

# San Diego Museum of Art

## Financial Statements and Supplemental Information

Years Ended June 30, 2022 and 2021



**SAN DIEGO MUSEUM OF ART**  
**Financial Statements and Supplemental Information**  
Years Ended June 30, 2022 and 2021

---

**Table of Contents**

	Page
Independent Auditor's Report	1
Financial Statements:	
Statements of Financial Position	3
Statements of Activities	4
Statements of Functional Expenses	6
Statements of Cash Flows	8
Notes to Financial Statements	9
Supplemental Information:	
Schedules of Contributions	24

## INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees  
San Diego Museum of Art

### Opinion

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, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

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, 2022 and 2021, 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.

### Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of San Diego Museum of Art and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about San Diego Museum of Art's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

### Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

## INDEPENDENT AUDITOR'S REPORT, CONTINUED

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 San Diego Museum of Art's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about San Diego Museum of Art's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

### Report on Supplemental Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplemental information on page 24 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 22, 2022

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

June 30, 2022 and 2021

	2022	2021
<b>ASSETS</b>		
Cash and restricted cash	\$ 1,618,464	\$ 1,371,035
Accounts receivable	108,640	875,910
Promises to give, net of discount on promises to give	1,413,245	176,010
Other assets	213,380	324,249
Property and equipment, net of accumulated depreciation	4,944,965	4,461,807
Beneficial interest in assets held at The San Diego Foundation	966,764	1,046,160
Investments	69,637,373	89,642,267
Collections (Note 1)	-	-
	<u>                    </u>	<u>                    </u>
Total Assets	\$ 78,902,831	\$ 97,897,438
	<u>                    </u>	<u>                    </u>
<b>LIABILITIES AND NET ASSETS</b>		
Liabilities:		
Accounts payable	\$ 618,161	\$ 750,522
Accrued expenses	1,218,035	1,152,018
Debt obligations	5,833,910	6,627,847
	<u>                    </u>	<u>                    </u>
Total Liabilities	7,670,106	8,530,387
Net Assets:		
Without donor restrictions:		
Board designated endowment	48,304,156	60,965,374
Art acquisitions	102,922	3,340,756
Operating	245,179	39,056
	<u>                    </u>	<u>                    </u>
Total Without Donor Restrictions	48,652,257	64,345,186
With donor restrictions	22,580,468	25,021,865
	<u>                    </u>	<u>                    </u>
Total Net Assets	71,232,725	89,367,051
	<u>                    </u>	<u>                    </u>
Total Liabilities and Net Assets	\$ 78,902,831	\$ 97,897,438
	<u>                    </u>	<u>                    </u>

**SAN DIEGO MUSEUM OF ART****Statement of Activities**

Year Ended June 30, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, Support and Investment Activity:			
Revenue and support:			
Contributions	\$ 2,226,641	\$ 2,399,373	\$ 4,626,014
Admissions	1,754,119	-	1,754,119
Memberships	1,000,632	-	1,000,632
PPP loan forgiveness	743,721	-	743,721
Art deaccessions	363,259	-	363,259
City of San Diego	298,669	-	298,669
Store sales, \$551,859 less cost of goods sold of \$261,901	289,958	-	289,958
Café commissions	223,141	-	223,141
Miscellaneous	181,097	-	181,097
Net assets released from restrictions, satisfaction of program restrictions	282,892	(282,892)	-
Total Revenue and Support	7,364,129	2,116,481	9,480,610
Investment Activity:			
Interest income	813	-	813
Endowment allocation	5,485,875	-	5,485,875
Total Investment Activity	5,486,688	-	5,486,688
Total Revenue, Support and Investment Activity	12,850,817	2,116,481	14,967,298
Expenses:			
Program services	11,380,212	-	11,380,212
Supporting services	4,325,060	-	4,325,060
Total Expenses	15,705,272	-	15,705,272
Change in Operations	(2,854,455)	2,116,481	(737,974)
Other Loss:			
Investment return, net	(8,816,572)	(3,093,905)	(11,910,477)
Endowment allocation	(4,021,902)	(1,463,973)	(5,485,875)
Total Other Loss	(12,838,474)	(4,557,878)	(17,396,352)
Change in Net Assets	(15,692,929)	(2,441,397)	(18,134,326)
Net Assets, beginning	64,345,186	25,021,865	89,367,051
Net Assets, ending	\$ 48,652,257	\$ 22,580,468	\$ 71,232,725

