

Hood & Strong

Advisory, Tax
and Assurance

San Jose Museum of Art Association

June 30, 2025

Financial Statements

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San Jose Museum of Art Association

Table of Contents

Independent Auditors' Report	1 - 3
Financial Statements	
Statement of Financial Position	4
Statement of Activities and Changes in Net Assets	5
Statement of Functional Expenses	6
Statement of Cash Flows	7
Notes to the Financial Statements	8 - 20

Independent Auditors' Report

THE BOARD OF TRUSTEES
SAN JOSE MUSEUM OF ART ASSOCIATION
San José, California

Opinion

We have audited the financial statements of **SAN JOSE MUSEUM OF ART ASSOCIATION (the Museum)**, which comprise the statement of financial position as of June 30, 2025, and the related statements of activities and changes in net assets, 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, 2025, 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 Auditors' 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 other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Museum's ability to continue as a going concern for one year from the date of this report.

Auditors' 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 auditors' 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, 2024 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 30, 2024. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2024, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Hood & Strong LLP

San Jose, California
September 29, 2025

San Jose Museum of Art Association

Statement of Financial Position

June 30, 2025 (with comparative totals for 2024)

	2025			2024
	Without Donor Restrictions	With Donor Restrictions	Total	Total
Assets				
Cash and cash equivalents	\$ 2,043,183	\$ 698,243	\$ 2,741,426	\$ 2,624,281
Accounts receivable	12,976	30,396	43,372	99,742
Contributions receivable, net	48,188	1,294,735	1,342,923	1,718,653
Museum store inventory	95,138		95,138	81,408
Deferred exhibition costs and prepaids	264,028		264,028	164,420
Investments	106,778	12,899,596	13,006,374	12,160,404
Total assets	\$ 2,570,291	\$ 14,922,970	\$ 17,493,261	\$ 16,848,908
Liabilities and Net Assets				
Liabilities:				
Accounts payable	\$ 45,336		\$ 45,336	\$ 109,961
Accrued liabilities	302,580		302,580	528,212
Unearned revenue	113,538	\$ 3,000	116,538	87,301
Total liabilities	461,454	3,000	464,454	725,474
Net Assets:				
Without donor restrictions	2,108,837		2,108,837	2,121,225
With donor restrictions:				
Restricted for specific purposes		1,069,306	1,069,306	1,212,809
Restricted for passage of time		951,068	951,068	628,996
Subject to appropriation and spending policy		4,019,106	4,019,106	3,329,913
Held in perpetuity		8,880,490	8,880,490	8,830,491
Total net assets	2,108,837	14,919,970	17,028,807	16,123,434
Total liabilities and net assets	\$ 2,570,291	\$ 14,922,970	\$ 17,493,261	\$ 16,848,908

See accompanying notes to the financial statements.

San Jose Museum of Art Association

Statement of Activities and Change in Net Assets

Year Ended June 30, 2025 (with comparative totals for 2024)

