

San Diego Museum of Art

FINANCIAL STATEMENTS AND SUPPLEMENTAL INFORMATION

Years Ended June 30, 2024 and 2023



SAN DIEGO MUSEUM OF ART
Financial Statements and Supplemental Information
Years Ended June 30, 2024 and 2023

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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, 2024 and 2023, 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, 2024 and 2023, 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 audits 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 audits. 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 26 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, 2024

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

June 30, 2024 and 2023

	2024	2023
ASSETS		
Cash and restricted cash	\$ 4,097,620	\$ 2,556,291
Accounts receivable	464,903	346,230
Promises to give, net of discount on promises to give	1,062,534	557,457
Other assets	213,588	230,142
Property and equipment, net of accumulated depreciation	10,817,101	5,400,481
Operating lease right-of-use asset	168,252	230,014
Beneficial interests in assets	1,058,169	988,570
Investments	67,374,852	68,440,155
Collections (Note 1)	-	-
	<u> </u>	<u> </u>
Total Assets	\$ 85,257,019	\$ 78,749,340
	<u> </u>	<u> </u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable	\$ 783,725	\$ 1,273,996
Accrued expenses	1,012,200	905,663
Operating lease liabilities	175,599	237,225
Debt obligations	5,733,477	5,783,693
	<u> </u>	<u> </u>
Total Liabilities	7,705,001	8,200,577
Net Assets:		
Without donor restrictions:		
Board designated endowment	44,221,489	47,180,716
Art acquisitions	3,040	3,040
Operating	7,157,582	809,324
	<u> </u>	<u> </u>
Total Without Donor Restrictions	51,382,111	47,993,080
With donor restrictions	26,169,907	22,555,683
	<u> </u>	<u> </u>
Total Net Assets	77,552,018	70,548,763
	<u> </u>	<u> </u>
Total Liabilities and Net Assets	\$ 85,257,019	\$ 78,749,340
	<u> </u>	<u> </u>

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

Year Ended June 30, 2024

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, Support and Investment Activity:			
Revenue and support:			
Contributions	\$ 5,822,796	\$ 2,383,065	\$ 8,205,861
Admissions	1,556,944	-	1,556,944
Memberships	1,137,624	-	1,137,624
Traveling exhibitions	935,612	-	935,612
Miscellaneous	685,110	-	685,110
City of San Diego	501,532	-	501,532
Store sales, \$684,575 less cost of goods sold of \$316,086	368,489	-	368,489
Café commissions	260,182	-	260,182
Net assets released from restrictions, satisfaction of program restrictions	684,739	(684,739)	-
Total Revenue and Support	11,953,028	1,698,326	13,651,354
Investment Activity:			
Interest income	28,024	-	28,024
Endowment allocation	10,150,000	-	10,150,000
Total Investment Activity	10,178,024	-	10,178,024
Total Revenue, Support and Investment Activity	22,131,052	1,698,326	23,829,378
Expenses:			
Program services	11,019,270	-	11,019,270
Supporting services	6,449,481	-	6,449,481
Total Expenses	17,468,751	-	17,468,751
Change in Operations	4,662,301	1,698,326	6,360,627
Other Income (Loss):			
Investment return, net	5,109,724	2,219,856	7,329,580
Endowment allocation	(8,070,293)	(2,079,707)	(10,150,000)
Total Other Income (Loss)	(2,960,569)	140,149	(2,820,420)
Transfer of Net Assets, MOPA (Note 14)	1,687,299	1,775,749	3,463,048
Change in Net Assets	3,389,031	3,614,224	7,003,255
Net Assets, beginning	47,993,080	22,555,683	70,548,763
Net Assets, ending	\$ 51,382,111	\$ 26,169,907	\$ 77,552,018

