MUSEUM ASSOCIATES

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2019

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YEAR ENDED JUNE 30, 2019

CONTENTS

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Museum Associates

Report on the Financial Statements
We have audited the accompanying financial statements of Museum Associates (the Museum), which comprise the statement of financial position as of June 30, 2019, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Museum as of June 30, 2019, 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.

To the Board of Trustees
Museum Associates

Report on Summarized Comparative Information
We have previously audited the Museum's 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 1, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Green Hasson & Janks LLP

October 4, 2019
Los Angeles, California

MUSEUM ASSOCIATES

STATEMENT OF FINANCIAL POSITION
June 30, 2019
With Summarized Totals at June 30, 2018

ASSETS	2019	2018
Cash and cash equivalents	$ 127,363,435	$ 10,870,334
Accounts receivable	9,683,587	3,703,518
Accrued revenue	2,121,344	2,820,758
Pledges receivable, net	161,906,225	108,195,369
Investments	380,454,635	372,666,780
Receivables under trust agreements, net	308,204	237,354
Other assets	621,737	573,722
Property and equipment, net	270,763,475	266,447,205
Collections	-	-
Total assets	$ 953,222,642	$ 765,515,040
LIABILITIES AND NET ASSETS		
Accounts payable and accrued liabilities	$ 15,556,269	$ 8,622,137
Deferred lease revenue	34,436,193	35,833,732
Lease incentive allowance	6,878,764	-
Deferred other revenue	458,071	1,058,548
Notes payable	308,578	345,000
Split-interest agreement liabilities	1,608,091	1,821,798
Revenue bonds	343,000,000	343,000,000
Unamortized bond issuance costs	(11,352,820)	(11,963,734)
Revenue bonds, net of unamortized bond issuance costs	331,647,180	331,036,266
County funding agreement obligation	-	7,500,000
Interest rate swap	73,350,141	55,218,405
Underfunded pension liabilities	9,625,064	1,546,998
Total liabilities	473,868,351	442,982,884
Net assets		
Without donor restrictions		
Board-designated endowment funds	70,723,558	71,753,734
Other	57,898,410	55,676,147
With donor restrictions		
Donor-designated endowments	25,367,857	25,494,595
Funds functioning as endowments	40,712,496	41,499,553
Other	284,651,970	128,108,127
Total net assets	479,354,291	322,532,156
Total liabilities and net assets	$ 953,222,642	$ 765,515,040

The accompanying notes are an integral part of these financial statements

MUSEUM ASSOCIATES

STATEMENT OF ACTIVITIES
Year Ended June 30, 2019
With Summarized Totals for the Year Ended June 30, 2018

	2019			2018
	Without Donor Restrictions	With Donor Restrictions	Total	Total
Revenues and support				
Revenues				
Membership dues	$ 6,538,004	$ 295,561	$ 6,833,565	$ 6,573,936
Admissions	5,550,699	-	5,550,699	5,736,791
Investment return, net	14,158,924	3,037,036	17,195,960	29,174,894
Unrealized (loss) gain on interest rate swap	(18,131,736)	-	(18,131,736)	16,020,043
County operating contract	26,749,000	-	26,749,000	24,959,000
Auxiliary activities	1,648,138	11,371	1,659,509	2,063,200
Other	6,479,634	653,442	7,133,076	10,967,416
Total revenues	42,992,663	3,997,410	46,990,073	95,495,280
Support				
Gifts	9,024,002	92,360,665	101,384,667	88,408,703
Government grants	542,549	125,253,597	125,796,146	465,909
Fundraising events, net	1,910,793	2,039,418	3,950,211	5,064,566
Total support	11,477,344	219,653,680	231,131,024	93,939,178
Net assets released from restrictions				
Satisfaction of program restrictions	17,151,909	(17,151,909)	-	-
Expiration of time restrictions and other transfers	51,698,796	(51,698,796)	-	-
Total net assets released from restrictions	68,850,705	(68,850,705)	-	-
Total revenues and support	123,320,712	154,800,385	278,121,097	189,434,458
Expenses				
Program activities	95,804,375	-	95,804,375	89,071,796
Supporting activities	18,333,768	-	18,333,768	21,450,447
Total expenses	114,138,143	-	114,138,143	110,522,243
Change in net assets before change related to collection items	9,182,569	154,800,385	163,982,954	78,912,215
Collection items purchased	(7,990,482)	-	(7,990,482)	(7,331,178)
Collection items sold	-	829,663	829,663	110,309
Change in net assets after change related to collection items	1,192,087	155,630,048	156,822,135	71,691,346
Net assets, beginning of year - as restated	127,429,881	195,102,275	322,532,156	250,840,810
Net assets, end of year	$ 128,621,968	$ 350,732,323	$ 479,354,291	$ 322,532,156

