)
<b>Total Other Income (Loss)</b>	<b>2,055,585</b>	<b>(256,128)</b>	<b>1,799,457</b>
<b>Change in Net Assets</b>	<b>(506,366)</b>	<b>1,179,535</b>	<b>673,169</b>
Net Assets, beginning	51,695,572	21,185,179	72,880,751
Net Assets, ending	<u>\$ 51,189,206</u>	<u>\$ 22,364,714</u>	<u>\$ 73,553,920</u>

See accompanying notes to financial statements.

**SAN DIEGO MUSEUM OF ART**  
**Statement of Functional Expenses**  
Year Ended June 30, 2019

	Program Services					Supporting Services			Total
	Curatorial	Exhibitions and Collections	Art Acquisitions	Special Events	Other Program Services	Administration	Building and Security	Development	
<b>Labor Costs:</b>									
Wages	\$ 455,821	\$ 1,300,303	\$ -	\$ 178,174	\$ 1,020,957	\$ 894,459	\$ 606,796	\$ 338,302	\$ 4,794,812
Payroll taxes	29,760	66,080	-	12,801	77,009	61,503	36,147	19,146	302,446
Employee benefits	71,435	154,452	-	22,192	204,795	166,926	136,739	39,002	795,541
Workers' compensation	7,847	4,588	-	1,916	11,093	9,463	9,341	5,141	49,389
	<u>564,863</u>	<u>1,525,423</u>	<u>-</u>	<u>215,083</u>	<u>1,313,854</u>	<u>1,132,351</u>	<u>789,023</u>	<u>401,591</u>	<u>5,942,188</u>
<b>Other Expenses:</b>									
Art acquisition	-	-	1,300	-	-	-	-	-	1,300
Catering	2,798	407	-	253,064	60,516	24,017	-	14,839	355,641
Conservation and binding	-	74,332	-	-	-	-	-	-	74,332
Contract services	66,547	195,120	-	357,870	116,377	101,786	17,507	48,692	903,899
Credit card charges	-	-	-	-	74,140	-	-	-	74,140
Depreciation	525,376	60,382	-	2,908	137,447	18,062	12,474	8,648	765,297
Dues and subscriptions	180	2,550	-	-	4,450	42,597	-	620	50,397
Equipment and vehicles	868	8,239	-	1,008	8,194	18,021	8,770	395	45,495
Fees and honorariums	88,264	113,442	-	25,467	238,790	26,324	16,231	2,257	510,775
Freight	-	683,009	-	-	-	-	-	-	683,009
Graphics	393	40,113	-	8,165	420	33	-	4	49,128
Insurance	76,526	150,783	-	424	20,020	2,631	1,817	1,260	253,461
Interest	54,628	6,278	-	302	14,293	1,878	1,297	899	79,575
Marketing and communication	974	114,342	-	25,284	18,039	197,517	595	250	357,001
Miscellaneous	795	248	-	-	8,238	9,807	11,008	960	31,056
Postage	7,757	2,478	-	4,240	22,727	2,370	17	3,617	43,206
Printing	62,279	6,699	-	39,107	71,093	26,301	383	12,229	218,091
Professional fees	-	-	-	-	-	58,383	-	-	58,383
Rentals	5,674	53,972	-	76,309	54,816	7,167	25,932	2,853	226,723
Repair and maintenance	-	11,962	-	-	6,880	14,466	247,117	-	280,425
Supplies and materials	1,550	59,760	-	10,461	52,230	9,939	80,221	1,741	215,902
Travel	22,461	-	-	437	9,179	32,704	-	1,592	66,373
Utilities	430,915	55,643	-	2,762	119,658	27,906	13,793	8,415	659,092
	<u>1,347,985</u>	<u>1,639,759</u>	<u>1,300</u>	<u>807,808</u>	<u>1,037,507</u>	<u>621,909</u>	<u>437,162</u>	<u>109,271</u>	<u>6,002,701</u>
Total Expenses	\$ <u>1,912,848</u>	\$ <u>3,165,182</u>	\$ <u>1,300</u>	\$ <u>1,022,891</u>	\$ <u>2,351,361</u>	\$ <u>1,754,260</u>	\$ <u>1,226,185</u>	\$ <u>510,862</u>	\$ <u>11,944,889</u>
				Total Program Services	\$ <u>8,453,582</u>	Total Supporting Services	\$ <u>3,491,307</u>		

See accompanying notes to financial statements.