**SAN DIEGO MUSEUM OF ART****Statement of Activities**

Year Ended June 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, Support and Investment Activity:			
Revenue and support:			
Contributions	\$ 2,306,324	\$ 74,572	\$ 2,380,896
Art deaccessions	2,150,873	-	2,150,873
Memberships	849,790	-	849,790
PPP loan forgiveness	794,000	-	794,000
Admissions	452,785	-	452,785
City of San Diego	189,854	-	189,854
Miscellaneous	127,800	-	127,800
Store sales, \$217,480 less cost of goods sold of \$96,440	121,040	-	121,040
Café commissions	109,184	-	109,184
Net assets released from restrictions, satisfaction of program restrictions	287,067	(287,067)	-
Total Revenue and Support	7,388,717	(212,495)	7,176,222
Investment Activity:			
Interest income	164	-	164
Endowment allocation	5,374,533	-	5,374,533
Total Investment Activity	5,374,697	-	5,374,697
Total Revenue, Support and Investment Activity	12,763,414	(212,495)	12,550,919
Expenses:			
Program services	7,418,580	-	7,418,580
Supporting services	3,807,274	-	3,807,274
Total Expenses	11,225,854	-	11,225,854
Change in Operations	1,537,560	(212,495)	1,325,065
Other Income (Loss):			
Investment return, net	15,637,237	6,061,132	21,698,369
Endowment allocation	(3,887,309)	(1,487,224)	(5,374,533)
Total Other Income	11,749,928	4,573,908	16,323,836
Change in Net Assets	13,287,488	4,361,413	17,648,901
Net Assets, beginning	51,057,698	20,660,452	71,718,150
Net Assets, ending	\$ 64,345,186	\$ 25,021,865	\$ 89,367,051

**SAN DIEGO MUSEUM OF ART**  
**Statement of Functional Expenses**  
Year Ended June 30, 2022

	Program Services					Supporting Services				Total
	Curatorial	Exhibitions and Collections	Art Acquisitions	Special Events	Other Program Services	Administration	Building and Security	Development		
Labor Costs:										
Wages	\$ 456,232	\$ 1,397,347	\$ -	\$ 167,796	\$ 950,414	\$ 1,068,918	\$ 789,279	\$ 431,962	\$ 5,261,948	
Payroll taxes	30,535	52,453	-	12,514	70,944	72,413	33,354	22,750	294,963	
Employee benefits	53,459	132,888	-	26,711	179,022	197,839	137,268	48,798	775,985	
Workers' compensation	6,644	12,111	-	2,361	15,479	14,792	6,938	7,069	65,394	
	546,870	1,594,799	-	209,382	1,215,859	1,353,962	966,839	510,579	6,398,290	
Other Expenses:										
Art acquisition	-	-	3,690,093	-	-	-	-	-	3,690,093	
Catering	847	376	-	175,694	6,851	18,404	-	1,297	203,469	
Conservation and binding	-	37,531	-	-	1,000	-	-	-	38,531	
Contract services	1,000	100,038	-	409,343	92,544	112,564	19,481	247,342	982,312	
Credit card charges	-	-	-	-	97,291	-	-	-	97,291	
Depreciation	395,380	45,441	-	2,189	103,438	13,593	9,388	6,508	575,937	
Dues and subscriptions	830	3,557	-	1,065	4,277	44,227	156	240	54,352	
Equipment and vehicles	87	4,084	-	759	8,766	4,529	6,582	152	24,959	
Fees and honorariums	87,514	268,820	-	4,983	176,643	23,939	11,925	2,453	576,277	
Freight	-	363,683	-	-	-	-	-	-	363,683	
Graphics	-	36,114	-	5,494	630	-	-	6	42,244	
Insurance	85,922	193,877	-	476	22,479	2,954	2,040	1,414	309,162	
Interest	8,572	985	-	47	2,243	295	204	141	12,487	
Marketing and communication	625	106,160	-	28,990	14,947	222,512	153	3,848	377,235	
Miscellaneous	417	4,085	-	-	2,912	19,047	12,786	15	39,262	
Postage	49	346	-	3,084	20,551	2,146	271	3,674	30,121	
Printing	8,031	3,310	-	37,430	34,996	4,568	22	8,406	96,763	
Professional fees	-	-	-	-	-	208,982	-	2,500	211,482	
Rentals	5,325	58,391	-	70,056	51,689	7,928	15,862	1,135	210,386	
Repair and maintenance	-	14,081	-	-	6,760	15,345	258,493	-	294,679	
Supplies and materials	950	16,197	-	14,736	31,786	5,797	73,735	1,587	144,788	
Travel	26,294	883	-	-	400	36,380	-	-	63,957	
Utilities	571,807	74,954	-	3,673	158,424	29,366	18,095	11,193	867,512	
	1,193,650	1,332,913	3,690,093	758,019	838,627	772,576	429,193	291,911	9,306,982	
Total Expenses	\$ 1,740,520	\$ 2,927,712	\$ 3,690,093	\$ 967,401	\$ 2,054,486	\$ 2,126,538	\$ 1,396,032	\$ 802,490	\$ 15,705,272	
Total Program Services					\$ 11,380,212	Total Supporting Services			\$ 4,325,060	