The accompanying notes are an integral part of these financial statements

MUSEUM ASSOCIATES

STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2019
With Summarized Totals for the Year Ended June 30, 2018

	2019										
	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	2018 Total
Program activities											
Exhibitions and collections management	$ 10,000,062	$ 1,133,065	$ 377,069	$ 1,481,448	$ 4,915,971	$ 1,204,408	$ 86,589	$ -	$ -	$ 19,198,612	$ 17,350,920
Curatorial	7,705,600	1,030,654	3,391	36,907	330,966	138,566	2,082,300	-	-	11,328,384	8,845,289
Education and public programs	5,076,410	682,221	94,997	24,483	155,482	560,534	302,663	-	-	6,896,790	7,040,601
Marketing and communications	3,649,323	310,604	177,395	9,363	227,820	795,943	327,066	-	-	5,497,514	4,921,085
Operation and public services	4,083,642	9,631,970	441,658	3,095,312	69,511	409,370	435,402	-	-	18,166,865	17,491,579
Properties and deferred Maintenance	2,397,239	7,492,409	128,336	13,530	446,463	214,037	125,344	8,395,560	13,574,424	32,787,342	31,324,929
Auxiliary activities	819,290	104,221	1,448	1,838	89,474	15,381	897,216	-	-	1,928,868	2,097,393
Total program activities	33,731,566	20,385,144	1,224,294	4,662,881	6,235,687	3,338,239	4,256,580	8,395,560	13,574,424	95,804,375	89,071,796
Supporting activities											
General and administrative	8,299,548	625,645	957,546	111,188	515,799	58,064	1,375,408	-	-	11,943,198	16,108,892
Development	5,120,666	371,110	30,099	18,706	90,954	343,034	416,001	-	-	6,390,570	5,341,555
Total supporting activities	13,420,214	996,755	987,645	129,894	606,753	401,098	1,791,409	-	-	18,333,768	21,450,447
Total expenses	$ 47,151,780	$ 21,381,899	$ 2,211,939	$ 4,792,775	$ 6,842,440	$ 3,739,337	$ 6,047,989	$ 8,395,560	$ 13,574,424	$ 114,138,143	$ 110,522,243

The accompanying notes are an integral part of these financial statements

MUSEUM ASSOCIATES

STATEMENT OF CASH FLOWS
Year Ended June 30, 2019
With Summarized Totals for the Year Ended June 30, 2018

	2019	2018
Cash flows from operating activities		
Change in net assets	$ 156,822,135	$ 71,691,346
Adjustments to reconcile change in net assets to cash provided by operating activities		
Net realized and unrealized gains on investments	(17,195,960)	(28,066,570)
Unrealized (gain) loss on interest rate swap	18,131,736	(16,020,043)
Pledge provision increase	1,044,276	6,922,520
Depreciation expense	7,784,646	7,836,662
Revenue bond cost of issuance amortization	610,914	610,914
Collection items purchased	7,990,482	7,331,178
Collection items sold	(829,663)	(110,309)
Contributions restricted for endowment	(299,262)	(3,257,836)
Change in operating assets and liabilities		
Accounts receivable	(5,980,069)	(610,846)
Accrued revenue	699,414	555,051
Pledges receivable, net	(54,755,132)	(32,719,284)
Receivables under trust agreements, net	(70,850)	(6,811)
Other assets	(48,015)	(48,763)
Accounts payable and accrued liabilities	6,934,132	(401,098)
Deferred lease revenue	(1,397,539)	(1,397,539)
Lease incentive allowance	6,878,764	-
Deferred other revenue	(600,477)	458,618
Underfunded pension liabilities	8,078,066	(3,744,761)
Net cash provided by operating activities	133,797,598	9,022,429
Cash flows from investing activities		
Net sales of investments	9,408,105	3,718,746
Net purchases of property and equipment	(12,100,916)	(308,120)
Collection items purchased	(7,990,482)	(7,331,178)
Collection items sold	829,663	110,309
Net cash used in investing activities	(9,853,630)	(3,810,243)
Cash flows from financing activities		
Decrease in County funding obligation	(7,500,000)	-
Decrease in notes payable	(36,422)	(56,075)
(Decrease) increase in split-interest agreement liabilities	(213,707)	222,599
Contributions restricted for endowment	299,262	3,257,836
Net cash (used in) provided by financing activities	(7,450,867)	3,424,360
Net increase in cash and cash equivalents	116,493,101	8,636,546
Cash and cash equivalents, beginning of year	10,870,334	2,233,788
Cash and cash equivalents, end of year	$ 127,363,435	$ 10,870,334

