# MUSEUM ASSOCIATES

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2026

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FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2026

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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, 2026, 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 accompanying financial statements present fairly, in all material respects, the financial position of the Museum as of June 30, 2026, 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.

**Responsibilities 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 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 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.

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, 2025 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 7, 2025. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2025, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Green Hasson & Janks LLP*

October 27, 2026
Los Angeles, California

# MUSEUM ASSOCIATES

STATEMENT OF FINANCIAL POSITION
June 30, 2026
With Summarized Totals at June 30, 2025

| **ASSETS** | 2026 | 2025 |
|---|---|---|
| Cash and cash equivalents | $ 18,045,748 | $ 27,352,080 |
| Accounts receivable | 74,795 | 331,129 |
| Accrued revenue | 3,120,777 | 6,958,035 |
| Prepaid interest and fees | 8,708,126 | 8,939,179 |
| Pledges receivable, net | 157,170,382 | 167,073,497 |
| Investments | 588,733,427 | 552,059,587 |
| Net pension benefit asset | 17,906,993 | 15,977,066 |
| Other assets | 1,527,843 | 905,436 |
| Right-of-use assets, net | 43,566,445 | 51,773,451 |
| Property and equipment, net | 1,054,897,406 | 982,632,320 |
| Collections | - | - |
| **Total assets** | $ 1,893,751,942 | $ 1,814,001,780 |
| **LIABILITIES AND NET ASSETS** | | |
| Accounts payable and accrued liabilities | $ 13,743,092 | $ 29,554,716 |
| Deferred lease revenue | 27,235,860 | 32,319,959 |
| Lease liabilities | 54,106,291 | 62,818,072 |
| Notes payable | 2,150,000 | 3,300,000 |
| County obligation | 229,130,000 | 234,260,000 |
| Unamortized County obligation interest premium | 38,968,052 | 39,840,509 |
| County obligation, net of unamortized interest premium | 268,098,052 | 274,100,509 |
| Revenue bonds | 343,000,000 | 343,000,000 |
| Unamortized bond issuance costs | (7,793,934) | (7,687,335) |
| Revenue bonds, net of unamortized bond issuance costs | 335,206,066 | 335,312,665 |
| Interest rate swap | 16,431,055 | 21,845,221 |
| **Total liabilities** | 716,970,416 | 759,251,142 |
| Without donor restrictions: | | |
| Board-designated endowment funds | 102,713,805 | 93,593,940 |
| Other | 788,283,330 | 683,374,316 |
| With donor restrictions: | | |
| Donor-designated endowments | 43,011,586 | 42,721,797 |
| Funds functioning as endowments | 65,822,254 | 59,046,964 |
| Other | 176,950,551 | 176,013,621 |
| **Total net assets** | 1,176,781,526 | 1,054,750,638 |
| **Total liabilities and net assets** | $ 1,893,751,942 | $ 1,814,001,780 |