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

Year Ended June 30, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, Support and Investment Activity:			
Revenue and support:			
Contributions	\$ 3,445,643	\$ 835,056	\$ 4,280,699
Admissions	1,949,062	-	1,949,062
Memberships	1,116,381	-	1,116,381
Traveling exhibitions	848,112	-	848,112
City of San Diego	514,819	-	514,819
Store sales, \$654,610 less cost of goods sold of \$312,521	342,089	-	342,089
Café commissions	237,525	-	237,525
Miscellaneous	222,234	-	222,234
Art deaccessions	16,672	-	16,672
Net assets released from restrictions, satisfaction of program restrictions	759,783	(759,783)	-
Total Revenue and Support	9,452,320	75,273	9,527,593
Investment Activity:			
Interest income	17,967	-	17,967
Endowment allocation	7,043,181	-	7,043,181
Total Investment Activity	7,061,148	-	7,061,148
Total Revenue, Support and Investment Activity	16,513,468	75,273	16,588,741
Expenses:			
Program services	10,569,064	-	10,569,064
Supporting services	5,467,215	-	5,467,215
Total Expenses	16,036,279	-	16,036,279
Change in Operations	477,189	75,273	552,462
Other Income (Loss):			
Investment return, net	4,159,133	1,647,624	5,806,757
Endowment allocation	(5,295,499)	(1,747,682)	(7,043,181)
Total Other Loss	(1,136,366)	(100,058)	(1,236,424)
Change in Net Assets	(659,177)	(24,785)	(683,962)
Net Assets, beginning	48,652,257	22,580,468	71,232,725
Net Assets, ending	\$ 47,993,080	\$ 22,555,683	\$ 70,548,763

See accompanying notes to financial statements.

SAN DIEGO MUSEUM OF ART
Statement of Functional Expenses
Year Ended June 30, 2024

	Program Services					Supporting Services			
	Curatorial	Exhibitions and Collections	Art Acquisitions	Special Events	Other Program Services	Administration	Building and Security	Development	Total
Labor Costs:									
Wages	\$ 716,634	\$ 2,200,649	\$ -	\$ 355,516	\$ 1,440,159	\$ 1,314,776	\$ 1,210,065	\$ 618,043	\$ 7,855,842
Payroll taxes	47,763	75,818	-	23,596	107,992	83,425	45,026	34,343	417,963
Employee benefits	73,015	214,871	-	51,294	240,252	247,403	163,315	75,606	1,065,756
Workers' compensation	9,950	16,130	-	3,849	19,196	18,293	8,286	11,976	87,680
	847,362	2,507,468	-	434,255	1,807,599	1,663,897	1,426,692	739,968	9,427,241
Other Expenses:									
Art acquisition	-	-	20,000	-	-	-	-	-	20,000
Catering	2,767	657	-	175,325	44,049	31,108	-	8,843	262,749
Conservation and binding	-	29,210	-	-	-	-	-	-	29,210
Contract services	63,204	192,451	-	381,495	230,671	179,712	42,189	120,644	1,210,366
Credit card charges	-	-	-	-	124,125	36	-	-	124,161
Depreciation	494,210	56,800	-	2,736	129,294	16,989	11,734	8,135	719,898
Dues and subscriptions	607	4,785	-	610	3,943	56,403	45	1,070	67,463
Equipment and vehicles	988	61,564	-	4,503	27,500	22,368	8,982	286	126,191
Fees and honorariums	82,816	47,025	-	26,655	188,411	17,584	16,926	3,817	383,234
Freight	-	487,238	-	308	-	-	-	-	487,546
Graphics	-	53,772	-	11,027	4,208	474	-	-	69,481
Insurance	106,184	197,822	-	588	27,780	8,650	2,521	1,748	345,293
Interest	100,025	11,496	-	554	26,168	3,439	2,375	1,646	145,703
Marketing and communication	825	104,583	-	33,723	15,611	255,011	90	8,767	418,610
Miscellaneous	7,989	2,803	-	-	12,625	20,591	17,773	240	62,021
Postage	1,914	428	-	3,789	19,760	2,240	81	4,461	32,673
Printing	60,818	19,058	-	27,700	58,107	4,848	68	7,835	178,434
Professional fees	-	-	-	35	8,934	382,096	-	601,409	992,474
Rentals	5,650	64,969	-	96,708	57,275	21,191	7,372	3,027	256,192
Repair and maintenance	-	12,760	-	-	6,788	14,542	461,242	-	495,332
Supplies and materials	1,606	43,190	-	33,016	29,224	14,233	97,947	1,887	221,103
Travel	87,341	10,477	-	-	25,171	42,271	-	160	165,420
Utilities	842,529	95,294	-	5,011	203,304	43,383	24,793	13,642	1,227,956
	1,859,473	1,496,382	20,000	803,783	1,242,948	1,137,169	694,138	787,617	8,041,510
Total Expenses	\$ 2,706,835	\$ 4,003,850	\$ 20,000	\$ 1,238,038	\$ 3,050,547	\$ 2,801,066	\$ 2,120,830	\$ 1,527,585	\$ 17,468,751
Total Program Services					\$ 11,019,270	Total Supporting Services			\$ 6,449,481

See accompanying notes to financial statements.