See accompanying notes to financial statements.

**SAN DIEGO MUSEUM OF ART**  
**Statement of Functional Expenses**  
Year Ended June 30, 2021

	Program Services					Supporting Services				
	Curatorial	Exhibitions and Collections	Art Acquisitions	Special Events	Other Program Services	Administration	Building and Security	Development	Total	
Labor Costs:										
Wages	\$ 494,212	\$ 1,293,282	\$ -	\$ 192,315	\$ 1,041,715	\$ 1,015,217	\$ 639,543	\$ 434,811	\$ 5,111,095	
Payroll taxes	29,946	63,363	-	13,031	75,320	67,621	36,468	23,237	308,986	
Employee benefits	49,870	167,627	-	26,054	210,266	196,585	140,298	45,639	836,339	
Workers' compensation	4,562	8,510	-	1,737	11,370	9,421	4,805	4,160	44,565	
	578,590	1,532,782	-	233,137	1,338,671	1,288,844	821,114	507,847	6,300,985	
Other Expenses:										
Art acquisition	-	-	5,000	-	-	-	-	-	5,000	
Catering	697	113	-	90,102	43	4,589	-	59	95,603	
Conservation and binding	-	44,295	-	-	-	-	-	-	44,295	
Contract services	-	98,154	-	331,271	113,975	124,835	17,185	52,126	737,546	
Credit card charges	-	-	-	-	42,687	-	-	-	42,687	
Depreciation	556,977	64,014	-	3,083	145,715	19,147	13,225	9,168	811,329	
Dues and subscriptions	475	3,772	-	190	11,691	46,390	156	924	63,598	
Equipment and vehicles	994	1,766	-	171	52,877	22,023	5,617	-	83,448	
Fees and honorariums	70,261	329,434	-	7,131	179,303	17,233	15,971	2,405	621,738	
Freight	-	227,078	-	-	-	-	-	-	227,078	
Graphics	-	22,959	-	3,225	-	-	-	-	26,184	
Insurance	82,084	188,857	-	454	21,475	2,822	1,949	1,351	298,992	
Interest	2,930	337	-	16	766	101	70	48	4,268	
Marketing and communication	300	1,685	-	29,269	9,826	215,414	116	2,978	259,588	
Miscellaneous	601	77	-	-	581	8,206	11,991	-	21,456	
Postage	204	1,240	-	4,088	17,521	1,454	309	2,615	27,431	
Printing	17,858	2,863	-	19,333	32,577	1,026	3,399	7,649	84,705	
Professional fees	-	-	-	-	-	150,035	-	-	150,035	
Rentals	7,409	55,362	-	44,246	52,919	5,905	24,229	1,235	191,305	
Repair and maintenance	-	10,450	-	-	5,803	10,075	259,909	-	286,237	
Supplies and materials	550	21,720	-	14,262	35,627	12,147	62,378	443	147,127	
Travel	279	-	-	-	-	-	-	-	279	
Utilities	456,239	58,836	-	2,983	126,320	26,462	14,987	9,113	694,940	
	1,197,858	1,133,012	5,000	549,824	849,706	667,864	431,491	90,114	4,924,869	
Total Expenses	\$ 1,776,448	\$ 2,665,794	\$ 5,000	\$ 782,961	\$ 2,188,377	\$ 1,956,708	\$ 1,252,605	\$ 597,961	\$ 11,225,854	
Total Program Services					\$ 7,418,580	Total Supporting Services		\$ 3,807,274		

See accompanying notes to financial statements.