	2025			2024
	Without Donor Restrictions	With Donor Restrictions	Total	Total
Support and Revenue:				
Contributions and grants	\$ 1,965,987	\$ 1,625,048	\$ 3,591,035	\$ 4,137,358
Public programs and admissions	272,765		272,765	496,053
Special events, net of cost of direct benefit to attendees of \$169,339	820,993		820,993	401,488
Museum store, net	50,352		50,352	73,897
Membership dues	115,110		115,110	168,166
Event rental income	95,600		95,600	51,185
Other income	16,176		16,176	15,772
Art class contracts and tuition	69,790		69,790	30,507
Net assets released from restrictions	2,004,363	(2,004,363)	-	-
	5,411,136	(379,315)	5,031,821	5,374,426
In-kind support	1,419,982		1,419,982	1,541,929
Total support and revenue	6,831,118	(379,315)	6,451,803	6,916,355
Operating Expenses:				
Program services:				
Exhibitions	3,491,138		3,491,138	3,846,607
Education	1,641,497		1,641,497	1,589,117
Museum store	284,650		284,650	283,189
Total program services	5,417,285	-	5,417,285	5,718,913
Support services:				
Management and general	910,689		910,689	840,522
Fundraising	620,897		620,897	776,242
Total support services	1,531,586	-	1,531,586	1,616,764
Total operating expenses	6,948,871	-	6,948,871	7,335,677
Change in Net Assets from Operations	(117,753)	(379,315)	(497,068)	(419,322)
Non-Operating Activities:				
Endowment investment income, net	12,777	1,347,469	1,360,246	1,157,883
Contributions for art collection items		40,230	40,230	393,290
General investment income, net	92,588		92,588	110,711
Net assets released from restriction - art acquisition	90,623	(90,623)	-	-
Purchased art collection items	(90,623)		(90,623)	(654,419)
Miscellaneous expense			-	(49,470)
Total non-operating activities	105,365	1,297,076	1,402,441	957,995
Total Change in Net Assets	(12,388)	917,761	905,373	538,673
Net Assets - beginning of year	2,121,225	14,002,209	16,123,434	15,584,761
Net Assets - end of year	\$ 2,108,837	\$ 14,919,970	\$ 17,028,807	\$ 16,123,434

See accompanying notes to the financial statements.

San Jose Museum of Art Association

Statement of Functional Expenses

Year Ended June 30, 2025 (with comparative totals for 2024)

	Program Services				Support Services			2025 Total	2024 Total
	Exhibitions	Education	Museum Store	Total Program Services	Management and General	Fundraising	Total Support Services		
Operating Expenses:									
Salaries and benefits:									
Salaries and wages	\$ 1,230,994	\$ 969,121	\$ 114,520	\$ 2,314,635	\$ 379,334	\$ 334,873	\$ 714,207	\$ 3,028,842	\$ 3,152,991
Payroll taxes and benefits	262,393	170,275	17,680	450,348	67,540	68,861	136,401	586,749	545,289
Total salaries and benefits	1,493,387	1,139,396	132,200	2,764,983	446,874	403,734	850,608	3,615,591	3,698,280
In-Kind rent	849,076	166,637	103,402	1,119,115	76,045	68,441	144,486	1,263,601	1,404,000
In-Kind support expense	1,629	543	136	2,308	1,086	611	1,697	4,005	43,269
Outside services and security	398,878	53,852	4,380	457,110	129,500	46,601	176,101	633,211	779,081
In-kind volunteer services		136,616	15,761	152,377			-	152,377	94,660
Travel	33,094	9,285	1,984	44,363	17,195	6,677	23,872	68,235	58,241
Exhibition costs	150,929	1,188	250	152,367		198	198	152,565	69,592
Shipping and storage	213,871	42	272	214,185	119	611	730	214,915	304,824
Marketing	66,271			66,271	7,320		7,320	73,591	108,934
Professional services				-	51,410		51,410	51,410	50,780
Materials	40,864	31,664	410	72,938	432	213	645	73,583	79,350
Software maintenance	47,797	5,660	2,842	56,299	17,321	37,739	55,060	111,359	112,302
Catering		37,518		37,518	6,550	10,845	17,395	54,913	62,295
Telephone and utilities	16,273	5,135	1,748	23,156	4,331	2,920	7,251	30,407	28,232
Bank charges	4,881	5,012	7,407	17,300	2,941	12,093	15,034	32,334	32,781
Miscellaneous	51,824	24,660	4,369	80,853	31,245	14,471	45,716	126,569	128,961
Insurance	63,467	4,919	3,052	71,438	2,245	3,521	5,766	77,204	67,094
Printing and web design	19,414	9,001	219	28,634	1,763	3,111	4,874	33,508	65,914
Equipment expenses	19,998	6,130	894	27,022	2,236	5,487	7,723	34,745	72,142
Office supplies and postage	12,588	3,158	4,928	20,674	11,430	2,611	14,041	34,715	36,669
Conservation	4,641			4,641			-	4,641	23,178
Recruiting	349			349	95,516	85	95,601	95,950	6,745
Meetings and lunches	1,907	1,081	396	3,384	5,130	928	6,058	9,442	8,353
Total operating expenses	3,491,138	1,641,497	284,650	5,417,285	910,689	620,897	1,531,586	6,948,871	7,335,677
Non-Operating Expenses:									
Purchased art collection items	90,623			90,623			-	90,623	654,419
Miscellaneous expense							-	-	49,470
Total operating and non-operating expenses	3,581,761	1,641,497	284,650	5,507,908	910,689	620,897	1,531,586	7,039,494	8,039,566
Percentage of total expense	50.88%	23.32%	4.04%	78.24%	12.94%	8.82%	21.76%	100.00%	100.00%
Expenses Netted against Revenue:									
Cost of goods sold			72,751	72,751			-	72,751	70,996
Total expenses	\$ 3,581,761	\$ 1,641,497	\$ 357,401	\$ 5,580,659	\$ 910,689	\$ 620,897	\$ 1,531,586	\$ 7,112,245	\$ 8,110,562

