MUSEUM ASSOCIATES

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2023

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FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2023

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Museum Associates

Opinion
We have audited the financial statements of Museum Associates (the Museum), which comprise the statement of financial position as of June 30, 2023, and the related statements of activities, functional expenses and cash flows for the year 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 the Museum as of June 30, 2023, and the changes in its net assets and its cash flows for the year 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 (GAAS). 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 the Museum and to meet our 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.

Responsibility of Management for the Financial Statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America, 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 the Museum's ability to continue as a going concern for one year after the date that the financial statements are issued.

Auditor's Responsibility 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 GAAS 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.

To the Board of Trustees
Museum Associates

In performing an audit in accordance with GAAS, 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 the Museum'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 the Museum'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 Summarized Comparative Information
We have previously audited the Museum's June 30, 2022 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 3, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2022, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Green Hasson & Janks LLP

October 10, 2023
Los Angeles, California

MUSEUM ASSOCIATES

STATEMENT OF FINANCIAL POSITION
June 30, 2023
With Summarized Totals at June 30, 2022

ASSETS	2023	2022
Cash and cash equivalents	$ 46,797,406	$ 134,468,917
Accounts receivable	447,244	643,356
Accrued revenue	1,938,665	2,407,852
Prepaid interest and fees	9,365,243	9,564,035
Pledges receivable, net	156,022,267	143,204,465
Investments	595,290,502	588,077,887
Receivables under trust agreements, net	268,968	268,771
Net pension benefit asset	8,157,894	3,124,318
Other assets	810,167	662,915
Right-of-use assets, net	42,889,827	45,945,863
Property and equipment, net	705,005,434	542,886,324
Collections	-	-
Total assets	$ 1,566,993,617	$ 1,471,254,703
LIABILITIES AND NET ASSETS		
Accounts payable and accrued liabilities	$ 16,775,923	$ 26,208,337
Deferred lease revenue	29,625,093	30,243,577
Lease liabilities	52,803,670	56,186,164
Deferred other revenue	464,383	424,606
Notes payable	200,000	-
Split-interest agreement liabilities	438,236	449,481
County obligation	243,785,000	248,200,000
Unamortized County obligation interest premium	41,460,422	42,211,279
County obligation, net of unamortized interest premium	285,245,422	290,411,279
Revenue bonds	343,000,000	343,000,000
Unamortized bond issuance costs	(8,909,163)	(9,520,077)
Revenue bonds, net of unamortized bond issuance costs	334,090,837	333,479,923
Interest rate swap	26,897,941	42,310,097
Total liabilities	746,541,505	779,713,464
Without donor restrictions:		
Board-designated endowment funds	81,491,715	80,997,584
Other	495,300,808	299,549,812
With donor restrictions:		
Donor-designated endowments	28,318,969	28,278,555
Funds functioning as endowments	50,683,892	49,516,756
Other	164,656,728	233,198,532
Total net assets	820,452,112	691,541,239
Total liabilities and net assets	$ 1,566,993,617	$ 1,471,254,703

The accompanying notes are an integral part of these financial statements

MUSEUM ASSOCIATES

STATEMENT OF ACTIVITIES
Year Ended June 30, 2023
With Summarized Totals for the Year Ended June 30, 2022

	2023			
	Without Donor Restrictions	With Donor Restrictions	Total	2022 Total
Revenues and support				
Revenues				
Membership dues	$ 3,786,432	$ 256,835	$ 4,043,267	$ 4,408,624
Admissions	5,762,292	-	5,762,292	6,018,405
Investment return, net	32,407,223	4,410,956	36,818,179	(25,769,743)
Unrealized gain on interest rate swap	15,412,156	-	15,412,156	36,137,451
County operating contract	32,024,390	-	32,024,390	30,759,000
Auxiliary activities	2,067,751	3,633	2,071,384	2,662,927
Other	8,036,775	547,004	8,583,779	7,700,860
Total revenues	99,497,019	5,218,428	104,715,447	61,917,524
Support				
Gifts	7,644,668	113,273,213	120,917,881	69,123,727
Government grants	-	890,851	890,851	9,717,857
Fundraising events, net	2,072,304	2,368,843	4,441,147	3,425,053
Total support	9,716,972	116,532,907	126,249,879	82,266,637
Net assets released from restrictions				
Satisfaction of program restrictions	15,094,138	(15,094,138)	-	-
Expiration of time restrictions and other transfers	174,115,199	(174,115,199)	-	-
Total net assets released from restrictions	189,209,337	(189,209,337)	-	-
Total revenues and support	298,423,328	(67,458,002)	230,965,326	144,184,161
Expenses				
Program activities	79,156,517	-	79,156,517	77,674,239
Supporting activities	15,000,438	-	15,000,438	14,218,362
Total expenses	94,156,955	-	94,156,955	91,892,601
Change in net assets before change related to collection items	204,266,373	(67,458,002)	136,808,371	52,291,560
Collection items purchased	(8,021,246)	-	(8,021,246)	(5,617,469)
Collection items sold	-	123,748	123,748	174,033
Change in net assets after change related to collection items	196,245,127	(67,334,254)	128,910,873	46,848,124
Net assets, beginning of year	380,547,396	310,993,843	691,541,239	644,693,115
Net assets, end of year	$ 576,792,523	$ 243,659,589	$ 820,452,112	$ 691,541,239

The accompanying notes are an integral part of these financial statements

MUSEUM ASSOCIATES

STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2023
With Summarized Totals for the Year Ended June 30, 2022