SAN DIEGO MUSEUM OF ART
Statement of Functional Expenses
Year Ended June 30, 2023

	Program Services					Supporting Services				
	Curatorial	Exhibitions and Collections	Art Acquisitions	Special Events	Other Program Services	Administration	Building and Security	Development	Total	
Labor Costs:										
Wages	\$ 559,840	\$ 1,722,717	\$ -	\$ 204,779	\$ 963,848	\$ 1,279,221	\$ 957,187	\$ 573,280	\$ 6,260,872	
Payroll taxes	37,504	58,264	-	15,099	73,720	81,837	38,153	31,525	336,102	
Employee benefits	61,021	150,069	-	28,733	176,485	219,772	155,242	68,140	859,462	
Workers' compensation	8,247	10,269	-	2,927	14,871	17,274	6,825	8,046	68,459	
	666,612	1,941,319	-	251,538	1,228,924	1,598,104	1,157,407	680,991	7,524,895	
Other Expenses:										
Art acquisition	-	-	900,648	-	-	-	-	-	900,648	
Catering	1,012	3,775	-	235,445	25,590	27,729	-	7,475	301,026	
Conservation and binding	-	103,623	-	-	-	-	-	-	103,623	
Contract services	47,780	188,260	-	398,371	88,871	117,555	24,124	28,660	893,621	
Credit card charges	-	-	-	-	110,503	-	-	-	110,503	
Depreciation	349,165	40,130	-	1,933	91,347	12,004	8,290	5,747	508,616	
Dues and subscriptions	699	3,889	-	592	5,001	46,919	156	1,461	58,717	
Equipment and vehicles	305	35,209	-	8,345	38,753	17,054	35,891	-	135,557	
Fees and honorariums	138,241	270,910	-	7,754	186,325	23,663	13,109	54,140	694,142	
Freight	-	865,598	-	-	-	-	-	-	865,598	
Graphics	675	47,760	-	13,004	1,440	162	-	924	63,965	
Insurance	88,553	224,076	-	490	23,167	3,044	2,103	1,458	342,891	
Interest	87,579	10,066	-	485	22,912	3,011	2,079	1,442	127,574	
Marketing and communication	1,084	105,174	-	30,429	20,225	206,815	367	12,160	376,254	
Miscellaneous	767	314	-	-	5,189	20,398	12,222	480	39,370	
Postage	30,396	90	-	6,428	24,531	2,136	154	3,206	66,941	
Printing	44,861	4,390	-	28,555	65,595	3,692	171	1,915	149,179	
Professional fees	-	-	-	-	6,445	148,784	-	580,692	735,921	
Rentals	5,301	65,298	-	137,420	56,085	8,371	6,714	3,150	282,339	
Repair and maintenance	-	11,721	-	-	6,659	10,152	350,659	-	379,191	
Supplies and materials	1,405	45,718	-	37,357	15,156	10,296	73,883	1,665	185,480	
Travel	23,336	1,410	-	238	8,475	44,096	-	18,521	96,076	
Utilities	723,821	94,610	-	4,662	199,245	35,975	22,183	13,656	1,094,152	
	1,544,980	2,122,021	900,648	911,508	1,001,514	741,856	552,105	736,752	8,511,384	
Total Expenses	\$ 2,211,592	\$ 4,063,340	\$ 900,648	\$ 1,163,046	\$ 2,230,438	\$ 2,339,960	\$ 1,709,512	\$ 1,417,743	\$ 16,036,279	
Total Program Services					\$ 10,569,064	Total Supporting Services			\$ 5,467,215	

See accompanying notes to financial statements.

