



**ARMAND HAMMER MUSEUM OF ART
AND CULTURAL CENTER, INC.**

Financial Statements

June 30, 2024

(With Comparative Financial Information as of June 30, 2023)

(With Independent Auditors' Report Thereon)

**ARMAND HAMMER MUSEUM OF ART
AND CULTURAL CENTER, INC.**

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KPMG LLP
Suite 1500
550 South Hope Street
Los Angeles, CA 90071-2629

Independent Auditors' Report

The Board of Directors
Armand Hammer Museum of Art and Cultural Center, Inc.:

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Armand Hammer Museum of Art and Cultural Center, Inc. (the Museum), a Delaware not-for-profit corporation, which comprise the statement of financial position as of June 30, 2024, and the related statements of activities, 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, 2024, and the results of its operations and its cash flows for the year then ended in accordance with U.S. generally accepted accounting principles.

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 U.S. generally accepted accounting principles, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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 2023 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated April 2, 2024. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2023, is consistent, in all material respects, with the audited financial statements from which it has been derived.

KPMG LLP

Los Angeles, California
May 20, 2025

**ARMAND HAMMER MUSEUM OF ART
AND CULTURAL CENTER, INC.**

Statement of Financial Position

June 30, 2024

(With comparative financial information as of June 30, 2023)

Assets	2024	2023
Cash, cash equivalents and restricted cash	\$ 12,822,850	18,707,655
Accounts and interest receivable	468,643	102,818
Contributions receivable, net (note 3)	30,191,834	28,708,644
Inventories	302,426	199,388
Prepaid expenses and other	1,249,205	614,565
Investments (notes 4 and 7)	139,935,249	135,387,056
Property and equipment, net (note 5)	114,362,900	115,888,005
Total assets	\$ 299,333,107	299,608,131
Liabilities and Net Assets		
Accounts and other payables	\$ 2,741,843	2,824,351
Accrued liabilities	419,455	732,392
Term loan (note 9)	9,100,000	9,100,000
Unearned income	88,500	300,094
Due to related parties (note 10)	1,528,296	1,077,642
Total liabilities	13,878,094	14,034,479
Net assets		
Without donor restrictions	193,103,395	190,203,406
With donor restrictions (note 11)	92,351,618	95,370,246
Total net assets	285,455,013	285,573,652
Total liabilities and net assets	\$ 299,333,107	299,608,131

See accompanying notes to financial statements.

**ARMAND HAMMER MUSEUM OF ART
AND CULTURAL CENTER, INC.**

Statement of Activities

Year ended June 30, 2024

(With comparative financial information for the year ended June 30, 2023)