	2023										
	Salaries, Wages, and Employee Benefits	Professional Fees and Services	Equipment, Information, and Digital Systems	Occupancy	Shipping, Insurance, Participation Fees and Travel	Printing, Advertising, Materials and Supplies	Other Expenses	Depreciation and Amortization	Revenue Bond Interest and Fees	Total	2022 Total
Program activities											
Exhibitions and collections management	$ 9,058,954	$ 1,615,337	$ 244,113	$ 4,695,739	$ 3,107,270	$ 1,158,681	$ 109,039	$ -	$ -	$ 19,989,133	$ 18,605,489
Curatorial	5,901,845	92,016	11,610	31,962	295,307	132,196	538,444	-	-	7,003,380	7,247,406
Education and public programs	4,338,187	834,392	109,239	31,452	95,172	652,926	258,137	-	-	6,319,505	5,612,643
Marketing and communications	2,761,058	355,098	131,987	10,327	171,725	608,838	596,158	-	-	4,635,191	4,080,555
Operation and public services	3,298,008	10,008,199	375,190	5,286,309	383,237	249,531	292,921	-	-	19,893,395	17,234,729
Properties and deferred maintenance	-	56,287	22,805	389,376	520,016	65,607	257,217	9,177,073	8,969,556	19,457,937	22,918,054
Auxiliary activities	632,632	8,900	838	2,148	94,135	20,063	1,099,260	-	-	1,857,976	1,975,363
Total program activities	25,990,684	12,970,229	895,782	10,447,313	4,666,862	2,887,842	3,151,176	9,177,073	8,969,556	79,156,517	77,674,239
Supporting activities											
General and administrative	6,783,179	917,185	1,054,507	237,141	117,571	138,043	592,590	-	-	9,840,216	9,400,536
Development	3,846,567	184,996	340,900	13,630	128,603	198,054	447,472	-	-	5,160,222	4,817,826
Total supporting activities	10,629,746	1,102,181	1,395,407	250,771	246,174	336,097	1,040,062	-	-	15,000,438	14,218,362
Total 2023 expenses	$ 36,620,430	$ 14,072,410	$ 2,291,189	$ 10,698,084	$ 4,913,036	$ 3,223,939	$ 4,191,238	$ 9,177,073	$ 8,969,556	$ 94,156,955	
Total 2022 expenses	$ 33,039,726	$ 13,414,720	$ 1,696,193	$ 10,717,534	$ 4,092,251	$ 3,516,671	$ 4,379,236	$ 9,137,943	$ 11,898,327		$ 91,892,601

The accompanying notes are an integral part of these financial statements

MUSEUM ASSOCIATES

STATEMENT OF CASH FLOWS
Year Ended June 30, 2023
With Summarized Totals for the Year Ended June 30, 2022

	2023	2022
Cash flows from operating activities		
Change in net assets	$ 128,910,873	$ 46,848,124
Adjustments to reconcile change in net assets to cash provided by operating activities		
Net realized and unrealized gains on investments	(36,818,178)	25,769,743
Unrealized gain on interest rate swap	(15,412,156)	(36,137,451)
Forgiveness of Paycheck Protection Program loan	-	(6,722,000)
Depreciation expense	8,566,159	8,527,029
Amortization of right-of-use assets	3,056,036	4,363,930
County obligation premium amortization	(750,857)	(714,293)
Revenue bond cost of issuance amortization	610,914	610,914
Collection items purchased	8,021,246	5,617,469
Collection items sold	(123,748)	(174,033)
Contributions restricted for endowment	(40,415)	(1,119,646)
Change in operating assets and liabilities		
Accounts receivable	196,112	554,061
Accrued revenue	469,187	(131,233)
Prepaid interest and fees	198,792	189,098
Pledges receivable, net	(12,817,802)	16,948,811
Receivables under trust agreements, net	(197)	43,822
Net pension benefit asset	(5,033,576)	(3,124,318)
Other assets	(147,252)	(153,658)
Accounts payable and accrued liabilities	(9,432,414)	13,476,295
Deferred lease revenue	(618,484)	(1,397,538)
Lease liabilities	(3,382,494)	(3,801,008)
Deferred other revenue	39,777	113,597
Underfunded pension liabilities	-	(2,178,557)
Net cash provided by operating activities	65,491,523	67,409,158
Cash flows from investing activities		
Net sales (purchases) of investments	29,605,563	(15,371,789)
Purchases of property and equipment	(170,685,269)	(129,893,875)
Collection items purchased	(8,021,246)	(5,617,469)
Collection items sold	123,748	174,033
Net cash used in investing activities	(148,977,204)	(150,709,100)
Cash flows from financing activities		
Payments on County obligation	(4,415,000)	(4,200,000)
Increase (decrease) in notes payable	200,000	(175,000)
Decrease in split-interest agreement liabilities	(11,245)	(969,539)
Contributions restricted for endowment	40,415	1,119,646
Net cash used in financing activities	(4,185,830)	(4,224,893)
Net decrease in cash and cash equivalents	(87,671,511)	(87,524,835)
Cash and cash equivalents, beginning of year	134,468,917	221,993,752
Cash and cash equivalents, end of year	$ 46,797,406	$ 134,468,917

Supplemental disclosure of cash flow information:
During the year ended June 30, 2023, the Museum paid $19,776,101 in interest expense and related fees.

The accompanying notes are an integral part of these financial statements

NOTE 1 - GENERAL

Museum Associates (the Museum) is a California nonprofit corporation whose mission is to serve the public through the collection, conservation, exhibition and interpretation of significant works of art from a broad range of cultures and historical periods, and through the translation of these collections into meaningful educational, aesthetic, intellectual and cultural experiences for the widest array of audiences. To that end, the Museum finances the construction of new facilities, mounts exhibitions and conducts other educational programs to enhance public knowledge of the arts through the operation of the Los Angeles County Museum of Art (LACMA).

The Museum is the premier encyclopedic art museum in the Western United States. The Museum's collection of approximately 143,000 artworks from around the world spans the history of art, from ancient to contemporary times. Through its varied collections, the Museum is both a resource to and a reflection of the many cultural communities and heritages in Southern California and throughout the world.

In conformity with its art collection policy, the collection items acquired by the Museum are not capitalized in its statement of financial position.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) BASIS OF PRESENTATION

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

- **Net Assets Without Donor Restrictions**. Net assets available for use in general operations and not subject to donor-imposed restrictions. The Board of Trustees has designated, from net assets without donor restrictions, net assets for funds functioning as an endowment.

- **Net Assets With Donor Restrictions**. Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued

(b) CASH AND CASH EQUIVALENTS

For purposes of the statement of cash flows, the Museum considers all short-term, highly liquid investments with original maturities of three months or less, when purchased, to be cash equivalents.

(c) ACCOUNTS RECEIVABLE AND ACCRUED REVENUE

Accounts receivable and accrued revenue are recorded when billed or accrued and represent claims against or commitments of third parties that will be settled in cash. The carrying value of receivables represents their estimated net realizable value. If events or changes in circumstances indicate that specific receivable balances could become impaired an allowance is recorded. Past due receivable balances are written-off when internal collection efforts have been unsuccessful in collecting the amount due. At June 30, 2023, the Museum evaluated the collectability of its accounts receivable and accrued revenue and determined that no allowance was necessary.