The accompanying notes are an integral part of these financial statements

# MUSEUM ASSOCIATES

## STATEMENT OF ACTIVITIES
Year Ended June 30, 2026
With Summarized Totals for the Year Ended June 30, 2025

| | 2026 | | | |
|---|---|---|---|---|
| | Without Donor Restrictions | With Donor Restrictions | Total | 2025 Total |
| **Revenues and support** | | | | |
| Revenues | | | | |
| Membership dues | $ 5,231,932 | $ 113,761 | $ 5,345,693 | $ 3,407,668 |
| Admissions | 5,746,583 | - | 5,746,583 | 4,280,444 |
| Investment return, net | 54,802,900 | 12,464,678 | 67,267,578 | 52,384,623 |
| Unrealized gain (loss) on interest rate swap | 5,414,166 | - | 5,414,166 | (2,025,221) |
| County operating contract | 38,048,000 | - | 38,048,000 | 36,723,000 |
| Auxiliary activities | 2,053,348 | 2,240 | 2,055,588 | 1,507,877 |
| Other | 9,055,415 | 406,627 | 9,462,042 | 49,024,823 |
| Total revenues | 120,352,344 | 12,987,306 | 133,339,650 | 145,303,214 |
| Support | | | | |
| Gifts | 15,042,808 | 107,234,076 | 122,276,884 | 115,296,448 |
| Government grants | - | - | - | 1,360,174 |
| Loss on termination of government grants | - | (336,578) | (336,578) | - |
| Fundraising events, net | 12,399,375 | 1,053,897 | 13,453,272 | 4,572,211 |
| Total support | 27,442,183 | 107,951,395 | 135,393,578 | 121,228,833 |
| Net assets released from restrictions | | | | |
| Satisfaction of program restrictions | 24,274,878 | (24,274,878) | - | - |
| Expiration of time restrictions and other transfers | 88,751,862 | (88,751,862) | - | - |
| Total net assets released from restrictions | 113,026,740 | (113,026,740) | - | - |
| Total revenues and support | 260,821,267 | 7,911,961 | 268,733,228 | 266,532,047 |
| **Expenses** | | | | |
| Program activities | 112,231,969 | - | 112,231,969 | 90,558,769 |
| Supporting activities | 24,124,648 | - | 24,124,648 | 18,092,244 |
| Total expenses | 136,356,617 | - | 136,356,617 | 108,651,013 |
| **Change in net assets before change related to collection items** | 124,464,650 | 7,911,961 | 132,376,611 | 157,881,034 |
| Collection items purchased | (10,435,771) | - | (10,435,771) | (15,475,056) |
| Collection items sold | - | 90,048 | 90,048 | 305,885 |
| **Change in net assets after change related to collection items** | 114,028,879 | 8,002,009 | 122,030,888 | 142,711,863 |
| **Net assets, beginning of year** | 776,968,256 | 277,782,382 | 1,054,750,638 | 912,038,775 |
| **Net assets, end of year** | $ 890,997,135 | $ 285,784,391 | $ 1,176,781,526 | $ 1,054,750,638 |

The accompanying notes are an integral part of these financial statements

**MUSEUM ASSOCIATES**

STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2026
With Summarized Totals for the Year Ended June 30, 2025

| | 2026 | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | 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 | Interest and Fees | Total | 2025 Total |
| **Program activities** | | | | | | | | | | | |
| Exhibitions and collections management | $ 11,542,727 | $ 4,479,357 | $ 395,518 | $ 5,518,115 | $ 4,051,725 | $ 1,762,785 | $ 131,666 | $ - | $ - | $ 27,881,893 | $ 24,445,665 |
| Curatorial | 7,336,038 | 229,694 | 31,948 | 37,419 | 195,648 | 118,644 | 976,627 | - | - | 8,926,018 | 8,203,682 |
| Education and public programs | 4,850,433 | 1,599,887 | 282,543 | 54,165 | 80,547 | 730,002 | 91,053 | - | - | 7,688,630 | 7,567,613 |
| Marketing and communications | 4,302,331 | 1,057,921 | 379,659 | 15,349 | 252,102 | 1,845,461 | 661,374 | - | - | 8,514,197 | 5,444,740 |
| Operation and public services | 4,129,631 | 17,428,696 | 1,181,522 | 6,768,197 | 538,509 | 524,291 | 758,336 | - | - | 31,329,182 | 23,409,185 |
| Properties and deferred maintenance | - | 2,089,414 | 588,535 | 12,444 | 32,153 | 90,060 | 10,485 | 12,767,832 | 10,367,929 | 25,958,852 | 19,923,905 |
| Auxiliary activities | 722,801 | 3,450 | 1,691 | 1,701 | 137,474 | 73,476 | 992,604 | - | - | 1,933,197 | 1,563,979 |
| Total program activities | 32,883,961 | 26,888,419 | 2,861,416 | 12,407,390 | 5,288,158 | 5,144,719 | 3,622,145 | 12,767,832 | 10,367,929 | 112,231,969 | 90,558,769 |
| **Supporting activities** | | | | | | | | | | | |
| General and administrative | 6,217,045 | 1,477,993 | 1,684,268 | 285,193 | 1,130,772 | 83,768 | 2,858,620 | - | - | 13,737,659 | 12,909,381 |
| Development | 4,039,021 | 521,247 | 3,953,221 | 32,504 | 310,856 | 336,758 | 1,193,382 | - | - | 10,386,989 | 5,182,863 |
| Total supporting activities | 10,256,066 | 1,999,240 | 5,637,489 | 317,697 | 1,441,628 | 420,526 | 4,052,002 | - | - | 24,124,648 | 18,092,244 |
| Total 2026 expenses | $ 43,140,027 | $ 28,887,659 | $ 8,498,905 | $ 12,725,087 | $ 6,729,786 | $ 5,565,245 | $ 7,674,147 | $ 12,767,832 | $ 10,367,929 | $ 136,356,617 | |
| *Total 2025 expenses* | $ 41,156,987 | $ 17,676,035 | $ 4,028,000 | $ 13,292,770 | $ 7,119,007 | $ 3,540,372 | $ 3,051,478 | $ 9,289,953 | $ 9,496,411 | | $ 108,651,013 |