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

Years Ended June 30, 2024 and 2023

	<u>2024</u>	<u>2023</u>
Cash Flows from Operating Activities:		
Change in net assets	\$ 7,003,255	\$ (683,962)
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Depreciation	719,898	508,616
Non-cash operating lease expense	136	7,211
Net realized and unrealized gains on investments	(5,933,052)	(4,643,120)
Non-cash contribution of stock	(308,746)	(140,069)
Transfer of net assets, MOPA (Note 14)	(3,274,314)	-
Changes in operating assets and liabilities:		
Accounts receivable	(47,863)	(237,590)
Promises to give, net	(485,695)	855,788
Other assets	39,409	(16,762)
Accounts payable	(491,040)	655,835
Accrued expenses	<u>53,381</u>	<u>(312,372)</u>
Net Cash Used by Operating Activities	(2,724,631)	(4,006,425)
Cash Flows from Investing Activities:		
Proceeds from sales of investments	10,445,845	7,235,963
Purchases of investments	(1,508,608)	(1,255,556)
Change in beneficial interests in assets	(38,320)	(21,806)
Purchases of property and equipment	<u>(4,582,741)</u>	<u>(964,132)</u>
Net Cash Provided by Investing Activities	4,316,176	4,994,469
Cash Flows Used by Financing Activities:		
Payments of debt obligations	<u>(50,216)</u>	<u>(50,217)</u>
Net Increase in Cash and Restricted Cash	1,541,329	937,827
Cash and Restricted Cash, beginning	<u>2,556,291</u>	<u>1,618,464</u>
Cash and Restricted Cash, ending	\$ <u><u>4,097,620</u></u>	\$ <u><u>2,556,291</u></u>
Cash and Restricted Cash Consists of the Following:		
Cash	\$ 867,906	\$ 659,910
Restricted cash	<u>3,229,714</u>	<u>1,896,381</u>
	\$ <u><u>4,097,620</u></u>	\$ <u><u>2,556,291</u></u>

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

Years Ended June 30, 2024 and 2023

	2024	2023
Transfer of MOPA assets and liabilities on July 1, 2023 (Note 14):		
Cash and cash equivalents	188,734	-
Accounts receivable	70,810	-
Promises to give, net of discount on promises to give	19,382	-
Other assets	22,855	-
Property and equipment, net of accumulated depreciation	1,553,777	-
Investments	1,630,136	-
Beneficial interest in assets held at The San Diego Foundation	31,279	-
Accounts payable and accrued expenses	(1,628)	-
Deferred revenue	(52,297)	-
Net Transfer	<u>3,463,048</u>	<u>-</u>
Supplemental Disclosure of Cash Flow Information:		
Cash paid for interest	\$ <u>145,703</u>	\$ <u>127,574</u>
Supplemental Disclosure of Noncash Investing and Financing Activities:		
Right-of-use assets obtained in exchange for new operating lease liabilities	\$ <u>-</u>	\$ <u>290,127</u>

SAN DIEGO MUSEUM OF ART

Notes to Financial Statements

Years Ended June 30, 2024 and 2023

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 contributions, admissions, memberships and investment returns.

New Accounting Standard

Effective July 1, 2023, the Museum adopted Accounting Standards Update (ASU) No. 2016-13, *Financial Instruments-Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*. This update requires the use of a forward-looking expected credit loss model for instruments within its scope, including accounts receivable, and replaces the previous incurred loss impairment model. The expected credit loss model requires management to estimate current expected credit losses over the lifetime of the assets by considering all reasonable and supportable information, including historical experience, current conditions, and reasonable and supportable forecasts affecting collectability. Management has analyzed provisions contained in Topic 326 and determined that there is no impact on net assets as of July 1, 2023, due to the adoption of the new policy.

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 Receivable

Accounts receivable consists 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 credit losses is deemed necessary at June 30, 2024 and 2023.

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 uncollectable pledges may be established based on specific circumstances.

SAN DIEGO MUSEUM OF ART

Notes to Financial Statements

Years Ended June 30, 2024 and 2023

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

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 \$114,299 and \$130,479 at June 30, 2024 and 2023, respectively.

Property and Equipment

As of July 1, 2022, the Museum capitalizes all expenditures for property and equipment in excess of \$25,000. Prior to July 1, 2022, the Museum capitalized 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.

Leases

The Museum adheres to the accounting standard for leases, which provides detailed guidance for financial statement recognition, measurement, and disclosure of leases.

The Museum determines if an arrangement is or contains a lease at contract inception. The Museum recognizes a right-of-use asset and a lease liability at the lease commencement date. The lease liability is initially measured at the present value of the unpaid lease payments at the lease commencement date. Key estimates and judgments include how the Museum determines the discount rate, the lease term, and the lease payments.

The exercise of lease renewal options is generally at the Museum's sole discretion. Options that are reasonably certain to be exercised, considering all relevant economic and financial factors, are included in the lease term. Leases with an initial term of 12 months or less are not recorded on the balance sheet. Lease expense is recognized for these leases on a straight-line basis over the lease term. The Museum elected the package of practical expedients permitted under the transition guidance within the standard, which among other things, allowed the Museum to carry forward the historical lease classification.

The Museum has elected the practical expedient to account for the lease and non-lease components as a single lease component (e.g. maintenance and operating services). Therefore, for those leases, the lease payments used to measure the lease liability include all of the fixed consideration in the contract. All variable payments not based on a market rate or an index are expensed as incurred.