See accompanying notes to the financial statements.

San Jose Museum of Art Association

Statement of Cash Flows

<i>Year Ended June 30, 2025 (with comparative totals for 2024)</i>	2025	2024
Cash Flows from Operating Activities:		
Change in net assets	\$ 905,373	\$ 538,673
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Net realized losses/(gains) on sale of investments	23,626	(396,710)
Net unrealized gains on investments	(1,049,099)	(444,138)
Contributions restricted for art collection items	(40,230)	(393,290)
Art collection items purchased	90,623	654,419
Changes in operating assets and liabilities:		
Accounts receivable	56,371	(43,822)
Contributions receivable	375,730	(847,810)
Museum store inventory	(99,608)	(22,068)
Deferred exhibition costs and prepaids	(13,730)	921
Accounts payable	(64,625)	(135,558)
Accrued liabilities	(225,631)	275,465
Unearned revenue	29,237	(3,355)
Net cash used in operating activities	(11,963)	(817,273)
Cash Flows from Investing Activities:		
Proceeds from sale or maturity of investments	4,332,892	883,041
Purchases of investments	(4,153,391)	(772,988)
Purchases of art collection items	(90,623)	(654,419)
Net cash provided (used) in investing activities	88,878	(544,366)
Cash Flows from Financing Activities:		
Proceeds from contributions for art collection items	40,230	393,290
Net cash provided by financing activities	40,230	393,290
Change in Cash and Cash Equivalents	117,145	(968,349)
Cash and Cash Equivalents - beginning of year	2,624,281	3,592,630
Cash and Cash Equivalents - end of year	\$ 2,741,426	\$ 2,624,281

Supplemental Disclosure:

There were no amounts paid for taxes or interest in 2025 or 2024.

See accompanying notes to the financial statements.

San Jose Museum of Art Association

Notes to the Financial Statements

Note 1 - Organization:

The San Jose Museum of Art Association (the Museum) is a California nonprofit public benefit corporation incorporated in 1969. The Museum presents award-winning exhibitions and educational programs in service of its mission “to nurture empathy and connection by engaging communities with socially relevant contemporary art.” The Museum offers free admission to students and their teachers, and a popular free First Friday program that attracts over 300 people per event for open galleries and live entertainment.

The Museum’s operations receive support from the City of San José through a facility subsidy, a program grant, and its donation of in-kind rent, as well as strong support from foundations, corporations, and individuals.

Founded in 1969 by artists and community leaders on the Plaza de Cesar Chavez in downtown San José, the Museum is the premier modern and contemporary art museum in Silicon Valley. Its dynamic program, which balances socially relevant traveling exhibitions with critically engaging shows drawn from a collection of 2700+ works, resonates with defining characteristics of the city—from its rich diversity to its hallmark innovative ethos. Projects touch on timely topics from migration and identity to artificial intelligence and include significant original and touring exhibitions by both nationally and internationally acclaimed artists (Yolanda Lopez; Rina Banerjee; Dinh Q. Lê) and emerging and under-recognized practitioners (Kelly Akashi; Woody De Othello; Sonya Rapoport). The Museum’s collection plan prioritizes community relevance and public access, and places particular priority on acquiring works that reflect the cultural heritages and lived experiences of the community.