The accompanying notes are an integral part of these financial statements

# MUSEUM ASSOCIATES

STATEMENT OF CASH FLOWS
Year Ended June 30, 2026
With Summarized Totals for the Year Ended June 30, 2025

| | 2026 | 2025 |
|---|---|---|
| **Cash flows from operating activities** | | |
| Change in net assets | $ 122,030,888 | $ 142,711,863 |
| Adjustments to reconcile change in net assets to cash provided by operating activities | | |
| Net realized and unrealized gains on investments | (60,083,809) | (43,098,027) |
| Unrealized (gain) loss on interest rate swap | (5,414,166) | 2,025,221 |
| Increase in the provision for uncollectible pledges receivable | 2,500,000 | - |
| Loss on termination of government grants | 336,578 | - |
| Depreciation expense | 12,139,628 | 8,679,039 |
| Amortization of right-of-use assets | 8,207,006 | 8,001,043 |
| County obligation premium amortization | (872,457) | (829,940) |
| Revenue bond cost of issuance amortization | 628,204 | 610,914 |
| Collection items purchased | 10,435,771 | 15,475,056 |
| Collection items sold | (90,048) | (305,885) |
| Contributions restricted for endowment | (289,789) | (10,507,479) |
| Change in operating assets and liabilities | | |
| Accounts receivable | 256,334 | 68,909 |
| Accrued revenue | 3,500,680 | (2,213,000) |
| Prepaid interest and fees | 231,053 | 219,858 |
| Pledges receivable, net | 7,403,115 | 7,857,775 |
| Net pension benefit asset | (1,929,927) | (1,394,020) |
| Other assets | (622,407) | 428,263 |
| Accounts payable and accrued liabilities | (15,811,624) | 10,649,582 |
| Deferred lease revenue | (5,084,099) | 3,764,701 |
| Lease liabilities | (8,711,781) | (8,182,343) |
| Net cash provided by operating activities | 68,759,150 | 133,961,530 |
| **Cash flows from investing activities** | | |
| Net sales of investments | 23,409,969 | 43,893,121 |
| Purchases of property and equipment | (84,404,714) | (160,196,722) |
| Collection items purchased | (10,435,771) | (15,475,056) |
| Collection items sold | 90,048 | 305,885 |
| Net cash used in investing activities | (71,340,468) | (131,472,772) |
| **Cash flows from financing activities** | | |
| Payments on County obligation | (5,130,000) | (4,880,000) |
| (Decrease) increase in notes payable | (1,150,000) | 3,300,000 |
| Payments of revenue bond issuance costs | (734,803) | - |
| Contributions restricted for endowment | 289,789 | 10,507,479 |
| Net cash (used in) provided by financing activities | (6,725,014) | 8,927,479 |
| Net (decrease) increase in cash and cash equivalents | (9,306,332) | 11,416,237 |
| **Cash and cash equivalents, beginning of year** | 27,352,080 | 15,935,843 |
| **Cash and cash equivalents, end of year** | $ 18,045,748 | $ 27,352,080 |

**Supplemental disclosure of cash flow information:**
During the year ended June 30, 2026, the Museum paid $18,371,113 in interest expense and related fees, of which $8,001,184 was capitalized to construction in progress.