	2024			2023 Total
	Without restrictions	With restrictions	Total	
Revenues and support:				
Admission and membership fees	\$ 517,243	—	517,243	493,048
Bookstore sales and Café sales, net	682,440	—	682,440	422,421
Contributions	7,504,492	7,347,878	14,852,370	15,118,576
Contributions from related parties	4,042,920	900,000	4,942,920	4,778,780
Income from investments	7,342,577	5,122,236	12,464,813	8,579,133
Other income	1,639,205	—	1,639,205	1,372,591
Special events:				
Revenue	3,655,686	—	3,655,686	2,409,700
Less costs of direct benefits to donors	<u>(1,151,372)</u>	<u>—</u>	<u>(1,151,372)</u>	<u>(983,538)</u>
Net revenue from special events	<u>2,504,314</u>	<u>—</u>	<u>2,504,314</u>	<u>1,426,162</u>
Total revenues and support	<u>24,233,191</u>	<u>13,370,114</u>	<u>37,603,305</u>	<u>32,190,711</u>
Net assets released from restrictions	<u>16,388,742</u>	<u>(16,388,742)</u>	<u>—</u>	<u>—</u>
Total revenues and other support	<u>40,621,933</u>	<u>(3,018,628)</u>	<u>37,603,305</u>	<u>32,190,711</u>
Expenses:				
Program services:				
Exhibitions overhead and collections	14,736,955	—	14,736,955	12,317,776
Exhibitions	6,756,040	—	6,756,040	6,140,727
Education	5,999,154	—	5,999,154	4,928,172
Art acquisition	<u>2,890,850</u>	<u>—</u>	<u>2,890,850</u>	<u>4,419,020</u>
Total program services	<u>30,382,999</u>	<u>—</u>	<u>30,382,999</u>	<u>27,805,695</u>
Support services:				
Management and general	2,641,633	—	2,641,633	2,343,269
Fundraising	<u>4,697,312</u>	<u>—</u>	<u>4,697,312</u>	<u>4,952,477</u>
Total support services	<u>7,338,945</u>	<u>—</u>	<u>7,338,945</u>	<u>7,295,746</u>
Total expenses	<u>37,721,944</u>	<u>—</u>	<u>37,721,944</u>	<u>35,101,441</u>
Change in net assets	2,899,989	(3,018,628)	(118,639)	(2,910,730)
Net assets, beginning of year	<u>190,203,406</u>	<u>95,370,246</u>	<u>285,573,652</u>	<u>288,484,382</u>
Net assets, end of year	<u>\$ 193,103,395</u>	<u>92,351,618</u>	<u>285,455,013</u>	<u>285,573,652</u>

See accompanying notes to financial statements.

**ARMAND HAMMER MUSEUM OF ART
AND CULTURAL CENTER, INC.**

Statement of Cash Flows

Year ended June 30, 2024

(With comparative financial information for the year ended June 30, 2023)

	2024	2023
Cash flows from operating activities:		
Change in net assets	\$ (118,639)	(2,910,731)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	4,143,664	3,512,171
Net unrealized and realized gains on investments	(11,860,475)	(8,110,003)
Change in operating assets and liabilities:		
Accounts and interest receivable	(365,825)	41,525
Contributions receivable	(1,483,190)	1,844,813
Inventories	(103,038)	(14,573)
Prepaid expenses	(634,640)	(394,354)
Accounts and other payables	(76,383)	1,040,072
Accrued liabilities	(312,937)	382,713
Due to related parties	450,654	298,194
Unearned income	(211,594)	288,504
Net cash used in operating activities	(10,572,403)	(4,021,669)
Cash flows from investing activities:		
Purchase of equipment	(92,221)	(106,689)
Purchases of property and equipment with capital contributions	(2,532,462)	(13,893,863)
Purchases of investments	(600,000)	(1,000,000)
Proceeds from sale of investments	7,912,281	8,184,008
Net cash provided by (used in) investing activities	4,687,598	(6,816,544)
Net decrease in cash, cash equivalents and restricted cash	(5,884,805)	(10,838,213)
Cash, cash equivalents, and restricted cash, beginning of year	18,707,655	29,545,868
Cash, cash equivalents, and restricted cash, end of year	\$ 12,822,850	18,707,655
Supplemental disclosure of cash flow information:		
Cash paid during the year for interest	\$ 713,834	540,754

See accompanying notes to financial statements.

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Notes to Financial Statements

June 30, 2024

(With comparative information as of and for the year ended June 30, 2023)

(1) Summary of Significant Accounting Policies

(a) Organization

The Armand Hammer Museum of Art and Cultural Center, Inc. (the Museum), a Delaware not-for-profit corporation, was incorporated on May 2, 1989, and began operations on November 25, 1990. Founded by Dr. Armand Hammer, former Chairman of Occidental Petroleum Corporation (Occidental), the Museum was built adjacent to the Occidental international headquarters in Westwood, California. At that time, the Museum featured galleries for Dr. Hammer's collections of old master paintings and drawings, and a collection of works on paper by Honore Daumier and his contemporaries as well as galleries for traveling exhibitions. Dr. Hammer passed away in December 1990.