**SAN DIEGO MUSEUM OF ART**  
**Statement of Functional Expenses**  
Year Ended June 30, 2018

	Program Services					Supporting Services			Total
	Curatorial	Exhibitions and Collections	Art Acquisitions	Special Events	Other Program Services	Administration	Building and Security	Development	
<b>Labor Costs:</b>									
Wages	\$ 497,710	\$ 1,164,374	\$ -	\$ 138,777	\$ 938,157	\$ 950,217	\$ 571,277	\$ 367,473	\$ 4,627,985
Payroll taxes	32,637	64,989	-	10,317	70,050	64,485	26,246	23,460	292,184
Employee benefits	56,654	117,020	-	16,851	176,126	172,357	123,881	43,856	706,745
Workers' compensation	6,375	4,881	-	1,910	11,897	13,296	8,452	5,230	52,041
	<u>593,376</u>	<u>1,351,264</u>	<u>-</u>	<u>167,855</u>	<u>1,196,230</u>	<u>1,200,355</u>	<u>729,856</u>	<u>440,019</u>	<u>5,678,955</u>
<b>Other Expenses:</b>									
Art acquisition	-	-	6,095,027	-	-	-	-	-	6,095,027
Catering	1,633	484	-	179,409	36,285	14,384	-	3,809	236,004
Conservation and binding	-	87,873	-	-	-	-	-	-	87,873
Contract services	68,403	79,750	-	319,320	123,983	112,784	19,910	57,486	781,636
Credit card charges	-	-	-	-	76,539	-	-	-	76,539
Depreciation	602,198	69,211	-	3,333	157,546	20,701	14,298	9,912	877,199
Dues and subscriptions	365	2,683	-	-	5,357	39,990	-	323	48,718
Equipment and vehicles	3,403	6,433	-	387	6,714	11,288	8,860	481	37,566
Fees and honorariums	76,577	48,050	-	32,513	247,889	36,274	14,014	6,222	461,539
Freight	-	399,145	-	-	-	-	-	-	399,145
Graphics	8,196	51,503	-	8,036	433	-	-	-	68,168
Insurance	74,503	185,570	-	412	19,491	2,561	1,769	1,226	285,532
Interest	42,829	4,922	-	237	11,206	1,472	1,017	705	62,388
Marketing and communication	365	201,483	-	37,524	29,966	241,327	518	2,728	513,911
Miscellaneous	2,239	1,009	-	5	4,811	31,526	10,895	412	50,897
Postage	4,160	2,043	-	2,787	31,401	2,610	235	4,805	48,041
Printing	58,610	7,181	-	34,729	106,362	23,117	571	12,955	243,525
Professional fees	-	-	-	-	-	60,519	-	-	60,519
Rentals	5,010	53,126	-	92,379	55,285	6,461	27,828	1,395	241,484
Repair and maintenance	-	9,782	-	-	6,830	14,413	252,662	-	283,687
Supplies and materials	2,467	37,322	-	15,367	49,797	8,697	68,261	4,580	186,491
Travel	17,544	5,640	-	204	12,792	33,562	-	321	70,063
Utilities	403,455	51,212	-	2,602	112,748	23,490	13,113	7,935	614,555
	<u>1,371,957</u>	<u>1,304,422</u>	<u>6,095,027</u>	<u>729,244</u>	<u>1,095,435</u>	<u>685,176</u>	<u>433,951</u>	<u>115,295</u>	<u>11,830,507</u>
Total Expenses	\$ <u>1,965,333</u>	\$ <u>2,655,686</u>	\$ <u>6,095,027</u>	\$ <u>897,099</u>	\$ <u>2,291,665</u>	\$ <u>1,885,531</u>	\$ <u>1,163,807</u>	\$ <u>555,314</u>	\$ <u>17,509,462</u>
				Total Program Services	\$ <u>13,904,810</u>		Total Supporting Services	\$ <u>3,604,652</u>	

See accompanying notes to financial statements.