**Supplemental disclosure of non-cash flow information:**
During the year ended June 30, 2026, the Museum issued $71,500,000 of Series 2026A revenue bonds, the proceeds of which were used directly to refund $71,500,000 of Series 2021B revenue bonds.

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 156,000 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. The Museum closely monitors accounts receivable and accrued revenues and estimates the allowance for credit losses when lifetime credit losses are expected by management. The estimation of the allowance is based on an analysis of historical loss experience and management's assessment of current conditions and reasonable and supportable expectation of future conditions. The Museum assesses collectability by pooling receivables where similar characteristics exist and evaluates receivables individually when specific customer balances do not share similar risk characteristics with the pools. The expense associated with the allowance for expected credit losses is recognized in general and administrative expenses on the statement of functional expenses. At June 30, 2026, the Museum evaluated the collectability of its accounts receivable and accrued revenue and determined that no allowance for credit losses 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.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

**(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.

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) 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 method over the term of the lease.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

**(f) PROPERTY AND EQUIPMENT** (continued)

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.

The Museum capitalizes interest cost incurred on funds used to construct property, plant, and equipment during the period covering the duration of the activities required to get the asset ready for its intended use and until the entire asset is substantially complete and ready for use. The capitalized interest is recorded as part of the asset to which it relates and is amortized over the asset's estimated useful life.

**(g) 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, 2026.

**(h) 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.

Deaccession proceeds totaled $90,048 during the year ended June 30, 2026. The Museum purchased collection items in the amount of $10,435,771 during the year ended June 30, 2026. The Museum received donated art objects valued for insurance purposes at an estimated amount of $245,874,000 during the year ended June 30, 2026.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

**(i) 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.

**(j) 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.

**(k) 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 $3,984,454 of event expenses for the year ended June 30, 2026.

Revenue from contracts with customers includes admissions and auxiliary activities revenue. Admissions, which are nonrefundable in nature, comprise an exchange element that is satisfied immediately upon the time of entrance. Contract performance obligations are satisfied and the revenue is recognized when the admission occurs. As all revenue is recognized immediately, there is no deferral of revenues. There are no significant associated contract receivables, assets, or contract liabilities for revenue from contracts with customers as of June 30, 2026 or 2025.

The total appropriation from the County of Los Angeles for the Museum for the year ended June 30, 2026 was $40,502,615. This included both $38,048,000 of cash received for the County operating contract and direct expenditures of $2,454,615 by the Department of Museum of Art, County of Los Angeles.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

**(l) CONTRIBUTED SERVICES**

In-kind contributions that consist of donated services are recognized at fair value if the services received (a) create or enhance long-lived assets, or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. 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 does not meet the above criteria.

**(m) 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, 2026, 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.

**(n) 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 - Other inputs that are directly or indirectly observable in the marketplace.

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

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

**(n) ESTIMATED FAIR VALUE OF FINANCIAL INSTRUMENTS** (continued)

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, 2026, the application of valuation techniques applied to similar assets and liabilities has been consistent with the techniques applied during the year ended June 30, 2025.

Financial instruments included in the Museum's statement of financial position include cash and cash equivalents, accounts receivable and accrued revenue, pledges receivable, investments, accounts payable and accrued liabilities, notes payable, County obligation, revenue bonds, 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 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, 2026 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)

**(o) OPERATING LEASES**

The Museum is a lessee in several operating leases. The Museum determines if an arrangement is a lease, or contains a lease, at inception of a contract and when the terms of an existing contract are changed. The Museum recognizes a lease liability and a right-of-use asset at the commencement date of the lease. The lease liability is initially and subsequently recognized based on the present value of its future lease payments. Variable payments are included in the future lease payments when those variable payments depend on an index or a rate. The discount rate is the implicit rate if it is readily determinable or otherwise the Museum uses its incremental borrowing rate.

The right-of-use asset is subsequently measured throughout the lease term at the amount of the re-measured lease liability (i.e., present value of the remaining lease payments), plus unamortized initial direct costs, plus (minus) any prepaid (accrued) lease payments, less the unamortized balance of lease incentives received, and any impairment recognized. Lease cost for lease payments is recognized on a straight-line basis over the lease term.