(d) PLEDGES RECEIVABLE

Contributions, including endowment gifts and pledges, as well as unconditional promises to give, are recognized as revenue in the period promised. Conditional promises to give - that is, those with a measurable performance or other barrier and a right of return - are not included as revenue until the conditions on which they depend have been met. Amounts expected to be collected within one year are recorded at their net realizable value. Amounts expected to be collected in future years are recorded at the present value of estimated future cash flows discounted at an appropriate market interest rate at the time of the contribution. The Museum has established a general reserve considered to be adequate but not excessive in relation to the outstanding pledge balances.

(e) INVESTMENTS

The Museum's investments are reflected on the statement of financial position at fair value. Changes in unrealized gains and losses resulting from changes in fair value are reflected in the statement of activities. The Museum's investments consist of long-only equities, fixed income securities, absolute return funds, partnership interests and other funds.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) INVESTMENTS (continued)

The Museum's long-only equity investments and fixed income securities are generally publicly traded on national securities exchanges and have readily available quoted market values. The Museum's other partnership interests and other funds, and portions of its absolute return fund investments, are carried at estimated fair value. The Museum establishes fair value of these nonmarketable investments through (a) observable trading activity reported at net asset value, or (b) a documented valuation process including review of audited reports for the investment funds, verification of the fair value of marketable securities in the funds, regular review of fund manager valuation approaches, and monitoring of the fund activities. Because of the inherent uncertainty of valuation of nonmarketable investments, the estimated fair values may differ significantly from the values that would have been used had a ready market for the investments existed, and the differences could be material.

Investments received through gifts are recorded at estimated fair value at the date of donation.

Dividend and interest income are accrued when earned. Dividends, interest income and investment income earned from investments in all net asset classifications are allocated based on the individual investment asset as a percentage of total investment assets. Income from investments required by donor stipulations to be held in perpetuity is recorded as with donor restrictions, except where the instructions of the donor specify otherwise.

(f) RECEIVABLES UNDER TRUST AGREEMENTS AND SPLIT-INTEREST AGREEMENT LIABILITIES

The Museum has been named as the beneficiary of two trust agreements for which a third party has been named as the trustee. Assets contributed by the donor under these trust agreements are recognized at the present value of the estimated future distributions to be received. The interest rate used in determining the present value was the Museum's appropriate market rate of return at the date of the gift. The present value of the total future amounts to be received was $268,968 at June 30, 2023.

Assets contributed by donors under gift annuity agreements and controlled by the Museum are recognized at fair value with a corresponding liability to beneficiaries of the annuity agreements. Such liability is calculated as the present value of the estimated future cash flows to be distributed to the income beneficiaries over their expected lives. The Museum has determined such liability using investment returns consistent with the composition of investment portfolios, single or joint life expectancies and the discount rates applicable in the years in which the agreements were entered into. The present value of these split-interest liabilities was $438,236 at June 30, 2023. The Museum has established a segregated reserve fund of $530,924 at June 30, 2023, which exceeds the present value of the liabilities.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) PROPERTY AND EQUIPMENT

Costs of constructing facilities located on land owned by the County of Los Angeles (the County) are capitalized at cost and transferred to the County either at the end of construction or in accordance with agreements with the County.

Costs of constructing facilities located on land owned by the Museum are capitalized at cost and depreciated using the straight-line method over an estimated life of forty years. Costs of constructing leasehold improvements at leased facilities are capitalized at cost and amortized using straight-line over the term of the lease.

Equipment and other property that are purchased are recorded at cost. Equipment and other property are depreciated using the straight-line method over an estimated useful life of five years.

(h) LONG-LIVED ASSETS

The Museum reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. An impairment loss is recognized when the sum of the undiscounted future cash flows is less than the carrying amount of the asset, in which case a write-down is recorded to reduce the related asset to its estimated fair value. No impairment losses were recognized on long-lived assets during the year ended June 30, 2023.

(i) ART COLLECTION

In conformity with the practice followed by many museums, art objects purchased by or donated to the Museum are not capitalized in the statement of financial position. The Museum's art collection is made up of art objects that are held for exhibition and various other program activities. Each of the items is catalogued, preserved and cared for, and activities verifying their existence and assessing their condition are performed continuously. Purchased collection items are recorded as decreases in net assets without donor restrictions in the year in which the items are acquired. Contributed collection items are excluded from the financial statements.

Proceeds from deaccessions or insurance recoveries are reflected as increases in net assets with donor restrictions. Deaccession proceeds are required by Museum policy to be applied to the acquisition of works of art for the permanent collection and for the direct care of the collection. Direct care includes expenditures that provide a direct benefit to the collection by enhancing its life, usefulness, or quality and excludes expenditures for routine maintenance of the collection.

Deaccession proceeds totaled $123,748 during the year ended June 30, 2023. The Museum purchased collection items in the amount of $8,021,246 during the year ended June 30, 2023. The Museum received donated art objects valued for insurance purposes at an estimated amount of $20,500,000 during the year ended June 30, 2023.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) DEFERRED LEASE REVENUE

Lease revenue associated with long-term lease agreements is recognized over the terms of the agreements with the unrecognized portions being reflected as deferred lease revenue on the statement of financial position.

(k) DEBT ISSUANCE COSTS

Debt issuance costs are amortized by use of the straight-line method over the anticipated life of the related debt. Debt issuance costs are netted against the long-term portion of the corresponding liability as reflected in the statement of financial position. The amortization of these costs is included in revenue bond cost of issuance amortization expense.

(l) REVENUES AND SUPPORT

Contributed revenue includes annual membership dues, gifts, government grants, and revenues from fundraising events. Annual memberships are recognized as revenue when such income is received. Memberships, which are nonrefundable and nonreciprocal in nature, directly support the Museum's mission and the benefits to members are available immediately upon joining. Grant revenues determined to be contributions are recognized when their conditions are met either by expenditures being incurred or benchmarks being met. All grants are nonreciprocal in nature with the primary beneficiary being the general public.

Revenues from fundraising events are net of expenses of $3,773,332 for the year ended June 30, 2023.