When the discount rate implicit in a lease is not readily determinable, the Museum calculates the lease liability using the risk-free rate.

Beneficial Interests in Assets

The Museum is a beneficiary of two remainder trusts in charitable remainder trust funds, which are 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 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.

SAN DIEGO MUSEUM OF ART

Notes to Financial Statements

Years Ended June 30, 2024 and 2023

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

Investments, continued

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.

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.

SAN DIEGO MUSEUM OF ART

Notes to Financial Statements

Years Ended June 30, 2024 and 2023

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

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, 2024 and 2023, 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.

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, 2024 and 2023, 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, 2024 and 2023.

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

SAN DIEGO MUSEUM OF ART

Notes to Financial Statements

Years Ended June 30, 2024 and 2023

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

Fair Value Measurements, continued

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.

Subsequent Events

The Museum has evaluated subsequent events through November 22, 2024, 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 statements of financial position date, reduced by amounts not available for general use because of contractual obligations within one year of the statements of financial position date.

	2024	2023
Cash and restricted cash	\$ 4,097,620	\$ 2,556,291
Accounts receivable	464,903	346,230
Promises to give, net of discount	1,062,534	557,457
Anticipated distributions from endowments	3,526,229	3,573,403
Total financial assets available for general operations	9,151,286	7,033,381
Less amounts not available to be used within one year:		
Restricted cash	(3,229,714)	(1,783,198)
Restricted promises to give	(1,062,534)	(444,374)
Financial assets available to meet cash needs for general expenditures within one year	\$ 4,859,038	\$ 4,805,809

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 \$44,221,489 and \$47,180,716 at June 30, 2024 and 2023, 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, 2024 and 2023.

SAN DIEGO MUSEUM OF ART

Notes to Financial Statements

Years Ended June 30, 2024 and 2023

Note 3 - Investments and Fair Value Measurement

The fair market value of investments is categorized as follows for the year ended June 30, 2024:

Description	Level 1	Level 2	Level 3	NAV	Total
Money market funds	\$ 3,630,797	\$ -	\$ -	\$ -	\$ 3,630,797
Mutual funds:					
Large cap – domestic	13,332,241	-	-	-	13,332,241
Large cap – international developed	10,872,652	-	-	-	10,872,652
Large cap – emerging markets	736,066	-	-	-	736,066
Small cap – domestic	538,746	-	-	-	538,746
Fixed income – domestic	6,454,320	-	-	-	6,454,320
Fixed income – international	1,135,283				1,135,283
Equity securities:					
Large cap – domestic	4,775,617	-	-	-	4,775,617
Small cap – domestic	520,414	-	-	-	520,414
Alternative investments:					
Private equity funds	-	-	-	23,574,167	23,574,167
Investments at Jewish Community Foundation	-	1,804,549	-	-	1,804,549
Total Investments	41,996,136	1,804,549	-	23,574,167	67,374,852
Beneficial interest in assets	-	-	1,058,169	-	1,058,169
Total Fair Value Measurement	\$ 41,996,136	\$ 1,804,549	\$ 1,058,169	\$ 23,574,167	\$ 68,433,021

Changes in the fair value of level 3 investments for the year ended June 30, 2024 are as follows:

	Beneficial Interests In Assets
Fair value, beginning	\$ 988,570
Transfer of MOPA beneficial interest in assets held at The San Diego Foundation	31,279
Distributions	(44,686)
Investment return, net	83,006
Fair value, ending	\$ 1,058,169

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

Description	Fair value at June 30, 2024	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Private equity funds [a]	\$ 11,467,815	\$ 6,527,642	not allowed	n/a
Private equity funds [a]	4,426,944	-	daily	10 – 30 days
Private equity funds [a]	5,683,919	-	weekly	10 days
Private equity funds [a]	1,995,489	-	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, 2024 and 2023

Note 3 - Investments and Fair Value Measurement, continued

The fair market value of investments is categorized as follows for the year ended June 30, 2023:

Description	Level 1	Level 2	Level 3	NAV	Total
Money market funds	\$ 3,167,446	\$ -	\$ -	\$ -	\$ 3,167,446
Mutual funds:					
Large cap – domestic	10,799,549	-	-	-	10,799,549
Large cap – international developed	3,909,266	-	-	-	3,909,266
Large cap – emerging markets	1,751,325	-	-	-	1,751,325
Small cap – domestic	1,067,946	-	-	-	1,067,946
Small cap – international	1,665,558	-	-	-	1,665,558
Fixed income – domestic	7,094,193	-	-	-	7,094,193
Equity securities:					
Large cap – domestic	10,628,084	-	-	-	10,628,084
Small cap – domestic	1,122,490	-	-	-	1,122,490
Alternative investments:					
Private equity funds	-	-	-	27,234,298	27,234,298
Total Investments	41,205,857	-	-	27,234,298	68,440,155
Beneficial interest in assets	-	-	988,570	-	988,570
Total Fair Value Measurement	\$ 41,205,857	\$ -	\$ 988,570	\$ 27,234,298	\$ 69,428,725