The Museum has elected, for all underlying classes of assets, to not recognize right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less at lease commencement, and do not include an option to purchase the underlying asset that the Museum is reasonably certain to exercise. The Museum recognizes lease cost associated with short-term leases on a straight-line basis over the lease term.

**(p) CONCENTRATION OF CREDIT RISK**

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

The Museum maintains its cash balances with several financial institutions, which 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 and cash equivalents.

With respect to pledges and other receivables, the Museum routinely assesses the financial strength of its donors and contracted parties and believes that the related credit risk exposure is limited. At June 30, 2026, 80% of pledges are due from members of the Board of Trustees or their affiliates.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

**(p) CONCENTRATION OF CREDIT RISK** (continued)

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 of the Board of Trustees.

**(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.

**(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, 2025, from which the summarized information was derived.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

**(t) SUBSEQUENT EVENTS**

The Museum has evaluated events and transactions occurring subsequent to the statement of financial position date of June 30, 2026 for items that should potentially be recognized or disclosed in these financial statements. The evaluation was conducted through October 27, 2026, the date these financial statements were available to be issued. No such material events or transactions were noted to have occurred, except as otherwise disclosed in the notes to these financial statements.

**NOTE 3 - PLEDGES RECEIVABLE**

At June 30, 2026, the Museum had the following pledges receivable:

| | |
|---|---|
| Pledges Receivable - Due within One Year | $ 44,005,252 |
| Due Between One and Five Years | 86,163,459 |
| Due after Five Years | 44,140,342 |
| Present Value Discount of 0% to 5% | (7,638,671) |
| Allowance for Doubtful Pledges Receivable | (9,500,000) |
| ***TOTAL PLEDGES RECEIVABLE, NET*** | $ 157,170,382 |

**NOTE 4 - INVESTMENTS AND FAIR VALUE MEASUREMENTS**

The Museum's investments consist of operating reserves and funds functioning as endowment, as well as funds that 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.

**NOTE 4 - INVESTMENTS AND FAIR VALUE MEASUREMENTS** (continued)

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.

At June 30, 2026, the Museum's investments 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 | $ 3,341,133 | $ - | $ - | $ - | $ 3,341,133 |
| Long-Only Equity | 132,441,966 | - | - | 36,894,346 | 169,336,312 |
| Fixed Income | 26,160,536 | 44,488,176 | - | - | 70,648,712 |
| Absolute Return | - | - | - | 119,271,871 | 119,271,871 |
| Other Partnerships and Other Funds | 5,627,970 | - | - | 220,507,429 | 226,135,399 |
| ***TOTAL INVESTMENTS*** | $ 167,571,605 | $ 44,488,176 | $ - | $ 376,673,646 | $ 588,733,427 |

The following table summarizes the redemption frequency and notice period for the Museum's investments using NAV as practical expedient at June 30, 2026:

| | Fair Value | Redemption Frequency | Redemption Notice Period |
|---|---|---|---|
| Long-Only Equity | $ 36,894,346 | Monthly | 10 - 30 Days |
| Absolute Return | 119,271,871 | Monthly to Quarterly | 15 - 90 Days |
| Other Partnerships and Other Funds | 220,507,429 | Triennial to Illiquid | 180 Days to Illiquid |
| ***TOTAL*** | $ 376,673,646 | | |

Total unfunded commitments at June 30, 2026 amounted to $85,760,000.

## NOTE 5 - PROPERTY AND EQUIPMENT

Property and equipment at June 30, 2026 consisted of the following:

| | |
|---|---|
| Land | $ 32,177,991 |
| Buildings and Improvements | 1,036,670,118 |
| Equipment and Other Property | 24,811,042 |
| Construction in Progress | 103,916,875 |
| Leasehold Improvements | 11,814,615 |
| ***TOTAL*** | 1,209,390,641 |
| Less: Accumulated Depreciation | (154,493,235) |
| ***PROPERTY AND EQUIPMENT, NET*** | $ 1,054,897,406 |

Depreciation expense amounted to $12,139,628 for the year ended June 30, 2026, 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. Construction was completed for most of the building, and it opened to the public in April 2026. There is remaining construction related to a restaurant, theater and landscaping that is scheduled to be completed during the year ending June 30, 2027.