Revenue from contracts with customers includes admissions and auxiliary activities revenue. Admissions, which are nonrefundable in nature, are comprised of an exchange element that is satisfied immediately upon the time of entrance. Revenue from contract performance obligations are satisfied and the revenue is recognized when the income is received. As all revenue is recognized immediately, there is no deferral of revenues. There are no significant associated contract receivables or contract liabilities for revenue from contracts with customers as of June 30, 2023.

The total appropriation from the County of Los Angeles for the Museum for the year ended June 30, 2023 was $35,298,630. This included both $32,024,390 cash received for the County operating contract and direct expenditures of $3,274,240 by the Department of Museum of Art, County of Los Angeles.

(m) CONTRIBUTED SERVICES

A substantial number of unpaid volunteers, including council members, have made significant contributions of their time to support the Museum's programs. The value of this contributed time is not reflected in these financial statements, as it is not susceptible to objective measurement or valuation.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(n) INCOME TAXES

The Museum is a California nonprofit corporation and is exempt from taxation under Section 501(c)(3) of the Internal Revenue Code (IRC) and is also exempt from state franchise taxes.

In accordance with Accounting Standards Codification Topic No. 740, *Uncertainty in Income Taxes*, the Museum recognizes the impact of tax positions in the financial statements if that position is more likely than not to be sustained on audit based on the technical merits of the position.

During the year ended June 30, 2023 the Museum performed an evaluation of uncertain tax positions and did not identify any matters that would require recognition in the financial statements or which may have an effect on its tax-exempt status and to date has not recorded any uncertain tax positions.

(o) ESTIMATED FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is the price that would be received to sell an asset or paid to transfer the liability in an orderly transaction between market participants at the measurement date. In determining fair value, the Museum uses the market or income approach. Based on this approach, the Museum utilizes certain assumptions about the risk and/or risks inherent in the inputs to the valuation technique. These inputs can be readily observable, market-corroborated or generally unobservable inputs. The Museum utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. Based on the observability of the inputs used in the valuation techniques the Museum is required to provide information according to the fair value hierarchy. The fair value hierarchy ranks the quality and the reliability of the information used to determine fair values and in general is defined as follows:

Level 1 - Observable inputs that reflect quoted prices (unadjusted) for identical assets or liabilities in active markets.

Level 2 - Include other inputs that are directly or indirectly observable in the marketplace.

Level 3 - Unobservable inputs which are supported by little or no market activity.

The fair value hierarchy also requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. For the year ended June 30, 2023, the application of valuation techniques applied to similar assets and liabilities has been consistent with the techniques applied during the year ended June 30, 2022.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(o) ESTIMATED FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

Financial instruments included in the Museum's statement of financial position include cash and cash equivalents, accounts receivable and accrued revenue, pledges receivable, investments, receivables under trust agreement, accounts payable and accrued liabilities, notes payable, County obligation, revenue bonds, split-interest agreement liabilities, and interest rate swap.

For cash and cash equivalents, accounts receivable and accrued revenue, accounts payable and accrued liabilities, the carrying amounts represent a reasonable estimate of fair values due to their short-term maturity. Pledges receivable have been discounted using applicable market rates to approximate fair value. The receivables under trust agreement and split-interest agreement liabilities are reflected at their estimated fair values using the methodology described above. The estimated fair value of the Museum's notes payable, County obligation and revenue bonds approximates the carrying value of these liabilities as these bear interest commensurate with their risks. Investments and derivative financial instruments (i.e., interest rate swaps) are reflected at estimated fair value as described below.

Investments
The basis of fair value for the Museum's investments differs depending on the investment type. For certain investments, market value is based on quoted market prices. These are classified within Level 1 of the valuation hierarchy. For other investments that (a) do not have a readily determinable fair value and (b) prepare their financial statements consistent with the measurement principles of an investment company or have the attributes of an investment company, they are valued, as a practical expedient, utilizing the net asset valuations provided by their respective investment manager or general partner.

Interest Rate Swap
The Museum has an interest rate swap agreement, in order to manage exposure to interest rate fluctuations.

The interest rate swap is valued separately from its underlying debt and is accounted for using a "mark-to-market" basis. As market fixed rates change over time, existing fixed rate swaps become more or less valuable than at inception, resulting in a mark-to-market value which includes either an unrealized gain or loss.

The fair value of the interest rate swap is estimated using Level 2 inputs, which are based on model-derived valuations in which all significant inputs and significant value drivers are observable in active markets. The estimated market value of the interest rate swap at June 30, 2023 was computed by the counterparty and includes adjustments to reflect counterparty credit risk and the Museum's non-performance credit risk in estimating the fair value.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(p) CONCENTRATION OF CREDIT RISK

Credit risk is the failure of another party to perform in accordance with contract terms. Financial instruments which potentially subject the Museum to concentrations of credit risk consist primarily of cash and cash equivalents, pledges and receivables, investments and interest rate swaps.

The Museum maintains its cash balances with several financial institutions that from time to time exceed amounts insured by the Federal Deposit Insurance Corporation. To date, the Museum has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash.

With respect to pledges and receivables, the Museum routinely assesses the financial strength of its creditors and believes that the related credit risk exposure is limited. At June 30, 2023, 89% of pledges are due from members of the Board of Trustees or their affiliates.

Investment securities, in general, are exposed to various risks, such as interest rate, credit and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the value of investment securities will occur in the near term and that such change could materially affect the amounts reported in the statement of financial position. The Museum attempts to limit its credit risk associated with investments through diversification, by utilizing the expertise and processes of an outside investment consultant, and oversight by the Museum's Finance Committee.

(q) FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing the Museum's programs and other activities have been presented in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Certain indirect expenses attributable to more than one functional category or major program are allocated using a method that best measures the relative degree of benefit, such as proportionate compensation expense amounts, as well as other methods.

(r) USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(s) COMPARATIVE TOTALS

The financial statements include certain prior-year summarized comparative information in total, but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Museum's financial statements for the year ended June 30, 2022, from which the summarized information was derived.