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

Years Ended June 30, 2022 and 2021

	2022	2021
Cash Flows from Operating Activities:		
Change in net assets	\$ (18,134,326)	\$ 17,648,901
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Depreciation	575,937	811,329
Net realized and unrealized (gains) losses on investments	12,786,968	(20,743,306)
Non-cash contribution of stock	(259,098)	(299,820)
PPP loan forgiveness	(743,721)	(794,000)
Changes in operating assets and liabilities:		
Accounts receivable	767,270	315,976
Promises to give, net	(1,237,235)	186,633
Other assets	110,869	98,123
Accounts payable	(132,361)	451,382
Accrued expenses	66,017	482,561
Net Cash Used by Operating Activities	(6,199,680)	(1,842,221)
Cash Flows from Investing Activities:		
Proceeds from sales of investments	8,472,679	2,668,676
Purchases of investments	(995,655)	(747,313)
Change in beneficial interest in assets	79,396	(202,636)
Purchases of property and equipment	(1,059,095)	(453,998)
Net Cash Provided by Investing Activities	6,497,325	1,264,729
Cash Flows from Financing Activities:		
Payments of debt obligations	(50,216)	(50,216)
Proceeds from debt issued - PPP loan	-	743,721
Net Cash Provided (Used) by Financing Activities	(50,216)	693,505
Net Increase in Cash and Restricted Cash	247,429	116,013
Cash and Restricted Cash, beginning	1,371,035	1,255,022
Cash and Restricted Cash, ending	\$ 1,618,464	\$ 1,371,035
Cash and Restricted Cash Consists of the Following:		
Cash	\$ 754,506	\$ 1,329,629
Restricted cash	863,958	41,406
	\$ 1,618,464	\$ 1,371,035
Supplemental Disclosures of Cash Flow Information:		
Cash paid for interest	\$ 12,487	\$ 4,268

## **SAN DIEGO MUSEUM OF ART**

### **Notes to Financial Statements**

Years Ended June 30, 2022 and 2021

---

#### **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 financial statements of the Museum have been prepared in accordance with accounting principles generally accepted in the United States of America (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 Trustees.
- 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, whereby the donor has stipulated the funds be maintained in perpetuity.

##### Use of Estimates

The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

##### Cash Equivalents

The Museum considers all highly liquid investments, except for those held for long-term investment, with original maturities of three months or less to be cash equivalents.

##### Restricted Cash

Restricted cash is limited in use for donor restricted purposes.

##### 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, art deaccession sales, 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, 2022 and 2021. Grants receivable are presented in other assets on the statements of financial position. There was \$0 and \$53,113 of grants receivable at June 30, 2022 and 2021, respectively.

##### 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. Inventory is presented in other assets on the statements of financial position. The value of inventory was \$111,928 and \$135,453 at June 30, 2022 and 2021, respectively.

# SAN DIEGO MUSEUM OF ART

## Notes to Financial Statements

Years Ended June 30, 2022 and 2021

---

### 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 3 to 20 years. Once property and equipment reach a zero book value, they are written off.

#### Beneficial Interest in Assets

The Museum is a beneficiary of a remainder trust in a charitable remainder trust fund, which is held by a third-party trustee, The San Diego Foundation. Charitable remainder trusts are trusts established in connection with a split-interest agreement, in which the donor or a third-party beneficiary receives specified distributions during the agreement's term. Remainder trusts are recorded at net present value, which approximates market value. Upon termination of the trust, the Museum receives the assets remaining in the trust.

#### 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

The Museum recognizes revenue in a manner that depicts the transfer of promised goods or services to customers in an amount that reflects the consideration to which the Museum expects to be entitled in exchange for those goods or services.

Revenues for the Museum primarily consist of contributions, admissions, memberships, and investment returns.

## **SAN DIEGO MUSEUM OF ART**

### **Notes to Financial Statements**

Years Ended June 30, 2022 and 2021

---

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

##### Revenue and Support, continued

The Museum recognizes revenue from contracts with customers when its performance obligations are satisfied, regardless of the period in which it is billed. This is typically over time as the service is provided or at a point in time when ownership, risks and rewards transfer, or upon completion of the service.

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.

##### Noncash 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 statements of activities, when applicable. Management has determined that the Museum has no uncertain tax positions at June 30, 2022 and 2021, 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 US GAAP. 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.

## SAN DIEGO MUSEUM OF ART

### Notes to Financial Statements

Years Ended June 30, 2022 and 2021

---

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

##### Fair Value Measurements, continued

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.

The carrying value of cash, receivables, other assets, and payables approximate fair values as of June 30, 2022 and 2021, 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, 2022 and 2021.

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

*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.