## 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, 2026, the principal balance outstanding and the unamortized interest premium balance were $229,130,000 and $38,968,052, respectively. Interest cost was $9,431,650, inclusive of the amortized interest premium of $872,457. The total interest capitalized was $8,001,184 based on the proportionate average accumulated expenditures during the year ended June 30, 2026; with the remaining $1,430,466 expensed.

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

As of June 30, 2026, the County obligation's mandatory principal repayments are as follows:

| **Repayment Date June** | | |
|---|---|---|
| 2027 | $ | 5,395,000 |
| 2028 | | 5,670,000 |
| 2029 | | 5,960,000 |
| 2030 | | 6,270,000 |
| 2031 | | 6,590,000 |
| Thereafter | | 199,245,000 |
| ***TOTAL*** | $ | 229,130,000 |

**NOTE 7 - REVENUE BONDS AND INTEREST RATE SWAP**

**(a) REVENUE BONDS**

As of June 30, 2026, 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** | **Outstanding Balance** | **Mode** | **Spread** | **Index** | **Tender Date** |
|---|---|---|---|---|---|
| 2013B | $ 18,665,000 | DP[(a)] | 1.29% | 80% (1) | May 14, 2027 |
| 2013C | 16,235,000 | DP[(a)] | 1.29% | 80% (1) | May 14, 2027 |
| 2013D | 8,100,000 | DP[(a)] | 1.29% | 80% (1) | May 14, 2027 |
| 2021A | 228,500,000 | PB[(b)] | n/a | (2) | June 1, 2028 |
| 2026A | 71,500,000 | PB[(b)] | n/a | (3) | (c) |

(1) % of one-month SOFR
(2) Fixed rate at 1.20%
(3) Fixed rate at 3.25%

(a) Direct Purchase
(b) Public Bonds
(c) Maturity Date – June 1, 2033

Interest expense related to the revenue bonds was $8,937,463 for the year ended June 30, 2026.

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 0.70 more than one time during the term of the direct purchase agreements, it is an event of default. As of June 30, 2026, the UNA ratio was 1.03.

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

**(a) REVENUE BONDS** (continued)

As of June 30, 2026, 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 | 87,250,000 |
| 2034 | 16,035,000 |
| Thereafter | 200,465,000 |
| ***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 rate of 3.632% per annum, and will receive 59.5% of one-month SOFR interest rate 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, 2026, the fair value of the interest rate swap liability was $16,431,055. The aggregate unrealized gain reflecting the change in the swap value for the year ended June 30, 2026, was $5,414,166.

**(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, 2026, the aggregate capitalized costs on the bonds were $20,919,739 net of $13,125,805 of accumulated amortization, and are included under revenue bonds, net, on the statement of financial position. The Museum recognized $628,204 in amortization costs on the capitalized bond issuance costs for the year ended June 30, 2026, and such costs are included in depreciation and amortization in the statement of functional expenses.

## NOTE 8 - SUMMARY OF INTEREST INCURRED

Interest incurred consisted of the following during the year ended June 30, 2026:

| | |
|---|---|
| Interest Incurred on the Revenue Bonds and Charged to Operations | $ 8,937,463 |
| Interest Incurred on the County Obligation | 9,431,650 |
| Total Interest Cost Incurred | $ 18,369,113 |

## NOTE 9 - NET ASSETS

Net assets without and with donor restrictions at June 30, 2026, were available for the following purposes:

| | Without Donor Restrictions | With Donor Restrictions | Total |
|---|---|---|---|
| **Endowments and Funds Functioning as Endowments:** | | | |
| Operating Support | $ 99,388,969 | $ 712,337 | $ 100,101,306 |
| Restricted Operating Support | - | 82,508,854 | 82,508,854 |
| Art Acquisitions | 3,324,836 | 25,612,649 | 28,937,485 |
| ***TOTAL ENDOWMENTS AND FUNDS FUNCTIONING AS ENDOWMENTS*** | 102,713,805 | 108,833,840 | 211,547,645 |
| Other Funds | 788,283,330 | 176,950,551 | 965,233,881 |
| ***TOTAL*** | $ 890,997,135 | $ 285,784,391 | $ 1,176,781,526 |