In March 1994, the Museum signed a 99-year operating agreement with The Regents of the University of California, Los Angeles (the University or UCLA) to manage the Museum. The following year, the University relocated its collections and the staff of the Wight Art Gallery and the Grunwald Center for the Graphic Arts to the Museum. The Museum also assumed responsibility for the Franklin D. Murphy Sculpture Garden, located at the north end of the University campus.

The Museum was formed exclusively for educational and charitable purposes in the United States by operating a public art museum and cultural center, including a research center and library for the study of the arts.

(b) Basis of Financial Statement Presentation

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

The Museum reports information regarding its financial position and activities according to two classes of net assets: net assets with donor-imposed restrictions and net assets without donor-imposed restrictions.

Net assets with donor-imposed restrictions are those whose use by the Museum has been limited by donors to a specific time and purpose or are required to be maintained in perpetuity. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor-imposed restrictions are reclassified as net assets without donor-imposed restrictions and reported in the statement of activities as the net assets released from restrictions.

Net Assets without Donor Restrictions is the part of net assets use by the Museum that is not subject to donor-imposed restrictions.

(c) Contribution Revenue and Receivables

Unconditional promises to give are recognized as revenue when the underlying promises are received by the Museum. Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value on the date the promise is made. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated cash flows on the date of the unconditional promise. Amortization of the discount is included in contribution

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revenue. The discount rates used ranged from .36% to 7% for the years ending June 30, 2024 and 2023. Contributions that are conditional are not recorded until the condition is substantially met or when the possibility that the condition will not be met is remote. Conditional contributions must include both (1) one or more barriers that need to be overcome before the Museum is entitled to the contribution, and (2) a right of return or a right of release from the donor's obligation to provide the contribution.

Contribution receivables are recognized initially at fair value as contributions revenue in the period such promises are made by donors. Fair value is an estimate, giving consideration to anticipated future cash receipts (after allowance is made for uncollectible pledges) and discounting such amounts at a risk-adjusted fair value rate commensurate with the duration of the donor's payment plan. These inputs to the fair value estimate are considered Level 3 in the fair value hierarchy as described in note 2. In subsequent periods, the discount rate is unchanged and the allowance for uncollectible contributions is reassessed and adjusted if necessary.

(d) Cash, Cash Equivalents and Restricted Cash

Cash, cash equivalents and restricted cash include highly liquid investments with original maturities of three months or less, which are used to fund current obligations. Cash and cash equivalents that are invested for long-term purposes are not reported as cash equivalents on the financial statements as they do not meet the Museum's definition of cash and cash equivalents. Cash, cash equivalents and restricted cash are reported at cost, which approximated their fair values at June 30, 2024 because of the terms and relatively short maturities of these financial instruments. The estimated fair values involve observable inputs and are considered to be Level 1 in the fair value hierarchy as described in note 2. Restricted cash as of June 30, 2024 totaled \$3.9 million.

(e) Investments

The Museum records its investments at fair value as defined in Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 820, *Fair Value Measurements and Disclosures*. Investments are stated at fair value with unrealized and realized gains and losses included in the statement of activities. Interest income is recorded when earned. Investment purchases and sales are recorded on a trade date basis. Dividend income is recorded on the ex-dividend date.

The Museum applies the measurement provisions of Accounting Standards Update (ASU) No. 2009-12, *Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)*, to certain investments in funds that do not have readily determinable fair values including private investments, hedge funds, real estate, and other funds of funds. This guidance allows for the estimation of the fair value of investments in investment companies for which the investment does not have a readily determinable fair value using net asset value per share or its equivalent.