The Museum supports its exhibition program with substantial arts education and outreach efforts, a strong commitment to community partnership, and a core commitment to nurturing a sense of belonging and welcome for all members of the racially, ethnically, and linguistically diverse community. The Museum is one of the largest providers of in-school arts education in Santa Clara County, serving 25,000-40,000 students per year through on and off-site education programs. Initiatives such as the award-winning school programs “Let’s Look at Art,” which provides free docent presentations in the classroom, the integrated visual arts residency “Sowing Creativity,” and Kids Summer Art Camp, offered at the Museum for six weeks throughout the summer, distinguish the Museum as a leader in arts education.

The Museum minimizes barriers to access by offering weekend and evening hours, eliminating admission fees for students and teachers, and providing exhibition didactics in English, Spanish, and Vietnamese—San José’s official languages. Diversity, equity, inclusion, and accessibility are integral top priorities of the Museum’s strategic plan, which aspires to be “borderless” and essential to creative life throughout Silicon Valley.

San Jose Museum of Art Association

Notes to the Financial Statements

The Museum store is located adjacent to the Museum's main lobby. This gift and bookstore carries mission-related products that are educational, foster creativity, and encourages the appreciation of art. The Museum store also features custom products by area artists and craftsmen as well as publications relevant to the current exhibitions. The store is staffed by Museum employees and volunteers.

Note 2 - Summary of Significant Accounting Policies:

Basis of Accounting and Financial Statement Presentation

The financial statements of the Museum have been prepared on the accrual basis of accounting.

In accordance with accounting principles generally accepted in the United States of America (U.S. GAAP), the Museum reports its financial position and activities in two classes of net assets:

- *Net assets without donor restrictions* - those assets over which the Board of Trustees has discretionary control in carrying out the operations of the Museum. Under this category, the Museum maintains an operating fund, plus any net assets designated by the Board for specific purposes.
- *Net assets with donor restrictions* - contributions received from donors that are restricted for specific purposes or for subsequent periods. When a donor restriction expires, net assets with donor restrictions are classified to net assets without donor restrictions and reported in the statement of activities and change in net assets as net assets released from restriction. Net assets held in perpetuity include those assets which are subject to a non-expiring donor restriction, such as endowments.

Permanent Art Collection

The collection consists of twentieth and twenty-first century artwork, including paintings, sculptures, installations, new media, photography, drawings, and prints, acquired through purchase or contribution. The collection is not recognized as an asset in the statement of financial position. Each work of art is inventoried and cared for, and activities verifying the collection's integrity are performed continuously. Purchases of art are recorded in the year acquired as non-operating decreases in net assets without donor restrictions in the year in which items are acquired. Proceeds from any deaccessions or insurance recoveries may be allocated for purposes that clearly benefit the collection, such as an acquisition fund to expand the collection or a preservation/conservation fund to maintain it. Certain items are on loan from individuals and corporations for use by the Museum in its permanent collection or for special exhibitions.

Cash and Cash Equivalents

The Museum considers all instruments with a maturity of three months or less at the time of purchase to be cash equivalents.

San Jose Museum of Art Association

Notes to the Financial Statements

Investments

Investments are reported at fair value based on quoted market prices. Changes in fair values as well as realized gains and losses are reflected in the statement of activities and change in net assets. Dividend and interest income are accrued when earned. Investment income is reported net of investment expense in the statement of activities and change in net assets.

Fair Value Measurements

The Museum carries certain assets and liabilities at fair value. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Museum classifies its financial assets and liabilities according to three levels, maximizes the use of observable inputs, and minimizes the use of unobservable inputs when measuring fair value.

Level 1 - Unadjusted quoted market prices in active markets for identical assets or liabilities that the entity has the ability to access at the measurement date.