**SAN DIEGO MUSEUM OF ART****Statements of Cash Flows**

Years Ended June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Cash Flows from Operating Activities:		
Change in net assets	\$ 1,594,194	\$ 673,169
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Depreciation	765,297	877,199
Amortization	8,066	8,065
Net realized and unrealized gains on investments	(2,406,517)	(5,052,402)
Changes in operating assets and liabilities:		
Accounts receivable	(1,972)	(35,821)
Promises to give, net	(1,596,838)	(1,359,135)
Grants receivable	(30,000)	52,500
Inventory	10,290	499
Prepaid expenses	(15,464)	15,867
Accounts payable	291,425	(448,230)
Accrued expenses	34,012	(49,258)
Net Cash Used by Operating Activities	<u>(1,347,507)</u>	<u>(5,317,547)</u>
Cash Flows from Investing Activities:		
Proceeds from sales of investments	3,473,208	7,300,207
Purchases of investments	(1,362,321)	(1,239,829)
Change in charitable remainder trusts	8,329	(17,113)
Purchases of property and equipment	<u>(339,402)</u>	<u>(638,789)</u>
Net Cash Provided by Investing Activities	1,779,814	5,404,476
Cash Flows Used by Financing Activities:		
Payments of debt obligations	<u>(50,216)</u>	<u>(50,216)</u>
Net Increase in Cash	382,091	36,713
Cash, beginning	<u>281,754</u>	<u>245,041</u>
Cash, ending	<u>\$ 663,845</u>	<u>\$ 281,754</u>
Supplemental disclosures of cash flow information:		
Cash paid for interest	<u>\$ 79,575</u>	<u>\$ 62,388</u>

See accompanying notes to financial statements.

# SAN DIEGO MUSEUM OF ART

## Notes to Financial Statements

Years Ended June 30, 2019 and 2018

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### 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.

#### New Accounting Pronouncement

During the year ended June 30, 2019, the Museum adopted ASU No. 2016-14 - *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. This guidance is intended to improve the net asset classification requirements and the information presented in the financial statements and notes about a not-for-profit entity's liquidity, financial performance, and cash flows. Main provisions of this guidance include: presentation of two classes of net assets versus the previously required three; recognition of capital gifts for construction as a net asset with donor restrictions until the associated long-lived asset is placed in service; and recognition of underwater endowment funds as a reduction in net assets with donor restrictions. The guidance also enhances disclosures for board designated amounts, composition of net assets with donor restrictions, liquidity, and expenses by both their natural and functional classification.

#### Financial Statement Presentation

The financial statements of the Museum have been prepared in accordance with U.S. generally accepted accounting principles (US GAAP), which require the Museum to report information regarding their financial position and activities according to the following net asset classifications:

- Net assets without donor restrictions – Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Museum. These net assets may be used at the discretion of the Museum's management and the board of directors.
- 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 Museum or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity.

#### 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, 2019 and 2018.

#### Promises to Give

Promises to give that are expected to be collected within one year are recorded at their net realizable value. Promises to give that are expected to be collected in future years are discounted to their estimated net present value. After promises to give 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 net realizable value.

## **SAN DIEGO MUSEUM OF ART**

### **Notes to Financial Statements**

Years Ended June 30, 2019 and 2018

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

##### 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 three to 20 years.

##### 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.

##### 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 net asset value which is the amount of net assets attributable to each share of outstanding capital stock at the end of the period. Overall value is determined 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 net asset 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 net assets without donor restrictions 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 net assets with donor restrictions, 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 net assets without donor restriction if purchased with unrestricted assets and as decreases in net assets with donor restriction 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 net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Donor restricted contributions are reported as an increase in net assets with donor restrictions, depending on the nature of restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions 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 support without donor restrictions and increase net assets without donor restrictions.

## **SAN DIEGO MUSEUM OF ART**

### **Notes to Financial Statements**

Years Ended June 30, 2019 and 2018

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

##### 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.

##### Advertising

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

##### Functional Expense Allocations

The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include bond fees, bond interest, depreciation, insurance (excluding fine art policy) and utilities, which are allocated on the basis of square footage. Salaries and benefits are allocated on the basis of time and effort.

##### 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, 2019 and 2018 and therefore no amounts have been accrued.

##### 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. 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.

As a practical expedient, certain financial instruments may be valued using net asset value (NAV) per share. NAV is the amount of net assets attributable to each share of outstanding capital stock at the end of the period.

## SAN DIEGO MUSEUM OF ART

### Notes to Financial Statements

Years Ended June 30, 2019 and 2018

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

##### Fair Value Measurements, continued

The carrying value of cash, receivables, other assets, and payables approximate fair values as of June 30, 2019 and 2018, due to the relative short maturities of these instruments.