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, 2026:

| | |
|---|---|
| Release of Program Restrictions | $ 24,274,878 |
| Release of Time Restrictions - Items Related to Campaign | 85,805,487 |
| Released from Time Restriction - Other | 2,946,375 |
| ***TOTAL NET ASSETS RELEASED FROM DONOR RESTRICTIONS*** | $ 113,026,740 |

**NOTE 10 - 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.

At June 30, 2026, 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 | $ 102,713,805 | $ - | $ 102,713,805 |
| Funds Functioning as Endowments | - | 65,822,254 | 65,822,254 |
| Donor-Restricted Endowments | - | 43,011,586 | 43,011,586 |
| ***TOTAL ENDOWMENT FUNDS*** | $ 102,713,805 | $ 108,833,840 | $ 211,547,645 |

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. There were no such deficiencies reported as of June 30, 2026.

For the year ended June 30, 2026, the Museum's endowment net assets changed as follows:

| | Without Donor Restrictions | With Donor Restrictions | Total |
|---|---|---|---|
| Balance - Beginning of Year | $ 93,593,940 | $ 101,768,761 | $ 195,362,701 |
| Investment Return, Net | 17,187,884 | 9,403,748 | 26,591,632 |
| Contributions | 409,601 | 289,789 | 699,390 |
| Transfers to Programs | (8,477,620) | (2,628,458) | (11,106,078) |
| ***BALANCE - END OF YEAR*** | $ 102,713,805 | $ 108,833,840 | $ 211,547,645 |

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.

**NOTE 10 - ENDOWMENT FUNDS** (continued)

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.

As delegated authority by the full Board, the Finance Committee of the Board of Trustees 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 of the Board of Trustees, 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 11 - 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. There were no contributions to the Plan during the year ended June 30, 2026.

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 11 - EMPLOYEE BENEFIT PLANS** (continued)

**(a) DEFINED BENEFIT PLAN** (continued)

Net periodic benefit costs for the year ended June 30, 2026:

| | | |
|---|---|---|
| Service Cost | $ | 1,841,427 |
| Interest Cost | | 2,264,997 |
| Expected Return on Plan Assets | | (3,621,663) |
| Amortization of Prior Service Cost | | 432,930 |
| Recognition of Net Gain | | (279,050) |
| ***NET PERIODIC BENEFIT COSTS*** | $ | 638,641 |

Obligation and funded status at June 30, 2026, with summarized totals at June 30, 2025:

| | 2026 | 2025 |
|---|---|---|
| **Change in Benefit Obligation:** | | |
| Benefit Obligation - Beginning of Year | $ 41,848,090 | $ 39,733,512 |
| Service Cost | 1,841,427 | 1,757,229 |
| Interest Cost | 2,264,997 | 2,015,967 |
| Actuarial (Gain) Loss | (504,740) | 298,418 |
| Lump Sum Benefits Paid | (1,519,451) | (1,121,848) |
| Periodic Benefits Paid | (1,039,254) | (835,188) |
| ***BENEFIT OBLIGATION - END OF YEAR*** | 42,891,069 | 41,848,090 |
| **Change in Plan Assets:** | | |
| Fair Value of Plan Assets - Beginning of Year | 57,825,156 | 54,316,558 |
| Actual Return on Plan Assets | 5,531,611 | 5,465,634 |
| Employer Contributions | - | - |
| Lump Sum Benefits Paid | (1,519,451) | (1,121,848) |
| Periodic Benefits Paid | (1,039,254) | (835,188) |
| ***FAIR VALUE OF PLAN ASSETS - END OF YEAR*** | 60,798,062 | 57,825,156 |
| ***FUNDED STATUS*** | $ 17,906,993 | $ 15,977,066 |

The funded status at June 30, 2026, 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, 2026:

| | |
|---|---|
| Discount rate | 5.79% |
| Rate of compensation increase | 3.00% |

**NOTE 11 - 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.

Differences between actual and expected returns on Plan assets are included in the determination of net pension expense. Amounts subsequently recognized as components of net periodic benefit cost are reclassified within changes in net assets without donor restrictions.