The Museum has approximately \$139.9 million of its funds invested in the UCLA Foundation's Endowed Investment Pool, which is reported at net asset value as of June 30, 2024. The Endowed Investment Pool is a unitized fund whereby the Museum participates in investment returns and income on an equivalent prorated basis with all participants in the pool. For these investments, the Museum has concluded that the net asset value reported by the underlying fund is a practical expedient to estimating fair value. The amounts reported at net asset value at June 30, 2024 are redeemable with

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(With comparative information as of and for the year ended June 30, 2023)

the fund at net asset value under the original terms of the investment agreement with the UCLA Foundation subject to the restrictions discussed in note 4. Due to the nature of the investments held by the funds, changes in market conditions and the economic environment may significantly impact the net asset value of the funds and, consequently, the fair value of the Museum's interests in the funds.

(f) Art Collections

The Museum's collections are not recognized as assets on the statement of financial position. U.S. generally accepted accounting principles permit such treatment if the contributed works of art are held for public exhibition and education rather than financial gain; the collection is protected, kept unencumbered, cared for, and preserved; and the contributed artwork is subject to an organizational policy that requires the proceeds from sales of collection items to be used to acquire other items for collections or the direct care of the collection. The Museum's policy does not allow the proceeds from the sales of collection items to be used for the direct care of the collection. For insurance purposes, the value of a significant portion of the art collections is appraised every five years. Purchases of collection items are recorded as decreases in net assets without donor-imposed restrictions in the year in which the items are acquired. Proceeds from deaccessions or insurance recoveries are reflected as increases in the appropriate net asset class.

(g) Property and Equipment

Property and equipment greater than \$5,000 are recorded at cost. The Museum's buildings are being depreciated over the related lease term of 99 years (see note 10). Equipment, furniture and fixtures depreciation is computed using the straight-line method over the estimated useful life of the asset, ranging from 5 to 7 years. The Museum amortizes leasehold improvements over the expected useful life, ranging from 10 to 30 years. Expenditures for improvements that extend the useful life are capitalized; all other expenditures are expensed when incurred. Asset costs and accumulated depreciation for property sold or otherwise disposed of are removed from the accounting records, and any resulting gain or loss is included in the statement of activities. Construction in progress (CIP) includes all direct costs, including labor, for job phases that are not yet completed. Once completed, the CIP will be reclassified to leasehold improvement, capitalized, and depreciated.

The Museum evaluates long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. If such an asset is considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the asset exceeds the fair value of the asset.

(h) Functional Expenses

The financial statements report certain categories of expenses that are attributable to one or more program functions of the Museum. Museum expenses that are directly attributed to a functional expense category on an invoice-by-invoice basis are directly reported to the appropriate functional expense category. Museum expenses that are not directly related to a functional expense category require allocation on a reasonable basis that is consistently applied. The Museum has applied an allocation basis to costs included in the salaries and benefits, professional services, advertising and promotions, office expense, information technology, occupancy, travel, depreciation and amortization,

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insurance, and equipment rental and maintenance, catering and beverages, and other expenses. The allocation is primarily based on the Museum's cost study and building square footage. The following table presents expenses by both nature and function for the fiscal years ended June 30, 2024 and 2023:

	Program services				Total program services	Support services		Total support services	Total
	Exhibition overhead and collections	Exhibitions	Education	Art acquisitions		Management and general	Fundraising		
Salaries and benefits	\$ 7,619,845	2,221,795	2,659,558	—	12,501,198	1,620,776	2,236,416	3,857,192	16,358,390
Professional services	1,402,346	179,934	591,564	—	2,173,844	173,277	115,854	289,131	2,462,975
Advertising and promotions	91,845	91,795	110,960	—	294,600	18,359	55,077	73,436	368,036
Office expense	219,338	111,758	251,948	—	583,044	57,813	173,489	231,302	814,346
Information technology	233,700	134,417	166,141	—	534,258	56,365	53,565	109,930	644,188
Occupancy	557,753	525,385	1,049,841	—	2,132,979	261,474	300,368	561,842	2,694,821
Travel	85,323	28,895	215,608	—	329,826	11,019	19,612	30,631	360,457
Interest expense	—	—	—	—	—	—	713,834	713,834	713,834
Depreciation and amortization	3,671,523	119,277	233,666	—	4,024,466	62,003	57,195	119,198	4,143,664
Insurance	51,626	50,502	100,970	—	203,098	314,580	25,234	339,814	542,912
Equipment rental and mainten	44,332	52,383	77,756	—	174,471	5,627	185,761	191,388	365,859
Catering and beverages	4,310	2,258	27,331	—	33,899	1,621	623,419	625,040	658,939
Other expenses	755,014	3,237,641	513,811	—	4,506,466	58,719	137,488	196,207	4,702,673
Art acquisitions	—	—	—	2,890,850	2,890,850	—	—	—	2,890,850
Total expenses	\$ 14,736,955	6,756,040	5,999,154	2,890,850	30,382,999	2,641,633	4,697,312	7,338,945	37,721,944