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

*Private equity funds:* Valued at net asset value per share.

*Beneficial interest in assets:* Valued at net present value of the Museum's interest in the underlying assets.

##### Future Accounting Standard

The FASB has issued a substantial ASU which will become effective during the year ended June 30, 2023.

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, 2021.

## SAN DIEGO MUSEUM OF ART

### Notes to Financial Statements

Years Ended June 30, 2022 and 2021

---

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

##### Future Accounting Standard, continued

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, although there are other optional practical expedients that entities may elect to apply. The Museum is evaluating the effect that the provisions of ASU 2016-02 will have on its financial statements and related disclosures.

##### Subsequent Events

The Museum has evaluated subsequent events through November 22, 2022, which is the date the financial statements were available to be issued.

The stock market experienced volatility subsequent to year-end. Investments held by the Museum have fluctuated as of the date these financial statements were available to be issued. The ultimate duration and impact of the volatility was undeterminable at the time of issuing the financial statement report.

#### Note 2 - Liquidity and Availability

The following reflects the Museum's financial assets as of the statements 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.

	2022	2021
Cash and restricted cash	\$ 1,618,464	\$ 1,371,035
Accounts receivable	108,640	875,910
Promises to give, net of discount on promises to give	1,413,245	176,010
Grants receivable	-	53,113
Anticipated distributions from endowments	3,617,181	3,461,875
Total financial assets available for general operations	6,757,530	5,937,943
Less amounts not available to be used within one year:		
Restricted cash	(363,958)	(41,406)
Financial assets available to meet cash needs for general expenditures within one year	\$ 6,393,572	\$ 5,896,537

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 \$48,304,156 and \$60,965,374 at June 30, 2022 and 2021, respectively, remain available and may be drawn, upon approval of the Board of Trustees.

Additionally, the Museum has a direct-pay letter of credit from Wells Fargo Bank with an original stated amount of \$5,788,077. There was no outstanding balance on the letter of credit as of June 30, 2022 and 2021.

# SAN DIEGO MUSEUM OF ART

## Notes to Financial Statements

Years Ended June 30, 2022 and 2021

### Note 3 - Investments and Fair Value Measurement

The fair market value of investments is categorized as follows for the year ended June 30, 2022:

Description	Level 1	Level 2	Level 3	NAV	Total
Money market funds	\$ 5,232,013	\$ -	\$ -	\$ -	\$ 5,232,013
Mutual funds:					
Large cap – domestic	10,617,852	-	-	-	10,617,852
Large cap – international developed	3,649,420	-	-	-	3,649,420
Large cap – emerging markets	3,165,599	-	-	-	3,165,599
Small cap – domestic	1,233,814	-	-	-	1,233,814
Small cap – international	1,881,806	-	-	-	1,881,806
Fixed income – domestic	7,056,170	-	-	-	7,056,170
Fixed income – international	2,001,068	-	-	-	2,001,068
Equity securities:					
Large cap – domestic	10,042,416	-	-	-	10,042,416
Small cap – domestic	1,232,125	-	-	-	1,232,125
Alternative investments:					
Private equity funds	-	-	-	23,525,090	23,525,090
Total Investments	46,112,283	-	-	23,525,090	69,637,373
Beneficial interest in assets held at The San Diego Foundation	-	-	966,764	-	966,764
Total Fair Value Measurement	\$ 46,112,283	\$ -	\$ 966,764	\$ 23,525,090	\$ 70,604,137

Changes in the fair value of level 3 investments for the year ended June 30, 2022 are as follows:

	Beneficial interests in assets held at The San Diego Foundation
Fair value, beginning	\$ 1,046,160
Distributions	(39,335)
Investment return, net	(40,061)
Fair value, ending	\$ 966,764

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

Description	Fair value at June 30, 2022	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Private equity funds [a]	\$ 9,313,114	\$ 6,267,563	not allowed	n/a
Private equity funds [a]	7,931,976	-	daily	10 – 30 days
Private equity funds [a]	3,781,685	-	weekly	10 days
Private equity funds [a]	2,498,315	-	monthly	7 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, 2022 and 2021

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

The fair market value of investments is categorized as follows for the year ended June 30, 2021:

Description	Level 1	Level 2	Level 3	NAV	Total
Money market funds	\$ 5,511,607	\$ -	\$ -	\$ -	\$ 5,511,607
Mutual funds:					
Large cap – domestic	12,444,381	-	-	-	12,444,381
Large cap – international developed	5,675,559	-	-	-	5,675,559
Large cap – emerging markets	4,873,005	-	-	-	4,873,005
Small cap – domestic	1,894,641	-	-	-	1,894,641
Small cap – international	2,583,442	-	-	-	2,583,442
Fixed income – domestic	7,875,212	-	-	-	7,875,212
Fixed income – international	2,411,711	-	-	-	2,411,711
Equity securities:					
Large cap – domestic	14,352,344	-	-	-	14,352,344
Small cap – domestic	2,196,633	-	-	-	2,196,633
Alternative investments:					
Private equity funds	-	-	-	29,823,732	29,823,732
Total Investments	59,818,535	-	-	29,823,732	89,642,267
Beneficial interest in assets held at The San Diego Foundation	-	-	1,046,160	-	1,046,160
Total Fair Value Measurement	\$ 59,818,535	\$ -	\$ 1,046,160	\$ 29,823,732	\$ 90,688,427

Changes in the fair value of level 3 investments for the year ended June 30, 2021 are as follows:

	Beneficial interests in assets held at The San Diego Foundation
Fair value, beginning	\$ 843,524
Distributions	(38,464)
Investment return, net	241,100
Fair value, ending	\$ 1,046,160

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

Description	Fair value at June 30, 2021	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Private equity funds [a]	\$ 8,431,651	\$ 4,838,150	not allowed	n/a
Private equity funds [a]	11,388,055	-	daily	10 – 30 days
Private equity funds [a]	4,245,181	-	weekly	10 days
Private equity funds [a]	5,758,845	-	monthly	7 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, 2022 and 2021

---

#### Note 4 - Promises to Give

Promises to give consist of the following:

	2022		2021
Gross pledges	\$ 1,413,245	\$	198,093
Less imputed discount, at 3%	-		(22,083)
	<u>\$ 1,413,245</u>	\$	<u>176,010</u>

All promises to give as of June 30, 2022 and 2021 were due in one year or less. No allowance was considered necessary at June 30, 2022 and 2021 because management believes that all amounts are collectable.

#### 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:

	2022		2021
Building and improvements	\$ 10,874,248	\$	17,287,398
Furniture, fixtures and equipment	347,850		396,939
Construction in progress	932,270		-
	12,154,368		17,684,337
Less accumulated depreciation	<u>(7,209,403)</u>		<u>(13,222,530)</u>
	<u>\$ 4,944,965</u>	\$	<u>4,461,807</u>

#### Note 6 - Leases

The Museum leases real property located in Balboa Park from the City of San Diego. The original lease term was 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 February 2027. Monthly lease payments for the year ended June 30, 2022 averaged \$5,353.

## SAN DIEGO MUSEUM OF ART

### Notes to Financial Statements

Years Ended June 30, 2022 and 2021

---

#### Note 6 - Leases, continued

Minimum future lease payments as of June 30, 2022 are due as follows:

Year Ending June 30,	
2023	\$ 60,417
2024	67,494
2025	69,181
2026	70,911
2027	41,962
Thereafter	-
Total	<u>\$ 309,965</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 0.22% and 0.08% at June 30, 2022 and 2021, 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, 2022 and 2021. 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 \$133,910 and \$184,126 at June 30, 2022 and 2021, respectively. The loans are payable in monthly installments of \$4,185 with 0% interest through February 2025.

On May 8, 2020, the Museum received loan proceeds in the amount of \$794,000 under the Small Business Administration (SBA) Paycheck Protection Program (PPP). The Museum received forgiveness during the year ended June 30, 2021 for the full loan proceeds used to pay qualifying payroll and utility expenses. The forgiveness balance is reported as PPP loan forgiveness revenue on the statement of activities.

As part of the 2021 Consolidated Appropriations Act passed on December 27, 2020, additional funds were allocated to the PPP and a second round of loans, commonly referred to as PPP2, became available. The Museum applied for, and received, \$743,721 on February 8, 2021. The Museum received forgiveness during the year ended June 30, 2022 for the full loan proceeds used to pay qualifying payroll expenses. The forgiveness balance is reported as PPP loan forgiveness revenue on the statement of activities.