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2019 and 2018.

*Registered investment companies (Mutual funds):* Valued at the daily closing price as reported by the fund. Mutual funds held by the Museum are open-end mutual funds that are registered with the Securities and Exchange Commission. These funds are required to publish their daily net asset value and to transact that price.

*Money market account:* Valued at the closing price reported on the active market on which the securities are traded.

*Corporate debt and stocks:* Valued at the closing price reported on the active market on which the securities are traded.

##### Future Accounting Standards

The Financial Accounting Standards Board (FASB) has issued three substantial ASUs which will become effective in future years.

The amendments in ASU 2014-09 *Revenue from Contracts with Customers* and subsequent updates require that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Adoption of the new standard is to be applied on a full retrospective basis or modified retrospective basis. The Museum is in the process of assessing how this new ASU and subsequent updates will affect the Museum's reporting of revenues. This assessment includes determining the effect of the new standard on the Museum's financial statements, accounting systems, business processes, and internal controls. Based on its assessment to date, the Museum does not currently expect adoption to have a material effect on its revenues. Adoption of ASU 2014-09 will also require enhanced financial statement disclosures about the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

In June 2018, ASU 2018-08 *Not-for-Profit Entities (Topic 958): Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made* was issued to provide guidance on the accounting and reporting of grants and contributions. This guidance will assist nonprofit organizations in evaluating if a transaction is an exchange transaction or a contribution. Clarification was also added to determine if a contribution is conditional or unconditional and how each of these should be recorded. This update is effective for transactions in which the entity serves as the resource recipient for fiscal years beginning after December 15, 2018. The Museum is evaluating the effect that the provisions of ASU 2018-08 will have on its financial statements and related disclosures.

In February 2016, the FASB issued ASU No. 2016-02 *Leases*. The primary change in US GAAP addressed by ASU 2016-02 is the requirement for a lessee to recognize on the statement of financial position a liability to make lease payments ("lease liability") and a right-of-use asset representing its right to use the underlying asset for the lease term. ASU 2016-02 also requires qualitative and quantitative disclosures to enable users of the financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases. ASU 2016-02 is effective for fiscal years beginning after December 15, 2020. Lessees must apply a modified retrospective transition approach for leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements. The Museum is evaluating the effect that the provisions of ASU 2016-02 will have on its financial statements and related disclosures.

## SAN DIEGO MUSEUM OF ART

### Notes to Financial Statements

Years Ended June 30, 2019 and 2018

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

##### Subsequent Events

In August 2019, the Museum collected \$2 million related to a gift promised during the year ended June 30, 2019. The amount is included in the promises to give balance on the statement of financial position at June 30, 2019.

The Museum has evaluated subsequent events through November 20, 2019, which is the date the financial statements were available to be issued.

#### Note 2 – Liquidity and Availability

The following reflects the Museum's financial assets as of the statement of financial position date, reduced by amounts not available for general use because of contractual obligations within one year of the statement of financial position date.

	<u>2019</u>	<u>2018</u>
Cash	\$ 663,845	\$ 281,754
Accounts receivable	175,188	173,216
Promises to give, net of discount on promises to give	3,095,688	1,498,850
Grants receivable	30,000	-
Inventory	150,071	160,361
Anticipated distributions from endowments	<u>3,544,463</u>	<u>3,637,182</u>
Total Financial Assets Available for General Operations	7,659,255	5,751,363
Less amounts not available to be used within one year:		
Restricted by donor with purpose or time restrictions	(383,604)	(589,135)
Restricted cash	(41,406)	(41,406)
Anticipated contribution to board-designated endowment	<u>(700,000)</u>	<u>-</u>
	<u>(1,125,010)</u>	<u>(630,541)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 6,534,245</u>	<u>\$ 5,120,822</u>

The Museum regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of available funds. The Museum structures its financial assets to be available as general expenditures and other obligations become due. In addition, the Museum invests cash in excess of immediate requirements in money market funds. The Museum's Board of Trustees has established a board-designated endowment for long-term investing. These funds, totaling \$49,805,507 at June 30, 2019, remain available and may be drawn, upon approval of the Board of Trustees.