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(With comparative information as of and for the year ended June 30, 2023)

	Program services				Total program services	Support services		Total support services	Total
	Exhibition overhead and collections	Exhibitions	Education	Art acquisitions		Management and general	Fundraising		
Salaries and benefits	\$ 6,769,636	1,956,145	2,390,558	—	11,116,339	1,480,269	2,219,286	3,699,555	14,815,894
Professional services	525,554	86,010	162,878	—	774,442	206,369	1,027,390	1,233,759	2,008,201
Advertising and promotions	104,310	102,310	125,415	—	332,035	20,462	61,386	81,848	413,883
Office expense	253,447	103,618	189,542	—	546,607	46,926	103,440	150,366	696,973
Information technology	119,076	119,347	172,614	—	411,037	56,783	54,460	111,243	522,280
Occupancy	482,895	452,219	907,054	—	1,842,168	224,765	273,899	498,664	2,340,832
Travel	55,588	58,260	145,994	—	259,842	11,487	21,128	32,615	292,457
Interest expense	—	—	—	—	—	—	540,754	540,754	540,754
Depreciation and amortization	3,027,421	122,150	239,536	—	3,389,107	64,371	58,693	123,064	3,512,171
Insurance	36,810	36,810	73,620	—	147,240	158,802	18,405	177,207	324,447
Equipment rental and maintainan	62,419	75,751	39,750	—	177,920	3,434	6,566	10,000	187,920
Catering and beverages	8,511	4,284	35,006	—	47,801	4,996	296,463	301,459	349,260
Other expenses	872,109	3,023,823	446,205	—	4,342,137	64,605	270,607	335,212	4,677,349
Art acquisitions	—	—	—	4,419,020	4,419,020	—	—	—	4,419,020
Total expenses	<u>\$ 12,317,776</u>	<u>6,140,727</u>	<u>4,928,172</u>	<u>4,419,020</u>	<u>27,805,695</u>	<u>2,343,269</u>	<u>4,952,477</u>	<u>7,295,746</u>	<u>35,101,441</u>

(i) Income Taxes

The Museum is exempt from income taxes under Section 501(c)(3) of the U.S. Internal Revenue Code and Section 23701d of the California Revenue and Taxation Code and is generally not subject to federal or state income taxes. However, the Museum is subject to income taxes on any net income that is derived from a trade or business, regularly carried on, and not in furtherance of the purposes for which it was granted exemption. No income tax provision has been recorded as net income, if any, from any unrelated trade or business, in the opinion of management, is not material to the financial statements taken as a whole. Accordingly, no provision for income taxes has been included in the accompanying financial statements.

(j) Use of Estimates

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

(k) Comparative Totals for 2023

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. generally accepted accounting principles. Accordingly, such information should be

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(With comparative information as of and for the year ended June 30, 2023)

read in conjunction with the Museum's financial statements for the year ended June 30, 2023, from which the summarized information was derived.

(l) Concentration of Credit Risk

As of June 30, 2024 and 2023, the Museum had \$148 million and \$146 million of its investments and cash and cash equivalents held and managed by the UCLA Foundation.