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

Years Ended June 30, 2022 and 2021

**Note 7 - Debt Obligations, continued**

Principal payments on debt obligations at June 30, 2022 are due as follows:

Year Ending June 30,	
2023	\$ 50,216
2024	50,216
2025	33,478
2026	-
2027	-
Thereafter	5,700,000
Total	<u>\$ 5,833,910</u>

**Note 8 - Restrictions on Net Assets**

Net assets with donor restrictions consist of the following:

	2022	2021
Purpose Restrictions:		
Unappropriated endowment earnings	\$ 9,803,342	\$ 14,281,824
Other special projects	386,194	60,164
Art acquisitions	181,290	158,775
Exhibits	154,569	221,368
Education	44,072	44,072
	<u>10,569,467</u>	<u>14,766,203</u>
Time Restricted for Future Periods:		
Other special projects	1,400,000	-
General use	612,135	177,400
	<u>2,012,135</u>	<u>177,400</u>
Perpetual in Nature:		
Institutional support endowments	9,032,102	9,032,102
Beneficial interest in assets held at The San Diego Foundation	966,764	1,046,160
	<u>9,998,866</u>	<u>10,078,262</u>
	<u>\$ 22,580,468</u>	<u>\$ 25,021,865</u>

## SAN DIEGO MUSEUM OF ART

### Notes to Financial Statements

Years Ended June 30, 2022 and 2021

---

#### 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:

	2022	2021
Satisfaction of Purpose Restrictions:		
Exhibits	\$ 92,449	\$ 21,128
Art acquisitions	7,186	-
Special projects	72	-
Education	-	21,000
	<u>99,707</u>	<u>42,128</u>
Satisfaction of Time Restrictions:		
General use	<u>183,185</u>	<u>244,939</u>
	<u>\$ 282,892</u>	<u>\$ 287,067</u>

#### Note 9 - Revenue Recognition

##### Overview

The Museum earns revenue from contracts with customers, primarily through admissions, art deaccessions, store sales and café commissions. Other streams shown as miscellaneous included in this standard include traveling exhibitions, special events, education, concerts and miscellaneous activities.

##### Disaggregation of Revenue

The following table presents the Museum's revenue by category for the years ended June 30:

	2022	2021
Transferred at a point in time:		
Admissions	\$ 1,754,119	\$ 452,785
Art deaccessions	363,259	2,150,873
Store sales, net	289,958	121,040
Café commissions	223,141	109,184
Miscellaneous	<u>135,875</u>	<u>43,095</u>
	<u>\$ 2,766,352</u>	<u>\$ 2,876,977</u>

##### Performance Obligations

*Admissions* – Admissions revenue is recognized at a single point in time when the Museum provides the customer access to the museum and special exhibits.

*Art deaccessions* – Art deaccession revenue is recognized at a single point in time when the piece of art is sold and transferred to the buyer.

*Store sales* – Sales are recognized at a single point in time when the customer makes a purchase.

*Café commissions* – Commissions revenue is recognized at a single point in time when the Museum receives their share of the revenue.

*Miscellaneous* – Revenue is recognized at a single point in time when the Museum provides service to customers.

## SAN DIEGO MUSEUM OF ART

### Notes to Financial Statements

Years Ended June 30, 2022 and 2021

---

#### Note 9 - Revenue Recognition, continued

##### Contract Balances

The timing of revenue recognition, billing and cash collections results in billed accounts receivable on the statements of financial position.

The beginning and ending contract balances were as follows at June 30:

	2022		2021		2020
Accounts receivable	\$ 108,640	\$	875,910	\$	1,191,886

##### Significant Judgments

The Museum analyzes revenue recognition on a portfolio approach under ASC Topic 606. Significant judgment is utilized in determining the appropriate portfolios to assess for meeting the criteria to recognize revenue under ASC Topic 606. The Museum has determined that, for each distinct revenue stream identified, all contracts can be grouped into one portfolio. Based on past experience, customers within each distinct stream all behave similarly, contracts contain similar terms, and policies are the same across all contracts. The Museum does not expect that revenue earned for the portfolio is significantly different as compared to revenue that would be earned if they were to assess each contract separately.

Significant judgment is also required to assess collectability. The Museum assesses collectability each reporting period to monitor that the collectability threshold is met and does not recognize revenue if collection is not probable. Impairment losses are recognized when there are significant changes in a customer's assessed collectability.

#### Note 10 - 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, 2022 and 2021, the Museum contributed \$122,872 and \$140,871, respectively.

#### Note 11 - 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 US GAAP, 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 retains in perpetuity (a) the original value of gifts donated to the endowment, (b) the original value of subsequent gifts to the endowment, and (c) accumulations to the 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 retained in perpetuity is subject to appropriation for expenditure by the Museum in a manner that is consistent with the standard of prudence prescribed by UPMIFA.