(t) NEW ACCOUNTING PRONOUNCEMENTS

In March 2020, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2020-04, *Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting*. This ASU provides temporary optional expedients and exceptions for accounting for contracts modifications, hedging relationships, and other transactions affected by the reference rate reform to ease the financial burdens of the expected market transition from LIBOR and other interbank offered rates to alternative reference rates. The guidance has subsequently been amended through ASUs 2021-01 and 2022-06, and the temporary optional relief is currently available through December 31, 2024. The Museum is party to certain revenue bonds and interest rate swap agreements described in Note 7 that previously carried floating rates based on LIBOR. During the year ended June 30, 2023, such agreements were amended to modify calculation of interest based on the Secured Overnight Financing Rate (SOFR) instead. The Museum elected certain optional expedients provided by Topic 848, which allowed the Museum to not apply certain modification accounting requirements for the amended revenue bonds and interest rate swap agreements.

In June 2016, FASB issued ASU 2016-13, *Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, which replaces the incurred loss impairment methodology previously used for certain financial instruments with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates in their measurement. The guidance has subsequently been amended through a series of targeted ASUs. For the Museum the ASU and the subsequent amendments will be effective for the year ending June 30, 2024, and are expected to be adopted using the modified-retrospective approach.

(u) SUBSEQUENT EVENTS

The Museum has evaluated events and transactions occurring subsequent to the statement of financial position date of June 30, 2023 for items that should potentially be recognized or disclosed in these financial statements. The evaluation was conducted through October 10, 2023, the date these financial statements were available to be issued. No such material events or transactions were noted to have occurred except as disclosed in Note 11.

NOTE 3 - PLEDGES RECEIVABLE

At June 30, 2023, the Museum had the following pledges receivable:

Pledges Receivable - Due within One Year	$ 26,787,142
Due Between One and Five Years	70,779,738
Due after Five Years	75,751,227
Present Value Discount of Approximately 0% to 5%	(10,295,840)
Allowance for Doubtful Pledges Receivable	(7,000,000)
TOTAL PLEDGES RECEIVABLE, NET	$ 156,022,267

NOTE 4 - INVESTMENTS AND FAIR VALUE MEASUREMENTS

The Museum's investments consist of operating reserves and funds functioning as endowment and funds, which have been restricted by the donor as endowment. The Museum's investments are managed in two portfolios. The endowment and reserves portfolio is governed by its investment policy, which sets asset allocation ranges to achieve portfolio diversification and also a minimum percentage of liquid assets. The liquid construction fund portfolio is managed to provide liquidity for the Museum's short-term construction needs while earning a reasonable return and is governed by its investment policy.

The Museum establishes the fair value of Level 1 investments based on quoted market prices. The Museum establishes Level 2 investments through observation of trading activity reported at net asset value or market values of similar observable or underlying assets. The Museum establishes Level 3 investments, if any, through a documented valuation process including review of audited reports for the investment funds, verification of the fair value of marketable securities in the funds, regular review of fund manager valuation approaches, and monitoring the fund's activities. For other investments that (a) do not have a readily determinable fair value and (b) prepare their financial statements consistent with the measurement principles of an investment company or have the attributes of an investment company, they are valued, as a practical expedient, utilizing the net asset valuations provided by their respective investment manager or general partner.

NOTE 4 - INVESTMENTS AND FAIR VALUE MEASUREMENTS (continued)

At June 30, 2023, the Museum's investments and related liabilities were classified by level within the valuation hierarchy as follows:

	Level 1	Level 2	Level 3	NAV as Practical Expedient	Total
INVESTMENTS:					
Cash and Cash Equivalents	$ 5,245,769	$ -	$ -	$ -	$ 5,245,769
Long-Only Equity	83,386,371	-	-	34,680,168	118,066,539
Fixed Income	22,549,640	194,687,892	-	-	217,237,532
Absolute Return	-	-	-	88,113,217	88,113,217
Other Partnerships and Other Funds	10,702,110	-	-	155,925,335	166,627,445
TOTAL INVESTMENTS	121,883,890	194,687,892	-	278,718,720	595,290,502
LIABILITIES:					
Split-Interest Agreement Liabilities	-	(438,236)	-	-	(438,236)
NET	$ 121,883,890	$ 194,249,656	$ -	$ 278,718,720	$ 594,852,266

The following table summarizes the redemption frequency and notice period for the Museum's investments using NAV as practical expedient at June 30, 2023:

	Fair Value	Redemption Frequency	Redemption Notice Period
Long-Only Equity	$ 34,680,168	Monthly	10 - 30 Days
Absolute Return	88,113,217	Monthly to Illiquid	30 - 90 Days Unless Illiquid
Other Partnerships and Other Funds	155,925,335	Triennial to Illiquid	180 Days to Illiquid
TOTAL	$ 278,718,720		

Total unfunded commitments at June 30, 2023 amounted to $71,289,000.

NOTE 5 - PROPERTY AND EQUIPMENT

Property and equipment at June 30, 2023 consisted of the following:

Land	$ 32,177,991
Buildings and Improvements	302,088,709
Equipment and Other Property	13,005,909
Construction in Progress	470,935,923
Leasehold Improvements	11,814,615
TOTAL	830,023,147
Less: Accumulated Depreciation	(125,017,713)
PROPERTY AND EQUIPMENT, NET	$ 705,005,434

Depreciation expense amounted to $8,566,159 for the year ended June 30, 2023, and is included in depreciation and amortization in the statement of functional expenses.

Construction in progress is related to the construction of the Museum's new building for its permanent collection - the David Geffen Galleries, which is scheduled to be completed late 2024.

NOTE 6 - COUNTY OBLIGATION AND UNAMORTIZED INTEREST PREMIUM

On November 3, 2020 the Museum entered into a funding agreement with the County of Los Angeles (the County) whereby the County loaned the Museum $300,000,000 to help fund the Museum’s *Building for the Permanent Collection* project from proceeds of lease revenue bonds that the County issued. Under the agreement the Museum is responsible for the repayment of all debt service related to the $300,000,000 to the County, all debt service is to be paid to the County in June each fiscal year for the debt service due in the following fiscal year and the repayment obligation is subordinate to all Museum existing indebtedness.

Under the repayment terms of the $300,000,000 obligation, the principal amount was $256,395,000 and the unamortized interest premium was $43,605,000. Interest on the County obligation is fixed at 2.72%. At June 30, 2023, the principal balance outstanding and the unamortized interest premium balance were $243,785,000 and $41,460,422, respectively. Interest expense of $9,594,458, inclusive of amortized interest premium of $750,857, was capitalized during the year in construction in progress.