(m) New Accounting Pronouncements

In June 2016, the FASB issued ASU No. 2016-13, Financial Instruments – *Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*. The amendments in this update replace the incurred loss impairment methodology in current GAAP with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. The statement is effective for the fiscal year ending June 30, 2024. The adoption of this accounting guidance did not have a material effect on the financial statements.

(2) Fair Value

In accordance with ASC Topic 820, fair value is defined as the price that the entity would receive upon selling an investment in an orderly transaction to an independent buyer in the principal or most advantageous market of the investment. ASC Topic 820 established a three-tier hierarchy to maximize the use of observable market data and minimize the use of unobservable inputs, and to establish classification of fair value measurements for disclosure purposes. The three-tier hierarchy of inputs is summarized in the three broad levels listed below:

- Level 1 – Quoted prices in active markets for identical asset that the Museum has the ability to access at the measurement date
- Level 2 – Other significant observable inputs (other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other observable inputs that can be corroborated by observable market data. Level 2 includes government and corporate bonds due to variations in the pricing of such securities from various factors including current interest rates, spreads, and various trade activity that impact the quoted prices for such holdings.)
- Level 3 – Significant unobservable inputs (including the entity's own assumptions in determining the fair value)

Inputs refer broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability developed based on market data obtained from sources independent of the reporting entity. The Museum's fair value measurements maximize the use of observable inputs. Unobservable inputs are inputs that reflect the reporting entity's own observations about the assumptions market participants would use in pricing the asset or liability developed based on the best information available. Although the Museum uses its best judgment in determining the fair value of financial instruments, there are inherent limitations in any methodology. Therefore, the values presented herein are not necessarily indicative of the amount the

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Museum could realize in a current transaction. Future confirming events could affect the estimates of fair value and could be material to the financial statements. These events could also affect the amount realized upon liquidation of the investments.

The Museum did not elect fair value accounting for any asset or liability that is not currently required to be measured at fair value.

The level in the fair value hierarchy within which a fair value measurement in its entirety falls is based on the lowest-level input that is significant to the fair value measurement in its entirety.

(3) Contributions Receivable

Contributions receivable as of June 30, 2024 and 2023 are expected to be received as follows:

	2024	2023
Amounts due in:		
Less than one year	\$ 4,385,315	4,550,692
One to five years	18,666,270	8,886,875
More than five years	63,026,228	67,259,978
	86,077,813	80,697,545
Less discount to reflect contributions at present value	(55,885,979)	(51,988,901)
Total	\$ 30,191,834	28,708,644

During the fiscal year ended June 30, 1994, the Museum received a written unconditional promise of annual support from the University of at least \$900,000, plus cost-of-living adjustments for the next 99 years under the operating agreement discussed in note 1(a). The Museum has recorded a contribution receivable relating to this promise at the present value of the expected fair value of the assets or services to be received totaling \$12,734,394 and \$12,742,425 as of June 30, 2024 and 2023, respectively. See further discussion in note 10 to the financial statements. The remaining contribution receivables are mainly restricted gifts for capital campaign construction purposes and gifts restricted for exhibitions and programs.

(4) Investments

As of June 30, 2024 and 2023, the Museum had long-term investments totaling \$139.9 million and \$135.4 million, respectively, and cash and cash equivalents of \$8.3 million and \$10.6 million, respectively invested in the UCLA Foundation Endowed Investment Pool and the Short-Term Investment Pool, respectively.

The Endowed Investment Pool is valued based on net asset value as discussed in note 1(e). The pool includes the following categories of investments as of June 30, 2024: 37.9% global public equity, 20.6% independent return, 21.7% private equity and venture, and 14% real assets and natural resources, with the remaining 5.6% held in cash and 0.2% in portfolio insurance.