Supplemental disclosure of noncash investing activities

During the year ended June 30, 2019, the Museum paid $13,580,989 in interest expenses 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 142,000 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, 2019, 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 are not included as revenue until such time as the conditions are substantially 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.

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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) INVESTMENTS (continued)

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 $308,204 at June 30, 2019.

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 $1,608,091 at June 30, 2019. The Museum has established a segregated reserve fund of $2,377,557 at June 30, 2019, which exceeds the present value of the liabilities.

(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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(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, 2019.

(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 unrestricted net assets 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 $829,663 during the year ended June 30, 2019. The Museum purchased collection items in the amount of $7,990,482 during the year ended June 30, 2019. The Museum received donated art objects valued for insurance purposes at an estimated amount of $14,403,554 during the year ended June 30, 2019.

(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) LEASE INCENTIVE ALLOWANCE

Based on the stipulations of a facility lease agreement, the Museum is entitled to receive certain tenant improvement allowances. The Museum reports the amount of such tenant improvement allowances as a lease incentive allowance on the statement of financial position. The lease incentive allowance is amortized to lease expense over the expected term of the lease.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(l) 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.

(m) REVENUES AND SUPPORT

Annual membership dues and admissions are recognized as revenue when such income is received. Grant revenues determined to be contributions are recognized when their conditions are met either by expenditures being incurred or benchmarks being met.

Revenues from fundraising events are net of expenses of $3,370,427 for the year ended June 30, 2019.

(n) 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.

(o) 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, 2019 the Museum performed an evaluation of uncertain tax positions and did not note 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. The Museum is no longer subject to U.S. federal tax examinations by tax authorities for the years ended before June 30, 2016 and state examinations for the years ended before June 30, 2015.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(p) 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, 2019, the application of valuation techniques applied to similar assets and liabilities has been consistent with the techniques applied during the year ended June 30, 2018.

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, 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 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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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, 2019 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.

(q) 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, 2019, 76% of pledges are due from members of the Board of Trustees or their affiliates.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(q) 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.

(r) 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.

(s) 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.

(t) 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, 2018 from which the summarized information was derived.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(u) NEW ACCOUNTING PRONOUNCEMENTS

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers*, which improves and converges the revenue recognition requirements of U.S. GAAP and International Financial Reporting Standards. The ASU replaces the existing accounting standards for revenue recognition with a single comprehensive five-step model, which is intended to provide principles within a single framework for revenue recognition of transactions involving contracts with customers across all industries. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The guidance also requires more detailed disclosures to enable users of financial statements to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The guidance has subsequently been amended through a series of ASUs between August 2015 and September 2017 to improve the operability and understandability of the implementation guidance on scope exceptions and various other narrow aspects, as identified and addressed in such updates. The Museum implemented this ASU and subsequent amendments during the year ended June 30, 2019.

In August 2016, FASB issued ASU No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities (Topic 958)*, which is intended to reduce complexity in financial reporting. The ASU focuses on improving the current net asset classification requirements and information presented in financial statements that is useful in assessing a nonprofit's liquidity, financial performance, and cash flows. The Museum implemented this ASU during the year ended June 30, 2019.