## SAN DIEGO MUSEUM OF ART

### Notes to Financial Statements

Years Ended June 30, 2019 and 2018

#### Note 3 – Investments and Fair Value Measurement

Investments consist of the following as of June 30, 2019:

Description	Level 1	Level 2	Level 3	NAV	Total
Money market funds	\$ 3,889,327	\$ -	\$ -	\$ -	\$ 3,889,327
Mutual funds:					
Large cap – domestic	15,700,485	-	-	-	15,700,485
Large cap – international developed	4,813,104	-	-	-	4,813,104
Large cap – emerging markets	3,877,687	-	-	-	3,877,687
Mid cap – domestic	1,526,239	-	-	-	1,526,239
Small cap – domestic	1,497,808	-	-	-	1,497,808
Fixed income – domestic	10,178,096	-	-	-	10,178,096
Fixed income – international	4,276,121	-	-	-	4,276,121
Equity securities:					
Large cap – domestic	5,885,826	-	-	-	5,885,826
Alternative investments:					
Private equity funds		-	-	20,169,895	20,169,895
Total Investments	<u>51,644,693</u>	<u>-</u>	<u>-</u>	<u>20,169,895</u>	<u>71,814,588</u>
Beneficial interest in assets held at the San Diego Foundation	-	-	874,057	-	874,057
Total Fair Value Measurement	<u>\$ 51,644,693</u>	<u>\$ -</u>	<u>\$ 874,057</u>	<u>\$ 20,169,895</u>	<u>\$ 72,688,645</u>

Changes in the fair value of level 3 investments for the year ended June 30, 2019 are as follows:

	Beneficial interests in assets held at the San Diego Foundation
Fair value, beginning	\$ 882,386
Distributions	(37,258)
Investment return	28,929
Fair value, ending	<u>\$ 874,057</u>

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

Description	Fair value at June 30, 2019	Unfunded commitments	Redemption frequency	Redemption notice period
Private equity funds [a]	6,250,182	\$ 3,107,386	not allowed	n/a
Private equity funds [a]	8,896,751	-	daily	10 – 30 days
Private equity funds [a]	3,705,964	-	monthly	7 days
Private equity funds [a]	1,316,998	-	quarterly	60 days

[a] 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, 2019 and 2018

**Note 3 – Investments and Fair Value Measurement, continued**

The fair market value of investments is categorized as follows for the year ended June 30, 2018:

Description	Level 1	Level 2	Level 3	NAV	Total
Money market funds	\$ 3,802,400	\$ -	\$ -	\$ -	\$ 3,802,400
Mutual funds:					
Large cap – domestic	10,918,769	-	-	-	10,918,769
Large cap – international developed	650,903	-	-	-	650,903
Large cap – emerging markets	3,759,280	-	-	-	3,759,280
Mid cap – domestic	1,503,015	-	-	-	1,503,015
Small cap – domestic	1,542,659	-	-	-	1,542,659
Fixed income – domestic	10,144,616	-	-	-	10,144,616
Fixed income – international	3,775,786	-	-	-	3,775,786
Equity securities:					
Large cap – domestic	6,011,476	-	-	-	6,011,476
Alternative investments:					
Hedge funds	-	-	-	4,286,104	4,286,104
Private equity funds	-	-	-	25,123,950	25,123,950
Total Investments	<u>42,108,904</u>	<u>-</u>	<u>-</u>	<u>29,410,054</u>	<u>71,518,958</u>
Beneficial interest in assets held at the San Diego Foundation	-	-	882,386	-	882,386
Total Fair Value Measurement	<u>\$ 42,108,904</u>	<u>\$ -</u>	<u>\$ 882,386</u>	<u>\$ 29,410,054</u>	<u>\$ 72,401,344</u>

Changes in the fair value of level 3 investments for the year ended June 30, 2018 are as follows:

	Beneficial interests in assets held at the San Diego Foundation
Fair value, beginning	\$ 865,273
Distributions	(36,993)
Investment return	54,106
Fair value, ending	<u>\$ 882,386</u>

## SAN DIEGO MUSEUM OF ART

### Notes to Financial Statements

Years Ended June 30, 2019 and 2018

#### Note 3 – Investments and Fair Value Measurement, continued

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

Description	Fair value at June 30, 2018	Unfunded commitments	Redemption frequency	Redemption notice period
Hedge funds [a]	\$ 4,286,104	none	quarterly	90 – 95 days
Private equity funds [b]	6,316,255	\$ 2,916,645	not allowed	n/a
Private equity funds [b]	13,170,264	-	daily	10 – 30 days
Private equity funds [b]	706,063	-	weekly	7 days
Private equity funds [b]	3,291,893	-	monthly	7 days
Private equity funds [b]	1,639,475	-	quarterly	60 days

[a] 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 \$4,101,873 is subject to a one year lockup period.