Level 2 - Observable market inputs, such as quoted prices for similar securities and quoted prices in inactive markets.

Level 3 - Unobservable inputs for the asset or liability that are not corroborated by market data.

Property and Equipment

Property and equipment are recorded at cost or estimated fair value for donated items. Purchases of individual items of property and equipment with a cost greater than \$3,000 are capitalized. The cost of repairs and maintenance which do not improve or extend the lives of the respective assets are expensed as incurred. Depreciation and amortization is computed on the straight-line method based on the estimated useful lives of the assets, which range from 5 to 10 years. As of June 30, 2025, the Museum's property and equipment was fully depreciated or amortized.

Revenue Recognition

Contributions and contributions receivable are recognized when the donor makes a pledge to give that is, in substance, an unconditional promise. Contributions are recorded as with or without donor restrictions, depending on the nature of donor restrictions. Restricted contributions are reported as increases in net assets with donor restrictions. When the restriction is met the amount is shown as a reclassification of net assets with donor restrictions to net assets without donor restrictions.

San Jose Museum of Art Association

Notes to the Financial Statements

Unconditional promises to give which are not expected to be collected until after the year contributed, are reflected in the accompanying financial statements as contributions receivable and support in the appropriate net asset category. A present value discount is estimated based on the risk-free rate at the time of the promise as adjusted for credit and other donor specific risks. The risk-adjusted discount rates on contributions receivable as of June 30, 2025 range from 4.08% to 5.22%.

In-kind rent is valued based on current prevailing downtown San José rent rates. Donated equipment and other donated goods are recorded at their estimated fair value as of the date of the donation. Contributed services, which require a specialized skill and which the Museum would have paid for if not donated, are recorded at their estimated fair value at the time the services are rendered. Donated materials are valued and recorded as revenue at their fair value at the time the contribution is received. The estimated value of in-kind support is disclosed in Note 9.

The Museum has multiple revenue streams that are accounted for as contracts with customers including admissions, membership and store activities. The Museum recognizes revenue from ticket sales at the time of admission. Program revenue is recognized at the time the program is held. Membership dues received in advance are deferred and recognized as revenue over the periods to which the dues relate. Unearned revenue also includes amounts received for exhibits and events that will be presented in a future period. Revenues derived from the Museum's store are recognized when cash is collected at the point of sale or when credit card receipts are collected within a few days of the sale.

Functional Expense Allocation

The cost of providing the various program and supporting services have been summarized on a functional basis in the statement of activities and change in net assets.

Directly identifiable expenses are charged to the related program or service benefited. Salaries and related benefits are charged to the functional area of the employee for whom the expense was incurred. Occupancy related expenses are allocated to the functional area based on square footage. Other expenses benefiting multiple functions are allocated based on head count.

Advertising

The Museum expenses advertising costs as the costs are incurred. Advertising expenses for the years ended June 30, 2025 and 2024, totaled \$51,613 and \$96,199, respectively.

Income Taxes

The Museum is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and state income taxes under Section 23701(d) of the California Revenue and Taxation Code. However, income from certain activities not directly related to the Museum's tax-exempt purpose is subject to taxation as unrelated business income. In addition, the Museum has been determined by the Internal Revenue Service not to be a private foundation within the meaning of Section 509(a) of the Internal Revenue Code.

San Jose Museum of Art Association

Notes to the Financial Statements

Management has evaluated the Museum's tax positions and concluded that all of the positions taken by the Museum in its federal and state exempt organization tax returns would more likely than not be sustained upon examination.

Use of Estimates

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

Comparative Financial Statements

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 U.S. GAAP. Accordingly, such information should be read in conjunction with the Museum's financial statements for the year ended June 30, 2024, from which the information was derived.

Subsequent Events

Management of the Museum has evaluated events and transactions from June 30, 2025, through September 29, 2025, the date these financial statements were available to be issued. The Museum did not have any subsequent events that required recognition or disclosure in the financial statements.