The following table includes the impact of the ASU 2016-14 on the net assets at June 30, 2018 due to the reclassification of underwater endowment funds, as required by the standard:

	Without Donor Restrictions	With Donor Restrictions	Total
Net Assets at June 30, 2018			
As Previously Reported:			
Unrestricted	$ 126,525,662	$ -	$ 126,525,662
Temporarily Restricted	-	170,511,899	170,511,899
Permanently Restricted	-	25,494,595	25,494,595
TOTAL	126,525,662	196,006,494	322,532,156
Reclassification of Underwater Endowment Funds	904,219	(904,219)	-
NET ASSETS AT JUNE 30, 2018 - AS RESTATED	$ 127,429,881	$ 195,102,275	$ 322,532,156

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(u) NEW ACCOUNTING PRONOUNCEMENTS (continued)

In June 2018, FASB issued ASU No. 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, which is intended to clarify the accounting guidance for contributions received and contributions made. The amendments in this ASU should assist entities in evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of Topic 958, *Not-for-Profit Entities*, or as exchange (reciprocal) transactions subject to other guidance. The Museum implemented this ASU during the year ended June 30, 2019.

In February 2016, FASB issued ASU No. 2016-02, *Leases*, which is intended to improve financial reporting about leasing transactions. The new standard will require organizations that lease assets with terms of more than 12 months to recognize on the statement of financial position the assets and liabilities for the rights and obligations created by those leases. The ASU also will require disclosures to help financial statement users better understand the amount, timing, and uncertainty of cash flows arising from leases. These disclosures include qualitative and quantitative requirements and provide additional information about the amounts recorded in the financial statements. For the Museum, the ASU will be effective for the year ending June 30, 2020.

(v) RECLASSIFICATION

For comparability, certain June 30, 2018 amounts have been reclassified, where appropriate, to conform to the financial statement presentation used at June 30, 2019.

(w) SUBSEQUENT EVENTS

The Museum has evaluated events and transactions occurring subsequent to the statement of financial position date of June 30, 2019 for items that should potentially be recognized or disclosed in these financial statements. The evaluation was conducted through October 4, 2019, the date these financial statements were available to be issued. No such material events or transactions were noted to have occurred.

NOTE 3 - ACCOUNTS RECEIVABLE

At June 30, 2019, the Museum had $9,683,587 in accounts receivable.

In November 2014, the Museum granted a ninety-six-month easement agreement, with an option to extend an additional twelve months, to the County of Los Angeles Metropolitan Transportation Authority of land the Museum owns for the staging of construction of a subway extension. Accounts receivable on the statement of financial position includes $2,400,283 related to this agreement, of which $791,285 is due within a year. At June 30, 2019, deferred lease revenue related to this agreement was $2,582,438.

NOTE 3 - ACCOUNTS RECEIVABLE (continued)

In March 2019, the Museum entered into an extended and expanded office space lease in an office building directly across the street from it which the landlord agreed to certain tenant improvement allowances as incentive. Accounts receivable on the statement of financial position include $6,878,764 related to these allowances. At June 30, 2019, a related liability of $6,878,764 was reflected as lease incentive allowance on the statement of financial position to be amortized over the term of the amended and restated office lease commencing October 2019.

NOTE 4 - PLEDGES RECEIVABLE

At June 30, 2019, the Museum had the following pledges receivable:

Pledges Receivable - Due within One Year	$ 55,241,883
Due Between One and Five Years	62,650,383
Due after Five Years	62,014,882
Present Value Discount of Approximately 0 to 5%	(11,000,923)
Allowance for Doubtful Pledges	(7,000,000)
TOTAL PLEDGES RECEIVABLE, NET	$ 161,906,225

NOTE 5 - 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 as a single diversified portfolio governed by the Museum's investment policy, which sets asset allocation ranges to achieve portfolio diversification and also a minimum percentage of liquid assets. 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 of fund 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 5 - INVESTMENTS AND FAIR VALUE MEASUREMENTS (continued)

At June 30, 2019, 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	$ 15,091,538	$ -	$ -	$ -	$ 15,091,538
Long-Only Equity	95,311,812	-	-	22,393,895	117,705,707
Fixed Income	31,434,806	-	-	-	31,434,806
Absolute Return	-	-	-	111,381,396	111,381,396
Other Partnerships and Other Funds	2,419,730	-	-	102,421,458	104,841,188
TOTAL INVESTMENTS	144,257,886	-	-	236,196,749	380,454,635
LIABILITIES:					
Split-Interest Agreement Liabilities	-	(1,608,091)	-	-	(1,608,091)
NET	$ 144,257,886	$ (1,608,091)	$ -	$ 236,196,749	$ 378,846,544

The Museum recognizes transfers at the beginning of each reporting period. Transfers between Level 1 and 2 investments generally relate to whether a market becomes active or inactive. Transfers between Level 2 and 3 investments relate to whether significant relevant observable inputs are available for the fair value measurement in their entirety and when redemption rules become more or less restrictive. There were no transfers between levels during the year ended June 30, 2019.