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The Short-Term Investment Pool contains highly liquid investments held by UCLA Foundation with original maturities of three months or less and is accordingly reported as cash equivalents on the accompanying financial statements.

Under the Museum's investment agreement with the UCLA Foundation, the funds held in the Endowed Investment Pool are subject to an initial lockup period. The funds may not be redeemed for a period of one year from the date of the investment. Following any lockup period, the Museum may redeem in each calendar quarter up to 25% of the total number of units issued to the Museum, in addition to any other redemptions, provided that the Museum gives written notice to the UCLA Foundation at least 90 days prior to the designated redemption date.

(5) Property and Equipment

As of June 30, 2024 and 2023, property and equipment comprised the following:

	2024	2023
Building under lease	\$ 53,800,000	53,800,000
Leasehold improvements	92,431,806	90,173,115
Construction in progress	139,844	25,000
Furniture and fixtures	2,543,027	2,343,390
Equipment	1,707,376	1,661,984
	150,622,053	148,003,489
Less accumulated depreciation	(36,259,153)	(32,115,484)
Total	\$ 114,362,900	115,888,005

Depreciation and amortization totaled \$4,143,664 and \$3,512,171 for the year ended June 30, 2024 and 2023. This value includes \$3,160,490 and \$2,559,442 in accumulated amortization of the building under lease (discussed in note 10a), \$439,740 and \$409,295 of depreciation for furniture, fixtures, and equipment \$543,434 of amortization expense in each of the years ending June 30, 2024 and 2023.

(6) Art Collections

The Museum's permanent collections consist of: The Armand Hammer Collection (Old Master, Impressionist and Post-Impressionist paintings), The Armand Hammer Daumier and Contemporaries Collection (paintings, sculptures, and lithographs by the French 19th century caricaturist Honore Daumier and the work of his contemporaries), and the Hammer Contemporary Collection (international contemporary art since 1965, with an emphasis on works on paper and Los Angeles artists). Throughout the year, the Museum displays a substantial portion of The Armand Hammer Collection, as well as a rotation of selections from The Armand Hammer Daumier and Contemporaries Collection and the Hammer Contemporary Collection. The collections are subject to a policy which requires proceeds from their sales

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to be used to acquire other items for collections. There were no significant sales of art related to these collections during the fiscal year ended June 30, 2024.

(7) Endowment

The Museum's endowment consists of six individual funds established for a variety of purposes. The endowment includes both donor-restricted endowment funds and funds designated by the board of directors to function as endowments. As required by U.S. Generally Accepted Accounting Principles ('GAAP'), net assets associated with endowment funds, including funds designed by the board of directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Endowment net asset composition by type of funds as of June 30, 2024 are as follows:

	Without donor imposed restrictions	With donor imposed restrictions	Total
Donor-restricted endowments	\$ —	59,626,500	59,626,500
Board-designated endowments	80,308,749	—	80,308,749
Total	<u>\$ 80,308,749</u>	<u>59,626,500</u>	<u>139,935,249</u>

Endowment net asset composition by type of funds as of June 30, 2023 is as follows:

	Without donor imposed restrictions	With donor imposed restrictions	Total
Donor-restricted endowments	\$ —	57,683,234	57,683,234
Board-designated endowments	77,703,822	—	77,703,822
Total	<u>\$ 77,703,822</u>	<u>57,683,234</u>	<u>135,387,056</u>

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

	Without donor imposed restrictions	With donor imposed restrictions	Total
Endowment net assets, beginning of year	\$ 77,703,822	57,683,234	135,387,056
Investment return:			
Investment income	1,241,437	887,556	2,128,993
Realized and unrealized losses, net	7,034,563	5,044,709	12,079,272
Management fees	<u>(1,285,138)</u>	<u>(918,423)</u>	<u>(2,203,561)</u>
Total investment return	6,990,862	5,013,842	12,004,704
Additions	—	600,000	600,000
Appropriation of endowment assets for expenditure	<u>(4,385,935)</u>	<u>(3,670,576)</u>	<u>(8,056,511)</u>
Endowment net assets, end of year	<u>\$ 80,308,749</u>	<u>59,626,500</u>	<u>139,935,249</u>