Note 3 - Contributions Receivable:

Contributions receivable consisted of the following at June 30:

	2025	2024
Contributions receivable	\$ 1,480,000	\$ 1,832,420
Less discounts to net present value	(137,077)	(113,767)
	<u>\$ 1,342,923</u>	<u>\$ 1,718,653</u>

At June 30, 2025, \$530,000 of contributions receivable is expected to be collected in less than one year and \$950,000 is expected to be collected in one to five years. The Museum periodically evaluates the collectability of its contribution receivable based on historical experience. Uncollectible contributions are expected to be insignificant; therefore, an allowance for doubtful accounts has not been recorded as of June 30, 2025 and 2024.

San Jose Museum of Art Association

Notes to the Financial Statements

Note 4 - Investments and Fair Value Measurements:

The fair value of investments was as follows as of June 30:

	2025			2024		
	<u>Level 1</u>	<u>Level 2</u>	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Total</u>
Without donor restrictions:						
Equity securities	\$ 100,645		\$ 100,645	\$ 60,351		\$ 60,351
Mutual funds		\$ 6,133	6,133		\$ 39,649	39,649
	100,645	6,133	106,778	60,351	39,649	100,000
With donor restrictions:						
Equity securities	7,985,288		7,985,288	7,323,076		7,323,076
Mutual funds		1,945,828	1,945,828		3,117,083	3,117,083
Government securities		2,968,480	2,968,480		1,620,245	1,620,245
	7,985,288	4,914,308	12,899,596	7,323,076	4,737,328	12,060,404
Total investments	\$ 8,085,933	\$ 4,920,441	\$ 13,006,374	\$ 7,383,427	\$ 4,776,977	\$ 12,160,404

Note 5 - Line of Credit:

In July 2022, the Museum was approved for a \$500,000 unsecured line of credit with Heritage Bank. The line of credit bears interest commensurate with the prime rate plus 0.5% (8.00% per annum at June 30, 2025). The line of credit expired on August 9, 2024 and was extended with another agreement from August 19, 2024 through August 19, 2026. The Museum complied with the required financial and reporting covenants under the terms of the line of credit agreement. There were no borrowings on the line of credit as of June 30, 2025.

San Jose Museum of Art Association

Notes to the Financial Statements

Note 6 - Net Assets with Donor Restrictions:

Net assets with donor restrictions consisted of the following at June 30:

	2025	2024
Endowment accumulated earnings - unappropriated	\$ 4,019,106	\$ 3,329,913
Time restrictions	951,068	628,996
Gala	313,631	634,856
Exhibitions and education programs	612,269	502,394
Art acquisitions	143,406	75,559
Endowment funds	8,880,490	8,830,491
	<hr/>	<hr/>
	\$ 14,919,970	\$ 14,002,209

Net assets with donor restrictions released from restriction were as follows for the year ended June 30:

	2025	2024
Operating Activities:		
Exhibitions and education programs	\$ 436,167	\$ 904,894
Endowment appropriations for operations	560,014	501,674
Time restrictions	347,030	766,959
Gala	661,152	710,525
	<hr/>	<hr/>
	2,004,363	2,884,052
Non-operating Activities:		
Art acquisitions	90,623	654,419
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Total	\$ 2,094,986	\$ 3,538,471

Note 7 - Endowment:

The Museum's donor-restricted endowment consists of donor-restricted endowment funds and a Board-designated endowment fund. As required by U.S. GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

San Jose Museum of Art Association

Notes to the Financial Statements

Additionally, a fund was established by a donor through a community foundation, to support the mission and activities of the Museum. The fund is a permanent endowment fund held at the community foundation with a balance of \$1,666,567 at June 30, 2025. These funds are not included on the statement of financial position of the Museum at June 30, 2025. Distributions received from the community foundation are recorded as contributions with donor restrictions and are subject to the Museum's endowment spending policy. During 2025 and 2024, there were \$78,902 and \$79,823 of distributions paid to the Museum.