The following table summarizes the redemption frequency and notice period for the Museum's investments using NAV as practical expedient at June 30, 2019:

	Fair Value	Redemption Frequency	Redemption Notice Period
Long-Only Equity	$ 22,393,895	Monthly	30 - 60 Days
Absolute Return	111,381,396	Monthly to Illiquid	30 - 90 Days Unless Illiquid
Other Partnerships and Other Funds	102,421,458	Daily to Illiquid	Daily to Illiquid
TOTAL	$ 236,196,749		

Total unfunded commitments at June 30, 2019 amounted to $46,638,713.

NOTE 6 - PROPERTY AND EQUIPMENT

Property and equipment at June 30, 2019 consisted of the following:

Land	$ 35,747,913
Buildings and Improvements	303,277,925
Equipment and Other Property	11,698,185
Construction in Progress	8,682,924
Leasehold Improvements	2,917,530
TOTAL	362,324,477
Less: Accumulated Depreciation	(91,561,002)
PROPERTY AND EQUIPMENT, NET	$ 270,763,475

Depreciation expense amounted to $7,784,646 for the year ended June 30, 2019, and is included in depreciation and amortization on the statement of functional expenses.

NOTE 7 - REVENUE BONDS AND INTEREST RATE SWAP

(a) REVENUE BONDS

As of June 30, 2019, the Museum had revenue bonds outstanding totaling $343,000,000. The bonds consist of five series, including direct purchase bonds and floating rate notes in the following amounts and with terms as indicated:

Series	Par	Mode	Spread	Index (1)	Tender Date
2013B	$ 74,425,000	DP	1.15%	67%	Aug 1, 2020
2013C	64,725,000	DP	1.15%	67%	Aug 1, 2020
2013D	32,350,000	DP	1.15%	67%	Aug 1, 2020
2017A	78,000,000	FRN	0.65%	70%	Feb 21, 2021
2017B	$ 93,500,000	FRN	0.65%	70%	Feb 21, 2021

(1) % of one-month LIBOR

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, 2019, the UNA ratio was 1.27.

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

(a) REVENUE BONDS (continued)

As of June 30, 2019, the bonds' mandatory redemption requirements are as follows:

Redemption Date December 1,	
2030	$ 11,860,000
2031	17,195,000
2032	17,390,000
2033	36,750,000
2034	37,065,000
Thereafter	222,740,000
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 LIBOR (2.4% at June 30, 2019) 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, 2019, the fair value of the interest rate swap liability was $73,350,141. The aggregate unrealized loss reflecting the change in the swap value for the year ended June 30, 2019 was $18,131,736.

(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, 2019, the aggregate capitalized costs on the bonds were $20,202,226, net of $8,849,406 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, 2019 and such costs are included in depreciation and amortization on the statement of functional expenses.

NOTE 8 - COUNTY FUNDING AGREEMENT OBLIGATION

On April 14, 2015, the Museum entered into an agreement with the County to reimburse the Museum for feasibility and planning costs associated with the replacement of the Museum's East Campus buildings (the Project) up to $7,500,000. As of June 30, 2018, the County had reimbursed the Museum $7,500,000. Under the terms of the agreement amounts reimbursed were subject to repayment to the County in the event the Project's Environmental Impact Report (EIR) was not approved by the County on or before January 1, 2020. The EIR was approved by the County in April 2019 at which time the amount was recognized as government grants support on the statement of activities and as part of the County's $125,000,000 contribution to the Museum for the Project.

NOTE 9 - DEFERRED LEASE REVENUE

At June 30, 2019, the Museum had $34,436,193 in deferred lease revenue associated with three long-term agreements. The agreements 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 (see Note 3). 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 on the statement of financial position.