Changes in the fair value of level 3 investments for the year ended June 30, 2023 are as follows:

	Beneficial Interests In Assets
Fair value, beginning	\$ 966,764
Distributions	(42,090)
Investment return, net	63,896
Fair value, ending	\$ 988,570

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

Description	Fair value at June 30, 2023	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Private equity funds [a]	\$ 11,068,331	\$ 8,042,398	not allowed	n/a
Private equity funds [a]	9,434,761	-	daily	10 – 30 days
Private equity funds [a]	3,748,550	-	weekly	10 days
Private equity funds [a]	2,982,656	-	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, 2024 and 2023

Note 4 - Promises to Give

Promises to give consist of the following:

	2024	2023
Gross promises to give	\$ 1,264,300	\$ 578,583
Less imputed discount, at 5.5% - 6.75%	(201,766)	(21,126)
	<u>\$ 1,062,534</u>	<u>\$ 557,457</u>
	2024	2023
Due in one year or less	\$ 233,867	\$ 467,127
Due after one year through five years	828,667	90,330
	<u>\$ 1,062,534</u>	<u>\$ 557,457</u>

No allowance was considered necessary at June 30, 2024 and 2023 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:

	2024	2023
Building and improvements	\$ 12,474,867	\$ 10,764,106
Furniture, fixtures and equipment	214,605	299,262
	12,689,472	11,063,368
Less accumulated depreciation	(7,758,681)	(7,306,088)
	4,930,791	3,757,280
Construction in progress	5,886,310	1,643,201
	<u>\$ 10,817,101</u>	<u>\$ 5,400,481</u>

Note 6 - Leasing Arrangements

The Museum leases real property for two locations in Balboa Park from the City of San Diego. For one location, 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. On September 18, 2014, the option to extend the lease was executed, ending in 2040. For the second location, the lease term is 25 years, ending in 2031. Renegotiation affects alterations in the terms and conditions of the leases 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 leases 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.

SAN DIEGO MUSEUM OF ART

Notes to Financial Statements

Years Ended June 30, 2024 and 2023

Note 6 - Leasing Arrangements, continued

The Museum also leases storage space from a third-party. Base monthly rent, which was \$5,706 as of June 30, 2024, increases 3% annually. The lease expires February 2027.

The following summarizes the operating leases as of June 30, 2024 and 2023:

	2024	2023
Operating lease right-of-use asset	\$ 168,252	\$ 230,014
Current portion of operating lease liabilities	\$ 65,140	\$ 61,627
Operating lease liabilities, net of current portion	110,459	175,598
	\$ 175,599	\$ 237,225

The amounts contractually due on operating lease liabilities were as follows as of June 30, 2024:

Year Ending June 30,	
2025	\$ 69,181
2026	70,911
2027	41,962
Total operating lease payments	182,054
Less amount representing imputed interest	(6,455)
Present value of lease liabilities	\$ 175,599

The following summarizes the line items in the statements of functional expenses which include the components of lease expense for the years ended June 30, 2024 and 2023:

	2024	2023
Operating lease expense included in rentals expense	\$ 67,629	\$ 67,629
Short-term lease expense included in rentals expense	188,563	214,710
Total lease expense	\$ 256,192	\$ 282,339

Supplemental cash flow information related to leases for the years ended June 30, 2024 and 2023 was as follows:

	2024	2023
Cash paid for amounts included in measurement of lease liabilities:		
Operating cash flows from operating leases	\$ 67,494	\$ 60,417
Lease assets obtained in exchange for lease liabilities:		
Operating leases	\$ -	\$ 290,127

Supplemental statements of financial position information related to leases was as follows as of June 30, 2024 and 2023:

	2024	2023
Weighted average remaining lease term in years	2.7	3.7
Weighted average discount rate	2.88%	2.88%

SAN DIEGO MUSEUM OF ART

Notes to Financial Statements

Years Ended June 30, 2024 and 2023

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 2.56% and 2.28% at June 30, 2024 and 2023, 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, 2024 and 2023. 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 \$33,477 and \$83,693 at June 30, 2024 and 2023, respectively. The loans are payable in monthly installments of \$4,185 with 0% interest through February 2025.