Interpretation of Relevant law

The Board of Trustees of the Museum has interpreted the California version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Museum classifies as net assets with donor restrictions (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund is also classified as net assets with donor restrictions, until those amounts are appropriated for expenditure by the Museum in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Museum considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund
- (2) The purposes of the Museum and the donor-restricted endowment fund
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of the Museum
- (7) The investment policies of the Museum

Investment Return Objectives, Risk Parameters and Strategies

The primary objectives of the Museum's endowments are to support the operations of the Museum over time, while preserving the endowment's inflation-adjusted asset value. The current investment goals are to achieve average long-term total returns on assets (net of fees) that are at least 5.5% greater than the current annual inflation rate as measured by the Consumer Price Index, at acceptable risk levels.

San Jose Museum of Art Association

Notes to the Financial Statements

The Museum holds a larger percentage of its assets in high-quality equities than in fixed income securities. The short-term volatility of the return from stocks dictates that a percentage of the assets are invested in fixed income securities that have low correlations with performance of equities, to provide an element of stability to the portfolio's return. Performance of the investment strategy is monitored by comparing returns to a properly weighted, blended benchmark.

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the net assets held in perpetuity balance. There were no deficiencies of this nature that would be required to be reported as of June 30, 2025 and 2024.

Spending Policy

The Museum may expend any portion of the net income and/or growth in asset value of an endowment gift which exceeds its initial contributed value, in such amounts as the Board of Trustees determines. The Board of Trustees can at its discretion approve distributions from the endowment funds to support the operations of the Museum up to the amount of 5% of the endowment's principal balance per year if a) such distributions do not conflict with the intent of any donors; and (b) such distributions do not result in a decline in the initial contributed value of the fund. Only under exceptional circumstances should distributions greater than 5% be considered. Any such larger distributions must (a) meet the same guidelines outlined above, and (b) must also be approved by the full Board of Trustees. The current distribution policy is to budget distributions for a new fiscal year at no more than 5% of the rolling-average for the eight quarters prior to the end of the previous calendar year.

Endowment net asset composition by type of fund was as follows as of June 30, 2025:

	Without Donor <u>Restrictions</u>	With Donor <u>Restrictions</u>	<u>Total</u>
Board-designated endowment funds	\$ 106,778		\$ 106,778
Original corpus		\$ 8,880,490	8,880,490
Accumulated earnings		4,019,106	4,019,106
Total	\$ 106,778	\$ 12,899,596	\$ 13,006,374

San Jose Museum of Art Association

Notes to the Financial Statements

Endowment net asset composition by type of fund was as follows as of June 30, 2024:

	Without Donor <u>Restrictions</u>	With Donor <u>Restrictions</u>	<u>Total</u>
Board-designated endowment funds	\$ 100,000		\$ 100,000
Original corpus		\$ 8,830,491	8,830,491
Accumulated earnings		3,229,913	3,229,913
Total	\$ 100,000	\$ 12,060,404	\$ 12,160,404

Changes in endowment net assets were as follows for the fiscal year ended June 30, 2025:

	Without Donor <u>Restrictions</u>	With Donor <u>Restrictions</u>	<u>Total</u>
Balance June 30, 2024	\$ 100,000	\$ 12,060,404	\$ 12,160,404
Investment return, net	12,777	1,347,469	1,360,246
Contributions from endowment held at community foundation		78,902	78,902
Amount appropriated for expenditure	(5,999)	(587,179)	(593,178)
Balance, June 30, 2025	\$ 106,778	\$ 12,899,596	\$ 13,006,374

San Jose Museum of Art Association

Notes to the Financial Statements

Changes in endowment net assets were as follows for the fiscal year ended June 30, 2024:

	Without Donor <u>Restrictions</u>	With Donor <u>Restrictions</u>	<u>Total</u>
Balance June 30, 2023	\$ 95,754	\$ 11,333,855	\$ 11,429,609
Investment return, net	9,483	1,148,400	1,157,883
Contributions from endowment held at community foundation		79,823	79,823
Amount appropriated for expenditure	(5,237)	(501,674)	(506,911)
Balance, June 30, 2024	\$ 100,000	\$ 12,060,404	\$ 12,160,404

Note 8 - Employee Benefit Plans:

The Museum makes contributions to a defined contribution 403(b) retirement plan for employees who have completed one year of service, and who have worked at least 1,000 hours during that year. Pension expense for the years ended June 30, 2025 and 2024 was \$128,919 and \$130,420, respectively.