NOTE 10 - NOTES PAYABLE

Notes payable at June 30, 2019 is related to three installment payment obligations for purchases of artwork. The obligations are unsecured and interest free. All obligations reflected in notes payable on the statement of financial position are due within a year.

NOTE 11 - NET ASSETS

Net assets without and with donor restrictions at June 30, 2019 were available for the following purposes:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowments and Funds Functioning as Endowments:			
Operating Support	$ 68,465,335	$ 712,336	$ 69,177,671
Restricted Operating Support	-	55,072,585	55,072,585
Art Acquisitions	2,258,223	10,295,432	12,553,655
TOTAL ENDOWMENTS AND FUNDS FUNCTIONING AS ENDOWMENTS	70,723,558	66,080,353	136,803,911
Other Funds:			
Programs	222,693,809	286,266,060	508,959,869
Art Acquisitions	78,645	(1,614,090)	(1,535,445)
Property and Equipment	(164,874,044)	-	(164,874,044)
TOTAL OTHER FUNDS	57,898,410	284,651,970	342,550,380
TOTAL	$ 128,621,968	$ 350,732,323	$ 479,354,291

NOTE 11 - NET ASSETS (continued)

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by the donors as follows for the year ended June 30, 2019:

Release of Program Restrictions	$ 17,151,909
Release of Time Restrictions	25,205,089
Change in Donor Restrictions	20,000,000
Other Transfers	(256,045)
Appropriation in Accordance with Endowment Spending Policy	6,749,752
TOTAL NET ASSETS RELEASED FROM DONOR RESTRICTIONS	$ 68,850,705

NOTE 12 - 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, 2019, 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	$ 70,723,558	$ -	$ 70,723,558
Funds Functioning as Endowments	-	40,712,496	40,712,496
Donor-Designated Endowments	-	25,367,857	25,367,857
TOTAL ENDOWMENT FUNDS	$ 70,723,558	$ 66,080,353	$ 136,803,911

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. Deficiencies of this nature that are reported in net assets with donor restrictions were $964,046 as of June 30, 2019. These deficiencies resulted 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.

NOTE 12 - ENDOWMENT FUNDS (continued)

For the year ended June 30, 2019, the Museum's endowment net assets changed as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Balance - Beginning of Year	$ 71,753,734	$ 66,994,148	$ 138,747,882
Investment Return, net	2,551,015	1,764,701	4,315,716
Contributions	190,803	299,262	490,065
Other Transfers	(162,310)	162,310	-
Transfers to Programs	(3,609,684)	(3,140,068)	(6,749,752)
BALANCE - END OF YEAR	$ 70,723,558	$ 66,080,353	$ 136,803,911

Investment income 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.

As delegated authority by the full Board, the Finance Committee of the Board has adopted an investment policy that governs the management and oversight of the endowment funds and other investments (endowment and reserves). The policy sets forth the objectives for the endowment and reserves portfolio 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 portfolio. The policy is 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 portfolio. Other objectives are to maintain or enhance the real purchasing power of the endowment and reserves 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.

NOTE 13 - 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 $2,350,000 during the year ended June 30, 2019.

The following sets forth the components of net periodic pension 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.

Net periodic pension cost for the year ended June 30, 2019:

Service Cost	$ 2,041,942
Interest Cost	1,365,825
Expected Return on Plan Assets	(1,953,936)
Amortization of Prior Service Cost	303,900
Amortization of Actuarial Losses	160,098
NET PERIODIC PENSION COST	$ 1,917,829

Obligation and funded status at June 30, 2019, with summarized totals at June 30, 2018:

	2019	2018
Change in Benefit Obligation:		
Benefit Obligation - Beginning of Year	$ 31,125,026	$ 31,870,300
Service Cost	2,041,942	2,190,964
Interest Cost	1,365,825	1,223,049
Actuarial Loss (Gain)	4,289,272	(2,338,382)
Plan Amendments	2,370,880	-
Benefits Paid	(898,993)	(1,820,905)
BENEFIT OBLIGATION - END OF YEAR	40,293,952	31,125,026
Change in Plan Assets:		
Fair Value of Plan Assets - Beginning of Year	29,578,028	26,578,541
Actual Return on Plan Assets	(360,147)	2,670,392
Employer Contributions	2,350,000	2,150,000
Benefit Payments	(898,993)	(1,820,905)
FAIR VALUE OF PLAN ASSETS - END OF YEAR	30,668,888	29,578,028
FUNDED STATUS	$ (9,625,064)	$ (1,546,998)

The funded status at June 30, 2019 is reflected under underfunded pension liabilities on the statement of financial position.