[b] 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.

#### Note 4 – Promises to Give

Promises to give consist of the following:

	2019	2018
Gross pledges	\$ 3,150,000	\$ 1,559,715
Less imputed discount, at 3%	(54,312)	(60,865)
	<u>\$ 3,095,688</u>	<u>\$ 1,498,850</u>
	2019	2018
Due in one year or less	\$ 2,712,084	\$ 909,715
Due after one year through five years	383,604	589,135
	<u>\$ 3,095,688</u>	<u>\$ 1,498,850</u>

No allowance was considered necessary at June 30, 2019 and 2018 because management believes that all amounts are collectible.

#### Note 5 - 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 6). Improvements made and assets owned by the Museum are as follows:

	2019	2018
Building and improvements	\$ 16,604,962	\$ 16,762,702
Furniture, fixtures and equipment	403,430	430,362
	17,008,392	17,193,064
Less accumulated depreciation	(11,730,309)	(11,489,086)
	<u>\$ 5,278,083</u>	<u>\$ 5,703,978</u>

## SAN DIEGO MUSEUM OF ART

### Notes to Financial Statements

Years Ended June 30, 2019 and 2018

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#### Note 6 – 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.

The Museum also leases 4,878 square feet of offsite storage space in Chula Vista, California under a non-cancellable agreement expiring in January 2027. Monthly lease payments for the year ended June 30, 2019 were \$4,994.

Minimum future lease payments as of June 30, 2019 are due as follows:

Year Ending June 30,		
2020	\$	60,679
2021		62,499
2022		64,242
2023		60,417
2024		67,494
Thereafter		<u>182,054</u>
Total	\$	<u><u>497,385</u></u>

#### Note 7 – 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 average interest rate on the issue was 1.41% and 1.11% at June 30, 2019 and 2018, 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, 2019 and 2018. Bond issuance costs and the bond underwriter's discount are capitalized and amortized using the straight-line method over the term of the bonds.

The Museum has entered into a \$502,161 loan agreement with San Diego Gas & Electric Company (SDG&E) for the replacement of two large chillers that maintain the temperature and humidity of the galleries. Amounts due to SDG&E were \$284,558 and \$334,774 at June 30, 2019 and 2018, respectively. The loans are payable in monthly installments of \$4,185 with 0% interest through February 2025.

## SAN DIEGO MUSEUM OF ART

### Notes to Financial Statements

Years Ended June 30, 2019 and 2018

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#### Note 7 – Debt Obligations, continued

Principal payments on debt obligations at June 30, 2019 are due as follows:

Year Ending June 30,		
2020	\$	50,216
2021		50,216
2022		50,216
2023		50,216
2024		50,216
Thereafter		<u>5,733,478</u>
Total	\$	<u><u>5,984,558</u></u>

#### Note 8 – Restrictions on Net Assets

Net assets with donor restrictions consist of the following:

	<u>2019</u>	<u>2018</u>
Purpose Restrictions:		
Unappropriated endowment earnings	\$ 10,549,987	\$ 10,576,875
Art acquisitions	149,789	138,339
Exhibits	95,049	113,992
Education	65,512	76,126
Other special projects	<u>62,119</u>	<u>46,044</u>
	10,922,456	10,951,376
Time Restricted for Future Periods:		
General use	4,049,245	1,428,135
Special projects	<u>46,443</u>	<u>70,715</u>
	4,095,688	1,498,850
Perpetual in Nature:		
Institutional support endowments	9,032,102	9,032,102
Beneficial interest in assets held at the San Diego Foundation	<u>874,057</u>	<u>882,386</u>
	<u>9,906,159</u>	<u>9,914,488</u>
	<u>\$ 24,924,303</u>	<u>\$ 22,364,714</u>

## SAN DIEGO MUSEUM OF ART

### Notes to Financial Statements

Years Ended June 30, 2019 and 2018

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#### Note 8 – Restrictions on Net Assets, continued

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by the donors as follows:

	2019	2018
Satisfaction of Purpose Restrictions:		
Special projects	\$ 194,715	\$ 31,335
Exhibits	122,043	82,925
Education	51,147	31,042
	<u>367,905</u>	<u>145,302</u>
Satisfaction of Time Restrictions:		
General use	200,000	-
Special projects	25,000	25,000
	<u>225,000</u>	<u>25,000</u>
	<u>\$ 592,905</u>	<u>\$ 170,302</u>

#### Note 9 – 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, 2019 and 2018, the Museum contributed \$130,422 and \$123,642, respectively.