Note 9 - In-Kind Rent and Other In-Kind Support:

In-kind contributions received by the Museum were as follows for the years ended June 30:

	2025	2024
In-kind rent	\$ 1,263,600	\$ 1,404,000
Volunteer services	152,376	94,660
Other	4,006	43,269
	1,419,982	1,541,929
Special events	152,675	219,356
Total in-kind support	\$ 1,572,657	\$ 1,761,285

San Jose Museum of Art Association

Notes to the Financial Statements

The City of San José provides facilities for the Museum, the Museum's store, and the Museum's administrative offices at no charge to the Museum under the terms and conditions of a fifty-five year agreement dated June 1988. The Museum recognizes the in-kind rent annually as a gift that is conditional upon the Museum continuing to operate for the benefit of the public. The estimated fair value of rent for these facilities was \$1,263,600 and \$1,404,000 for the years ended June 30, 2025 and 2024, respectively. These amounts have been determined by an independent real estate professional and were recorded as support and expenses in the statement of activities and change in net assets. The value of the contributed in-kind rent was allocated to the Museum's programs, management and general and fundraising as shown on the statement of functional expenses based on estimates of square footage.

Volunteer services include hours donated by docents and other volunteers with specific skills to run the Museum's programs. These services are recognized as in-kind revenues at their estimated fair value using estimated rates commensurate with rate that the Museum would expect to pay if the services were purchased. The Museum also receives a significant amount of donated services from other unpaid volunteers which do not meet criteria for revenue recognition. No amounts have been recognized in the statements of activities and change in net assets for these fundraising and special projects services because the criteria for recognition have not been satisfied.

The Museum receives items to be sold at its annual special event auction. Contributed auction items are valued at their estimated resale value.

Other in-kind donations are valued at an estimated fair value at the time the contribution is received. Other in-kind contributions are allocated to an appropriate functional category based on the donated items usage.

Note 10 - Concentrations:

Contributions and grant for the years ended June 30, 2025 and 2024, included \$1,018,949 and \$2,546,389, respectively, received from the Board of Trustees. The Museum had contributions receivable from the Board of Trustees totaling \$766,500 and \$1,391,000 at June 30, 2025 and 2024, respectively.

The Museum also receives contributions from organizations for which a Board of Trustee member is the owner or in an influential position. Such contributions and contributions receivable totaled \$52,350 and \$15,000 respectively, at June 30, 2025.

San Jose Museum of Art Association

Notes to the Financial Statements

Note 11 - Liquidity and Availability of Resources:

The Museum's financial assets at June 30, 2025 and 2024 available for general expenditures over the next 12 months were as follows as of June 30:

Financial assets at year ended:	2025	2024
Cash and cash equivalents	\$ 2,741,426	\$ 2,624,282
Accounts receivable	43,372	99,741
Contributions receivable, net	1,342,923	1,718,653
Endowment investments	12,899,596	12,060,404
Investments	106,778	100,000
Total financial assets	17,134,095	16,603,080
Less amounts unavailable for general expenditure one year		
Net assets with purpose restrictions	(1,069,306)	(1,212,809)
Long-term contributions receivable	(950,000)	(972,416)
Endowment investments:		
Subject to appropriation (excluding \$462,249 and \$442,020, respectively of planned appropriation)	(3,556,857)	(2,887,893)
Held in perpetuity	(8,880,490)	(8,830,491)
Board designated for long-term endowment purposes	(101,439)	(95,000)
	(14,558,092)	(13,998,609)
Financial assets available to meet cash needs for general expenditures within one year	\$ 2,576,003	\$ 2,604,471

The Museum has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.