NOTE 13 - EMPLOYEE BENEFIT PLANS (continued)

(a) DEFINED BENEFIT PLAN (continued)

Weighted-average assumptions used to determine benefit obligations were as follows at June 30, 2019:

Discount rate	3.76%
Expected return on plan assets	6.75%
Rate of compensation increase	3.00%

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 loss (gain) 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 contribute $2,300,000 to the Plan for the year ending June 30, 2020.

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

Years Ending June 30	
2020	$ 6,340,313
2021	2,441,665
2022	1,404,429
2023	1,903,659
2024	2,123,566
2025 to 2029	15,745,421
	$ 29,959,053

NOTE 13 - EMPLOYEE BENEFIT PLANS (continued)

(a) DEFINED BENEFIT PLAN (continued)

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 6.75%) for the plan. 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.

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, 2019, 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	$ 1,558,078	$ -	$ -	$ -	$ 1,558,078
Fixed Income	4,300,000	-	-	-	4,300,000
Long-Only Equity	9,276,900	-	-	903,266	10,180,166
Alternatives	-	-	-	14,630,644	14,630,644
TOTAL	$ 15,134,978	$ -	$ -	$ 15,533,910	$ 30,668,888

Total unfunded commitments at June 30, 2019 amounted to $2,557,441.

NOTE 13 - EMPLOYEE BENEFIT PLANS (continued)

(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, 2019 were $738,161.

(c) DEFERRED COMPENSATION PLAN

The Museum offers a deferred compensation plan for its highly compensated employees. Employees compensated in excess of $90,000 annually 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.

(d) EXECUTIVE DEFERRED COMPENSATION PLAN

The Museum and the Director and Chief Executive Officer have entered into an employment agreement through June 30, 2023 that extends automatically for an additional three-year term through June 30, 2026. Under the terms of the agreement, deferred compensation in the amount of $2,000,000 is payable at June 30, 2026 subject to certain conditions being met. Deferred compensation under the agreement is accrued annually in the amount of $200,000 over the ten-year term. At June 30, 2019, deferred compensation related to the agreement was $600,000.

NOTE 14 - COMMITMENTS AND CONTINGENCIES

(a) OPERATING LEASES

The Museum leases office space and art storage facilities under operating leases expiring through September 2034.

Lease commitments are as follows:

Years Ending June 30		
2020	$	3,028,210
2021		4,140,813
2022		4,548,859
2023		4,076,116
2024		3,538,900
Thereafter		53,732,682
Total	$	73,065,580

Operating lease rental expense for the year ended June 30, 2019 was $1,645,614.

NOTE 14 - COMMITMENTS AND CONTINGENCIES (continued)

(b) 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, 2019.

NOTE 15 - LIQUIDITY AND AVAILABILITY OF FINANCIAL RESOURCES

The Museum's financial assets available within one year of the statement of financial position at June 30, 2019 for general expenditures are as follows:

Financial Assets at June 30, 2019	
Cash and Cash Equivalents	$ 127,363,435
Accounts Receivable	9,683,587
Accrued Revenue	2,121,344
Pledges Receivable	161,906,225
Investments	380,454,635
Less Financial Assets Unavailable for General Expenditures within One Year:	
Accounts Receivable Not Due within One Year	(1,608,998)
Pledges Receivable Not Due within One Year	(106,664,342)
Illiquid Investments	(92,298,945)
TOTAL FINANCIAL ASSETS AVAILABLE WITHIN ONE YEAR	480,956,941
Less Amounts Unavailable for General Expenditures within One Year, Due to:	
Split-Interest Agreement Liability Funds	(1,608,091)
Capital Campaign Proceeds Funds	(218,147,581)
Donor Purpose-Restricted Funds	(197,084,940)
Donor-Restricted Endowment Funds	(25,367,857)
FINANCIAL ASSETS AVAILABLE TO MEET GENERAL EXPENDITURES WITHIN ONE YEAR	$ 38,748,472

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.