#### Note 10 – 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.

The Board of Trustees of the Museum has interpreted the Uniform Prudent Management of Institutional Funds Act (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

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

Years Ended June 30, 2019 and 2018

**Note 10 – Endowments, continued**

At June 30, 2019, the endowment net assets composition by type of fund consisted of the following:

	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated endowment funds	\$ 49,805,507	\$ -	\$ 49,805,507
Donor designated funds:			
Original donor-restricted gift amount required to be maintained in perpetuity by the donor	-	9,032,102	9,032,102
Charitable remainder trust assets to be included in endowment	-	874,057	874,057
Accumulated investment gains	-	10,549,987	10,549,987
Total endowment funds	<u>\$ 49,805,507</u>	<u>\$ 20,456,146</u>	<u>\$ 70,261,653</u>

At June 30, 2018, the endowment net assets composition by type of fund consisted of the following:

	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated endowment funds	\$ 49,695,530	\$ -	\$ 49,695,530
Donor designated funds:			
Original donor-restricted gift amount required to be maintained in perpetuity by the donor	-	9,032,102	9,032,102
Charitable remainder trust assets to be included in endowment	-	882,386	882,386
Accumulated investment gains	-	10,576,875	10,576,875
Total endowment funds	<u>\$ 49,695,530</u>	<u>\$ 20,491,363</u>	<u>\$ 70,186,893</u>

Changes in endowment net assets for the year ended June 30, 2019 consisted of the following:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 49,695,530	\$ 20,491,363	\$ 70,186,893
Contributions	200,000	-	200,000
Appropriated expenditures	(2,629,961)	(1,007,221)	(3,637,182)
Investment return, net	2,539,938	972,004	3,511,942
Endowment net assets, end of year	<u>\$ 49,805,507</u>	<u>\$ 20,456,146</u>	<u>\$ 70,261,653</u>

Changes in endowment net assets for the year ended June 30, 2018 consisted of the following:

	Without Donor	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 48,457,871	\$ 20,747,491	\$ 69,205,362
Appropriated expenditures	(3,083,283)	(1,974,382)	(5,057,665)
Investment return, net	4,320,942	1,718,254	6,039,196
Endowment net assets, end of year	<u>\$ 49,695,530</u>	<u>\$ 20,491,363</u>	<u>\$ 70,186,893</u>

## **SAN DIEGO MUSEUM OF ART**

### **Notes to Financial Statements**

Years Ended June 30, 2019 and 2018

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#### **Note 10 – 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, 2019 and 2018 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 31<sup>st</sup> 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 11 – Concentration of Credit Risk**

The Museum maintains its cash in bank deposit accounts that are insured by the Federal Deposit Insurance Corporation 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. At June 30, 2019, the Museum had \$413,845 of cash balances not insured by the FDIC.

#### **Note 12 – Reclassifications**

Certain items in the 2018 financial statements have been reclassified to conform to current year classifications, specifically the natural and functional classifications in the statements of activities and functional expenses. 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, 2019 and 2018

	June 30, 2019		
	Without Donor Restrictions	With Donor Restrictions	Total
Individual gifts	\$ 517,745	\$ 3,039,618	\$ 3,557,363
Trustee support	1,197,932	98,801	1,296,733
Foundations	255,973	47,592	303,565
Corporate support	244,186	1,700	245,886
Contribution box	3,725	-	3,725
	<u>\$ 2,219,561</u>	<u>\$ 3,187,711</u>	<u>\$ 5,407,272</u>

  

	June 30, 2018		
	Without Donor Restrictions	With Donor Restrictions	Total
Foundations	\$ 586,401	\$ 1,243,420	\$ 1,829,821
Individual gifts	450,308	262,057	712,365
Corporate support	139,733	100,488	240,221
Trustee support	191,199	-	191,199
Contribution box	3,944	-	3,944
	<u>\$ 1,371,585</u>	<u>\$ 1,605,965</u>	<u>\$ 2,977,550</u>