## SAN DIEGO MUSEUM OF ART

### Notes to Financial Statements

Years Ended June 30, 2022 and 2021

---

#### Note 11 - Endowments, continued

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, 2022, the endowment net assets composition by type of fund consisted of the following:

	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated endowment funds	\$ 48,304,156	\$ -	\$ 48,304,156
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	-	966,764	966,764
Accumulated investment gains	-	9,803,342	9,803,342
Total endowment funds	\$ 48,304,156	\$ 19,802,208	\$ 68,106,364

Changes in endowment net assets for the year ended June 30, 2022 consisted of the following:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 60,965,374	\$ 24,360,086	\$ 85,325,460
Transfer from operating fund	183,185	-	183,185
Appropriated expenditures	(4,021,902)	(1,463,973)	(5,485,875)
Investment return, net	(8,822,501)	(3,093,905)	(11,916,406)
Endowment net assets, end of year	\$ 48,304,156	\$ 19,802,208	\$ 68,106,364

## SAN DIEGO MUSEUM OF ART

### Notes to Financial Statements

Years Ended June 30, 2022 and 2021

#### Note 11 - Endowments, continued

At June 30, 2021, the endowment net assets composition by type of fund consisted of the following:

	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated endowment funds	\$ 60,965,374	\$ -	\$ 60,965,374
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	-	1,046,160	1,046,160
Accumulated investment gains	-	14,281,824	14,281,824
Total endowment funds	\$ 60,965,374	\$ 24,360,086	\$ 85,325,460

Changes in endowment net assets for the year ended June 30, 2021 consisted of the following:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 49,017,172	\$ 19,786,178	\$ 68,803,350
Transfer from operating fund	203,939	-	203,939
Appropriated expenditures	(3,887,309)	(1,487,224)	(5,374,533)
Investment return, net	15,631,572	6,061,132	21,692,704
Endowment net assets, end of year	\$ 60,965,374	\$ 24,360,086	\$ 85,325,460

#### 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).

## **SAN DIEGO MUSEUM OF ART**

### **Notes to Financial Statements**

Years Ended June 30, 2022 and 2021

---

#### **Note 11 - Endowments, continued**

##### 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, 2022 and 2021 was 5.00% each year. Market value, for the purpose of calculating the spending policy, is based on the trailing 20 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 12 - Concentration of Credit Risk**

The Museum maintains cash accounts at various financial institutions. The balances at times may exceed Federal Deposit Insurance Corporation (FDIC) limits. Accounts at each financial institution are insured by the FDIC up to \$250,000.

One donor comprised 99% and 100% of promises to give at June 30, 2022 and 2021, respectively. Two donors comprised 50% and one donor comprised 21% of contributions for the years ended June 30, 2022 and 2021, respectively.

#### **Note 13 - Contingencies**

##### Investments

The Museum invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect account balances and the amounts reported on the statements of activities.

##### Litigation

From time to time, the Museum is subject to various litigation as a result of its ongoing business activities. Management believes that the outcome of any such litigation would not have a material adverse effect on the Museum's statements of financial position, results of operations, or liquidity.

## SUPPLEMENTAL INFORMATION

**SAN DIEGO MUSEUM OF ART****Schedules of Contributions**

Years Ended June 30, 2022 and 2021

	June 30, 2022		
	Without Donor Restrictions	With Donor Restrictions	Total
Individual gifts	\$ 373,059	\$ 1,757,027	\$ 2,130,086
Foundations	454,655	593,289	1,047,944
Special events	1,006,912	-	1,006,912
Trustee support	172,060	25,870	197,930
Corporate support	172,305	23,187	195,492
Grants	45,000	-	45,000
Contribution box	2,650	-	2,650
	<u>\$ 2,226,641</u>	<u>\$ 2,399,373</u>	<u>\$ 4,626,014</u>

  

	June 30, 2021		
	Without Donor Restrictions	With Donor Restrictions	Total
Foundations	\$ 768,346	\$ 35,000	\$ 803,346
Special events	800,045	-	800,045
Individual gifts	399,486	13,690	413,176
Corporate support	220,023	7,186	227,209
Grants	79,950	1,390	81,340
Trustee support	22,250	17,306	39,556
County of San Diego	15,000	-	15,000
Contribution box	1,224	-	1,224
	<u>\$ 2,306,324</u>	<u>\$ 74,572</u>	<u>\$ 2,380,896</u>