NOTE 6 - COUNTY OBLIGATION AND UNAMORTIZED INTEREST PREMIUM (continued)

As of June 30, 2023, the County obligation's mandatory principal repayments are as follows:

Repayment Date June	
2024	$ 4,645,000
2025	4,880,000
2026	5,130,000
2027	5,395,000
2028	5,670,000
Thereafter	218,065,000
TOTAL	$ 243,785,000

NOTE 7 - REVENUE BONDS AND INTEREST RATE SWAP

(a) REVENUE BONDS

As of June 30, 2023, the Museum had revenue bonds outstanding totaling $343,000,000. The bonds consist of five series, including direct purchase bonds and floating and fixed rate notes in the following amounts and with terms as indicated:

Series	Par	Mode	Spread	Index	Tender Date
2013B	$ 18,665,000	DP	1.20%	80% (1)	June 7, 2024
2013C	16,235,000	DP	1.20%	80% (1)	June 7, 2024
2013D	8,100,000	DP	1.20%	80% (1)	June 7, 2024
2021A	228,500,000	PB	n/a	(2)	June 1, 2028
2021B	71,500,000	FRN	0.70%	(3)	June 1, 2026

(1) % of one-month SOFR
(2) Fixed rate at 1.20%
(3) SIFMA

Interest expense related to the revenue bonds was $6,677,857 for the year ended June 30, 2023.

Under the terms of the Loan Agreement, the Museum is subject to a financial covenant, the adjusted unrestricted net assets to indebtedness ratio ("UNA ratio"), which is tested each June 30 and December 31. If the ratio falls below 0.73 more than one time during the term of the direct purchase agreements, it is an event of default. As of June 30, 2023, the UNA ratio was 1.10.

NOTE 7 - REVENUE BONDS AND INTEREST RATE SWAP (continued)

(a) REVENUE BONDS (continued)

As of June 30, 2023, the bonds' mandatory redemption requirements are as follows:

Redemption Date December 1,	
2030	$ 11,900,000
2031	13,510,000
2032	13,840,000
2033	18,980,000
2034	19,345,000
Thereafter	265,425,000
TOTAL	$ 343,000,000

(b) INTEREST RATE SWAP

The Museum has an interest rate swap agreement with a bank, with an aggregate notional amount of $256,315,000 and termination date of December 1, 2037. Under the terms of this agreement, the Museum agrees to pay the bank a synthetic fixed amount of interest, 3.632% per annum, and will receive 59.5% of one-month SOFR (5.09% at June 30, 2023) plus 0.3%. The Museum can terminate this agreement at any time, but the bank may terminate the agreement only if certain adverse conditions occur.

At June 30, 2023, the fair value of the interest rate swap liability was $26,897,941. The aggregate unrealized gain reflecting the change in the swap value for the year ended June 30, 2023, was $15,412,156.

(c) REVENUE BOND ISSUANCE COSTS

The Museum amortizes its revenue bond issuance costs using the straight-line method over the term of the related debt. At June 30, 2023, the aggregate capitalized costs on the bonds were $20,202,226, net of $11,293,063 of accumulated amortization, and are included under revenue bonds, net, on the statement of financial position. The Museum recognized $610,914 in amortization costs on the capitalized bond issuance costs for the year ended June 30, 2023, and such costs are included in depreciation and amortization in the statement of functional expenses.

NOTE 8 - NET ASSETS

Net assets without and with donor restrictions at June 30, 2023, were available for the following purposes:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowments and Funds Functioning as Endowments:			
Operating Support	$ 78,792,185	$ 712,337	$ 79,504,522
Restricted Operating Support	-	69,818,675	69,818,675
Art Acquisitions	2,699,530	8,471,849	11,171,379
TOTAL ENDOWMENTS AND FUNDS FUNCTIONING AS ENDOWMENTS	81,491,715	79,002,861	160,494,576
Other Funds	495,300,808	164,656,728	659,957,536
TOTAL	$ 576,792,523	$ 243,659,589	$ 820,452,112

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 for the year ended June 30, 2023:

Release of Program Restrictions	$ 15,094,138
Release of Time Restrictions	84,691,928
Other Transfers	81,065,236
Appropriation in Accordance with Endowment Spending Policy	8,358,035
TOTAL NET ASSETS RELEASED FROM DONOR RESTRICTIONS	$ 189,209,337

NOTE 9 - ENDOWMENT FUNDS

The Museum’s endowment funds consist of (a) funds designated by the Board, (b) funds contributed with donor restrictions managed as endowment funds and (c) donor-designated endowments. The earnings of the Museum’s endowment funds support the mission of the Museum, including education and art programs. Net assets associated with endowment funds, including funds designated by the Board to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

NOTE 9 - ENDOWMENT FUNDS (continued)

At June 30, 2023, the Museum's endowment net asset composition by type of fund was as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Board Designated Endowment Funds	$ 81,491,715	$ -	$ 81,491,715
Funds Functioning as Endowments	-	50,683,892	50,683,892
Donor-Designated Endowments	-	28,318,969	28,318,969
TOTAL ENDOWMENT FUNDS	$ 81,491,715	$ 79,002,861	$ 160,494,576

From time to time the fair value of assets associated with individual donor restricted endowment funds may fall below the level that the donor requires the Museum to retain as a fund of perpetual duration. These deficiencies result from unfavorable market fluctuations occurring after the investment of contributions required to be held in perpetuity and continued appropriations for certain programs, which were deemed prudent by the Board of Trustees. Deficiencies of this nature that are reported in net assets with donor restrictions were $411,901 as of June 30, 2023.

For the year ended June 30, 2023, the Museum's endowment net assets changed as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Balance - Beginning of Year	$ 80,997,584	$ 77,795,311	$ 158,792,895
Investment Return, Net	4,573,576	5,070,925	9,644,501
Contributions	374,800	40,415	415,215
Transfers to Programs	(4,454,245)	(3,903,790)	(8,358,035)
BALANCE - END OF YEAR	$ 81,491,715	$ 79,002,861	$ 160,494,576

Investment return related to the Museum's endowments required to be held in perpetuity is recorded as revenue with donor restrictions unless otherwise directed by the donor's gift instrument.

The Museum's endowment spending policy is based on the trailing market value of its endowment. Specifically, it is 5% of the average market value of the endowment at each of the twelve prior quarters as of March 31 in the most recent fiscal year. The spending policy is reviewed by the Finance Committee of the Board of Trustees annually.