The Museum does not expect to make any contributions to the Plan for the year ending June 30, 2027.

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

| **Years Ending June 30** | | |
|---|---|---|
| 2027 | $ | 3,981,540 |
| 2028 | | 2,298,098 |
| 2029 | | 2,075,560 |
| 2030 | | 3,021,819 |
| 2031 | | 2,496,404 |
| 2032 to 2036 | | 16,436,815 |

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 11 - 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, 2026, 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 | $ 432,211 | $ - | $ - | $ - | $ 432,211 |
| Fixed Income | 9,532,742 | - | - | - | 9,532,742 |
| Long-Only Equity | 3,733,548 | - | - | 18,484,834 | 22,218,382 |
| Alternatives | - | - | - | 28,614,727 | 28,614,727 |
| ***TOTAL*** | $ 13,698,501 | $ - | $ - | $ 47,099,561 | $ 60,798,062 |

Total unfunded commitments at June 30, 2026, amounted to $8,405,000.

**(b) DEFINED CONTRIBUTION PLANS**

The Museum offers two defined contribution plans, a 403(b) plan and a 401(a) plan. Employees elect to make voluntary contributions (up to limits set by law) to the 403(b) plan through a payroll deduction. The Museum then matches 100% of the employee contributions, up to 4% of annual compensation in the 401(a) plan. Matching contributions during the year ended June 30, 2026 were $915,515.

**(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 12 - 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 1.37% and an overall approximate weighted average remaining lease term of 7.05 years.

Future minimum lease payments for operating leases with an initial or remaining lease term of twelve months or more at June 30, 2026, are as follows:

| **Years Ending June 30** | |
|---|---|
| 2027 | $ 9,946,603 |
| 2028 | 10,340,104 |
| 2029 | 6,939,664 |
| 2030 | 5,208,616 |
| 2031 | 5,367,306 |
| Thereafter | 19,271,796 |
| | 57,074,089 |
| **Less:** Imputed interest | (2,967,798) |
| **Total** | $ 54,106,291 |

Lease cost was as follows for the year ended June 30, 2026:

| | |
|---|---|
| Operating Lease Cost | $ 9,461,948 |
| Short-Term Lease Cost | 251,379 |
| ***TOTAL LEASE COST*** | $ 9,713,327 |

**NOTE 12 - 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, 2026, the Museum had $27,235,860 in deferred lease revenue associated with long-term agreements, which is classified as operating leases. The underlying assets associated with the lease, which are held within property and equipment, amount to $15,707,257, 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 this agreement.

Lease revenue associated with the long-term agreements is recognized over the term of the agreements with the unrecognized portion being reflected as deferred lease revenue in the statement of financial position. Lease revenue recorded in other revenue in the statement of activities was $1,765,799 for year ended June 30, 2026.

**NOTE 13 - 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, 2026.

## NOTE 14 - LIQUIDITY AND AVAILABILITY OF FINANCIAL RESOURCES

The Museum's financial assets available within one year of the statement of financial position at June 30, 2026, for general expenditures are as follows:

| | |
|---|---|
| Financial Assets at June 30, 2026: | |
| Cash and Cash Equivalents | $ 18,045,748 |
| Accounts Receivable | 74,795 |
| Accrued Revenue | 3,120,777 |
| Pledges Receivable, Net | 157,170,382 |
| Investments | 588,733,427 |
| ***TOTAL FINANCIAL ASSETS AVAILABLE WITHIN ONE YEAR*** | 767,145,129 |
| Less Amounts Unavailable for General Expenditures within One Year, Due to: | |
| Donor-Restricted Endowment Funds and Funds Functioning as Endowments | (108,833,840) |
| Funds and Pledges Receivable Restricted by Purpose or Time | (176,950,551) |
| Funds Set Aside for Capital Campaign Investments | (263,650,934) |
| Board-Designated Endowment Funds | (102,713,805) |
| ***FINANCIAL ASSETS AVAILABLE TO MEET GENERAL EXPENDITURES WITHIN ONE YEAR*** | $ 114,995,999 |

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.