Principal payments on debt obligations at June 30, 2024 are due as follows:

Year Ending June 30,	
2025	\$ 33,477
2026	-
2027	-
2028	-
2029	-
Thereafter	<u>5,700,000</u>
Total	<u>\$ 5,733,477</u>

SAN DIEGO MUSEUM OF ART**Notes to Financial Statements**Years Ended June 30, 2024 and 2023

Note 8 - Restrictions on Net Assets

Net assets with donor restrictions consist of the following:

	2024	2023
Purpose Restrictions:		
Unappropriated endowment earnings	\$ 9,875,141	\$ 9,681,478
Other special projects	3,129,962	1,759,948
Art acquisitions	181,992	176,158
Exhibits	177,430	253,548
Education	84,323	44,072
	<u>13,448,848</u>	<u>11,915,204</u>
Time Restricted for Future Periods:		
Other special projects	1,092,534	506,724
General use	-	113,083
	<u>1,092,534</u>	<u>619,807</u>
Perpetual in Nature:		
Institutional support endowments	10,570,356	9,032,102
Beneficial interests in assets	1,058,169	988,570
	<u>11,628,525</u>	<u>10,020,672</u>
	<u>\$ 26,169,907</u>	<u>\$ 22,555,683</u>

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:

	2024	2023
Satisfaction of Purpose Restrictions:		
Other special projects	\$ 400,444	\$ 642,894
Exhibits	161,463	106,439
Education	9,749	-
Art acquisitions	-	10,450
	<u>571,656</u>	<u>759,783</u>
Satisfaction of Time Restrictions:		
General use	<u>113,083</u>	<u>-</u>
	<u>\$ 684,739</u>	<u>\$ 759,783</u>

SAN DIEGO MUSEUM OF ART

Notes to Financial Statements

Years Ended June 30, 2024 and 2023

Note 9 - Revenue Recognition

Overview

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

	2024	2023
Performance obligations satisfied over time:		
Traveling exhibitions	\$ 935,612	\$ 848,112
Performance obligations satisfied at a point in time:		
Admissions	1,556,944	1,949,062
Miscellaneous	614,376	171,163
Store sales, net	368,489	342,089
Café commissions	260,182	237,525
Art deaccessions	-	16,672
	<u>\$ 3,735,603</u>	<u>\$ 3,564,623</u>

Performance Obligations

Traveling exhibitions – Traveling exhibition revenue is recognized over the display period of the exhibit at each site. Certain contracts contain a liquidated damages clause, whereas if certain conditions are met six months prior to the display period, 50% of contract revenue is recognized at that point in time.

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

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

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 the month that the sales occur.

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.

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:

	2024	2023	2022
Accounts receivable	\$ 464,903	\$ 346,230	\$ 108,640

SAN DIEGO MUSEUM OF ART

Notes to Financial Statements

Years Ended June 30, 2024 and 2023

Note 9 - Revenue Recognition, continued

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, 2024 and 2023, the Museum contributed \$187,332 and \$144,095, 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.

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, 2024 and 2023

Note 11 - Endowments, continued

At June 30, 2024, the endowment net assets composition by type of fund consisted of the following:

	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated endowment funds	\$ 44,221,489	\$ -	\$ 44,221,489
Donor designated funds:			
Original donor-restricted gift amount required to be maintained in perpetuity by the donor	-	10,570,356	10,570,356
Charitable remainder trust assets to be included in endowment	-	1,058,169	1,058,169
Accumulated investment gains	-	9,875,141	9,875,141
Total endowment funds	\$ 44,221,489	\$ 21,503,666	\$ 65,725,155

Changes in endowment net assets for the year ended June 30, 2024 consisted of the following:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 47,180,716	\$ 19,702,150	\$ 66,882,866
Transfer of MOPA endowment net assets:			
Original donor-restricted gift amount required to be maintained in perpetuity by the donor	-	1,538,254	1,538,254
Charitable remainder trust assets to be included in endowment	-	31,279	31,279
Accumulated investment gains	-	91,834	91,834
Contributions	500	-	500
Appropriated expenditures	(8,070,293)	(2,079,707)	(10,150,000)
Investment return, net	5,110,566	2,219,856	7,330,422
Endowment net assets, end of year	\$ 44,221,489	\$ 21,503,666	\$ 65,725,155

At June 30, 2023, the endowment net assets composition by type of fund consisted of the following:

	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated endowment funds	\$ 47,180,716	\$ -	\$ 47,180,716
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	-	988,570	988,570
Accumulated investment gains	-	9,681,478	9,681,478
Total endowment funds	\$ 47,180,716	\$ 19,702,150	\$ 66,882,866

SAN DIEGO MUSEUM OF ART

Notes to Financial Statements

Years Ended June 30, 2024 and 2023

Note 11 - Endowments, continued

Changes in endowment net assets for the year ended June 30, 2023 consisted of the following:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 48,304,156	\$ 19,802,208	\$ 68,106,364
Transfer from operating fund	14,908	-	14,908
Appropriated expenditures	(5,295,499)	(1,747,682)	(7,043,181)
Investment return, net	4,157,151	1,647,624	5,804,775
Endowment net assets, end of year	\$ 47,180,716	\$ 19,702,150	\$ 66,882,866

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, 2024 and 2023 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 31st of each year. The Board of Trustees may, upon recommendation of the Finance Committee, in response to changes in economic circumstances, raise or lower the percentage to be distributed in any given year.

Note 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.

Two donors comprised 66% and 74% of promises to give at June 30, 2024 and 2023, respectively. Three donors comprised 44% and one donor comprised 14% of contributions for the years ended June 30, 2024 and 2023, respectively.

Four customers comprised 67% and two customers comprised 67% of accounts receivable at June 30, 2024 and 2023, respectively.

SAN DIEGO MUSEUM OF ART

Notes to Financial Statements

Years Ended June 30, 2024 and 2023

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.

Note 14 - Business Combinations

Effective July 1, 2023, the Museum acquired the Museum of Photographic Arts (MOPA), a California nonprofit corporation. The Museum and MOPA, as cultural institutions in Balboa Park, are both committed to inspiring and educating through the collection and presentation of the finest examples of art. The mission statements of the Museum and MOPA reflect the fact that the two cultural institutions have, throughout their organizational lifetimes, shared common goals and aspirations. The parties believe that there are economies of scale available by affiliating the MOPA operations and collections with the Museum's operations and collections. Following the acquisition, the MOPA collection is now known as the Museum of Photographic Arts at The San Diego Museum of Art or MOPA@SDMA.

The Museum assumed certain accounts payable, accrued expenses, and deferred revenue associated with the assets being acquired. The following table summarizes the June 30, 2023 audited fair values of the assets acquired and liabilities assumed at the closing date:

	2023
Cash and cash equivalents	\$ 188,734
Accounts receivable	70,810
Promises to give, net of discount on promises to give	19,382
Other assets	22,855
Property and equipment, net of accumulated depreciation	1,553,777
Investments	1,630,136
Beneficial interest in assets held at The San Diego Foundation	31,279
Total identifiable assets acquired	3,516,973
Accounts payable and accrued expenses	1,628
Deferred revenue	52,297
Total liabilities assumed	53,925
Net assets acquired	\$ 3,463,048

Like the Museum, MOPA maintained collections of art that are significant in relation to its total assets but were not recognized on the statements of financial position based on meeting certain criteria per US GAAP. Of the total net assets acquired of \$3,463,048, net assets of \$1,775,749 had donor restrictions that were either temporary or permanent in nature, as of June 30, 2023.

SUPPLEMENTAL INFORMATION

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

Years Ended June 30, 2024 and 2023

	June 30, 2024		
	Without Donor Restrictions	With Donor Restrictions	Total
Foundations	\$ 2,723,584	\$ 1,427,607	\$ 4,151,191
Trustee support	1,237,597	950,378	2,187,975
Special events	1,084,591	-	1,084,591
Individual gifts	564,752	580	565,332
Corporate support	170,468	4,500	174,968
Grants	27,823	-	27,823
Contribution box	13,981	-	13,981
	<u>\$ 5,822,796</u>	<u>\$ 2,383,065</u>	<u>\$ 8,205,861</u>

	June 30, 2023		
	Without Donor Restrictions	With Donor Restrictions	Total
Foundations	\$ 685,171	\$ 524,401	\$ 1,209,572
Individual gifts	977,985	114,333	1,092,318
Special events	1,036,913	-	1,036,913
Corporate support	500,028	40,285	540,313
Trustee support	177,773	156,037	333,810
Grants	60,000	-	60,000
County of San Diego	5,000	-	5,000
Contribution box	2,773	-	2,773
	<u>\$ 3,445,643</u>	<u>\$ 835,056</u>	<u>\$ 4,280,699</u>