NOTE 9 - ENDOWMENT FUNDS (continued)

As delegated authority by the full Board, the Finance Committee of the Board has adopted investment policies that govern the management and oversight of the endowment funds and other Museum investments. The policies set forth the objectives for the investment portfolios of the Museum, the strategies to achieve the objectives, procedures for monitoring and control, and the delineation of responsibilities for the Finance Committee, consultant, investment managers, staff and custodians in relation to the portfolios. The policies are intended to allow for sufficient flexibility in the management oversight process to capture investment opportunities as they may occur, while at the same time setting forth reasonable risk control parameters that a prudent person would take in the execution of the investment program. Investment assets are managed on a total return basis, with emphasis on both preservation of capital and acceptance of investment risk necessary to achieve favorable performance on a risk-adjusted basis. In addition to parameters of return and risk, the policy establishes minimum liquidity guidelines for the portfolios. Other objectives for the endowment and reserves portfolio are to maintain or enhance the real purchasing power of the portfolio after covering its spending rate; to provide sufficient cash to cover debt interest and retirement of debt over the life of the Museum's outstanding debt; to outperform a policy benchmark return, after fees, at a lower level of risk over seven- to ten-year rolling periods; and to diversify investments to reduce the impact of losses in single investments, industries or asset classes. Other objectives for the Liquid Construction Fund portfolio are to maintain or enhance the real value of the construction fund while minimizing any risk to principal over a reasonable time period while providing liquidity to cover construction costs as needed.

NOTE 10 - EMPLOYEE BENEFIT PLANS

The Museum sponsors four employee benefit plans as described below:

(a) DEFINED BENEFIT PLAN

The Museum sponsors a defined benefit pension plan. Retirement benefits are provided through a noncontributory defined-benefit retirement plan (the Plan) for generally all employees who have completed one year of service. Employees are vested in the plan after five years of service. The Museum's funding policy is to contribute amounts to the Plan sufficient to meet the minimum funding requirements of the Employee Retirement Income Security Act, plus additional amounts as determined to be appropriate. Contributions to the Plan were $2,800,000 during the year ended June 30, 2023.

The following sets forth the components of net periodic benefit costs and the obligations and funded status of the defined benefit plan. Valuations of assets and liabilities are determined using a measurement date of June 30.

NOTE 10 - EMPLOYEE BENEFIT PLANS (continued)

(a) DEFINED BENEFIT PLAN (continued)

Net periodic benefit costs for the year ended June 30, 2023:

Service Cost	$	1,958,342
Interest Cost		1,629,793
Expected Return on Plan Assets		(2,485,367)
Amortization of Prior Service Cost		278,872
NET PERIODIC BENEFIT COSTS	$	1,381,640

Obligation and funded status at June 30, 2023, with summarized totals at June 30, 2022:

		2023		2022
Change in Benefit Obligation:				
Benefit Obligation - Beginning of Year	$	38,641,860	$	48,050,566
Service Cost		1,958,342		2,971,609
Interest Cost		1,629,793		1,270,412
Actuarial (Gain) Loss		(3,390,303)		(12,200,653)
Lump Sum Benefits Paid		(1,251,580)		(876,888)
Periodic Benefits Paid		(624,619)		(573,186)
Amendment to Plan Compensation Basis for Benefit Measurement		2,036,647		-
BENEFIT OBLIGATION - END OF YEAR		39,000,140		38,641,860
Change in Plan Assets:				
Fair Value of Plan Assets - Beginning of Year		41,766,178		45,872,009
Actual Return on Plan Assets		4,468,055		(5,255,757)
Employer Contributions		2,800,000		2,600,000
Lump Sum Benefits Paid		(1,251,580)		(876,888)
Periodic Benefits Paid		(624,619)		(573,186)
FAIR VALUE OF PLAN ASSETS - END OF YEAR		47,158,034		41,766,178
FUNDED STATUS	$	8,157,894	$	3,124,318

The funded status at June 30, 2023, is reflected under net pension benefit asset in the statement of financial position.

Weighted-average assumptions used to determine benefit obligations were as follows at June 30, 2023:

Discount rate	5.33%
Rate of compensation increase	3.00%

NOTE 10 - EMPLOYEE BENEFIT PLANS (continued)

(a) DEFINED BENEFIT PLAN (continued)

The discount rate is estimated based on the yield on a portfolio of high-quality debt instruments. Expected long-term rate of return on plan assets is the projected rate for plan assets, and the rate of compensation increase is estimated based on the Museum's historical rate. The Museum's management develops all actuarial assumptions with a third-party pension actuary.

Actuarial (gain) loss is sensitive to changes in the discount rate applicable to the Plan such that when the rate decreases, the reduction of Plan obligations rises and vice-versa.

Plan assets are invested in a diversified portfolio whose value is subject to fluctuations of the securities market.

Changes in this value attributable to differences between actual and assumed returns on plan assets are deferred as unrecognized gains or losses and included in the determination of net pension expense over time.

The Museum expects to make a $2,800,000 contribution to the Plan for the year ending June 30, 2024.

Benefit payments, which reflect expected future service, as appropriate, are expected to be paid as follows:

Years Ending June 30	
2024	$ 9,675,429
2025	1,017,884
2026	5,317,441
2027	1,307,014
2028	2,665,966
2029 to 2033	16,534,694

Investment allocation decisions for plan assets are made in order to achieve the Plan's investment return objectives, consistent with its risk parameters. The investment objectives are to achieve an absolute total return of 6% - 8% as measured as an average annual return over a seven to ten-year period. This is in order to attain or exceed the actuarial target rate of return (currently 6.50%) for the plan and measurement of net periodic benefit cost. Its risk parameters include:

- Avoiding failure to provide sufficient capital to meet the Plan's distribution obligations

- Avoiding sustained or meaningful underperformance relative to the Plan's actuarial target rate of return.

NOTE 10 - EMPLOYEE BENEFIT PLANS (continued)

(a) DEFINED BENEFIT PLAN (continued)

The risk parameters will be judged with the following criteria: To achieve the targeted rate of return, while at the same time experiencing a level of market/systematic risk no greater than 70% of the MSCI World Index as measured by BETA. The portfolio's total volatility (as measured by Standard Deviation) should be no greater than a passively managed portfolio consisting of 75% MSCI World and 25% Barclays Aggregate Bond indices.

In order to achieve the above return and risk objectives, the Plan asset allocation makes use of a broadly diverse group of investments to provide returns from each separate investment that are relatively uncorrelated with those of other investments in the Plan portfolio. As part of the allocation, a portion of the investments provides high liquidity in order to meet known and potential immediate benefit pay-outs. Other investments are less liquid consistent with the broad asset allocation in order to achieve the long-term investment objective.

At June 30, 2023, the Museum's plan assets were classified by level within the valuation hierarchy as follows:

	Level 1	Level 2	Level 3	NAV as Practical Expedient	Total
Cash	$ 140,017	$ -	$ -	$ -	$ 140,017
Fixed Income	7,857,688	-	-	-	7,857,688
Long-Only Equity	10,868,917	-	-	6,099,079	16,967,996
Alternatives	-	-	-	22,192,333	22,192,333
TOTAL	$ 18,866,622	$ -	$ -	$ 28,291,412	$ 47,158,034

Total unfunded commitments at June 30, 2023, amounted to $6,860,000.

(b) DEFINED CONTRIBUTION PLAN

The Museum offers a defined contribution plan, whereby employees elect to make voluntary contributions (up to limits set by law) to the plan through a payroll deduction. The Museum then matches 100% of the employee contributions, up to 4% of annual compensation. Matching contributions during the year ended June 30, 2023 were $823,897.

(c) DEFERRED COMPENSATION PLAN

The Museum offers a deferred compensation plan for its highly compensated employees. Highly compensated employees are eligible to elect to make voluntary contributions (up to the limits set by law) to the plan through payroll deductions in excess of the annual thresholds allowed under the Museum's defined contribution plan.

NOTE 11 - LEASE ARRANGEMENTS

(a) OPERATING LEASES - LESSEE

The Museum leases office space, art storage facilities, an exhibit fabrication facility and temporary mobile structures under operating leases expiring through September 2034. These lease agreements provide for scheduled increases in base rent and operating expenses, but do not contain any residual value guarantees or material restrictive covenants.

Right-of-use assets and corresponding lease liabilities are recognized on the Museum's statement of financial position based on the present value of future lease payments relating to the use of the underlying asset during the remaining lease term. The Museum uses a weighted average discount rate of 1.5% and an overall approximate weighted average remaining lease term of 12.4 years.

Future minimum lease payments for operating leases with an initial or remaining lease term of twelve months or more at June 30, 2023, are as follows:

Years Ending June 30	
2024	$ 3,644,727
2025	4,603,096
2026	4,741,597
2027	4,885,895
2028	5,000,979
Thereafter	34,903,340
	57,779,634
Less: Imputed interest	(4,975,964)
Total	$ 52,803,670

Lease cost was as followed for the year ended June 30, 2023:

Operating Lease Cost	$ 4,377,844
Short-Term Lease Cost:	4,061,958
Total Lease Cost	$ 8,439,802

Subsequent to year-end the Museum executed an amended lease agreement for art storage facilities expanding the leased space and the related term of the agreement to June 2029.

NOTE 11 - LEASE ARRANGEMENTS (continued)

(b) OPERATING LEASES - LESSOR

The Museum has several operating lease agreements that relate to the lease of a building and land owned by the Museum for the development by The Academy Foundation of a motion picture arts and sciences museum, the related easement of adjacent land for construction of the motion picture arts and sciences museum and an unrelated easement of other land for the construction of a subway extension. At June 30, 2023, the Museum had $29,625,093 in deferred lease revenue associated with three long-term agreements, which are classified as operating leases. The underlying assets associated with the lease, which are held within property, plant and equipment, amount to $16,029,569, net of depreciation.

There are no bargain purchase options, transfer of ownership at the end of the lease term, or variable lease payments included in these agreements. One of the lease agreements contained an option to extend the term of the lease by one year to 2023 for an additional payment of $840,880, which was exercised.

Lease revenue associated with the long-term agreements is recognized over the terms of the agreements with the unrecognized portions being reflected as deferred lease revenue in the statement of financial position. Lease revenue recorded in other revenue in the statement of activities was $1,459,363 for year ended June 30, 2023.

NOTE 12 - CONTINGENCIES

In the normal course of business, the Museum may become a party to litigation. Management believes there are no asserted or un-asserted claims or contingencies that would have a significant impact on the financial statements of the Museum as of June 30, 2023.

NOTE 13 - LIQUIDITY AND AVAILABILITY OF FINANCIAL RESOURCES

The Museum's financial assets available within one year of the statement of financial position at June 30, 2023, for general expenditures are as follows:

Financial Assets at June 30, 2023:		
Cash and Cash Equivalents	$	46,797,406
Accounts Receivable		447,244
Accrued Revenue		1,938,665
Pledges Receivable, Net		156,022,267
Investments		595,290,502
Receivables under Trust Agreements, Net		268,968
Less Financial Assets Unavailable for General Expenditures within One Year:		
Pledges Receivable Restricted by Purpose and Time		(155,747,618)
TOTAL FINANCIAL ASSETS AVAILABLE WITHIN ONE YEAR		645,017,434
Less Amounts Unavailable for General Expenditures within One Year, Due to:		
Split-Interest Agreement Liabilities		(438,236)
Capital Campaign Investments		(420,973,363)
Donor Purpose-Restricted Investments		(81,111,540)
Donor-Restricted Endowment Investments		(28,318,969)
Board-Designated Endowment Funds		(81,491,715)
FINANCIAL ASSETS AVAILABLE TO MEET GENERAL EXPENDITURES WITHIN ONE YEAR	$	32,683,611

The Museum defines general expenditures as amounts to be spent on regular Museum operations and excludes amounts internally designated for capital construction projects.

The Museum maintains a policy of structuring its financial assets to be available as its general expenditures, liabilities, and other obligations come due. The Museum's cash flows have variations during the year attributable to exhibition scheduling, vacation and holiday seasons, concentrations of contributions received at calendar and fiscal year-ends and the County operating contract obligation to the Museum being paid in full at the beginning of each fiscal year. Additionally, the Museum has Board designated funds without donor restrictions that, while the Museum does not intend to spend these for purposes other than those identified, the amounts could be made available for current operations, if necessary.