Changes in endowment net assets for the fiscal year ended June 30, 2023 are as follows:

	Without donor imposed restrictions	With donor imposed restrictions	Total
Endowment net assets, beginning of year	\$ 77,454,403	57,006,658	134,461,061
Investment return:			
Investment income	997,982	712,037	1,710,019
Realized and unrealized losses, net	4,877,647	3,475,663	8,353,310
Management fees	<u>(1,105,783)</u>	<u>(784,091)</u>	<u>(1,889,874)</u>
Total investment return	4,769,846	3,403,609	8,173,455
Additions	—	1,000,000	1,000,000
Appropriation of endowment assets for expenditure	<u>(4,520,427)</u>	<u>(3,727,033)</u>	<u>(8,247,460)</u>
Endowment net assets, end of year	<u>\$ 77,703,822</u>	<u>57,683,234</u>	<u>135,387,056</u>

Spending Policy

The Museum, with the approval of the Board, appropriated for distribution (on a cash basis) 5.25% of its endowment fund's value for the year ended June 30, 2024. The value of the endowment appropriation is

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determined by averaging the fair value over the prior 12 quarters through the calendar year-end preceding the fiscal year in which the distribution is planned. In establishing these appropriations, the Museum considers the long-term expected return on its endowment. Accordingly, over the long-term, the Museum expects the current spending policy to allow its endowment to grow with inflation. This is consistent with the Museum's objective to maintain the purchasing power of the endowment assets held in perpetuity.

(8) Museum Reserve Fund

The fair value of the Museum Reserve Fund is held in the UCLA Foundation Endowed Investment Pool totaled \$45,369,745 and \$43,915,100 as of June 30, 2024 and 2023. Investment principal is restricted for the acquisition of works of art for its collections. All or any part of the investment income (including the appreciation in fair market value) may be used for the acquisition of works of art, to fund exhibitions and other programs, and for such other purposes as determined by the unanimous action of the board of directors. For the year ended June 30, 2024, the restricted investments had interest and dividend income of \$690,857, and net realized and unrealized gains of \$3,916,654.

(9) Multiple Disbursement Note and Revolving Line of Credit

On January 26, 2022, the Museum transferred the existing \$15,000,000 line of credit from UCLA to City National Bank (CNB). The new agreement includes two loans, (a) a Revolving Line of Credit for \$2,500,000, and (b) a Multiple Disbursement Term Loan with principal amount of \$12,500,000. The unpaid principal on both loans has annual interest equal to the Daily Simple SOFR Loan, the greater of (i) the floor of the Daily Simple SOFR loan, and (ii) the Daily Simple SOFR plus 2.3%. Both loans are secured by a continuing security interest in all the Museum's Accounts, Deposit Accounts, and General Intangibles, including all capital campaign pledges.

(a) The Revolving Line of Credit for \$2.5 million renews annually and has a maturity date of December 31, 2024. No amounts were outstanding on this Line of Credit as of June 30, 2024, and there were no drawdowns during the fiscal year.

(b) The \$12.5 million Multiple Disbursement Note has a termination date of June 30, 2025, which means no additional funds can be advanced after that date. Starting September 30, 2025, loan principal payments will be due and payable in eight equal consecutive quarterly installments. The loan has a maturity date of June 30, 2027. As of June 30, 2024, the outstanding borrowings were \$9.1 million. For the year ended June 30, 2024, the Museum accrued \$713,834 of interest expense, which is a component of accounts payable in the accompanying financial statements. Based on the outstanding borrowings of \$9.1 million as of June 30, 2024, \$9.1 million will be paid in the fiscal years 2026 and 2027.

(10) Related-Party Transactions

(a) Real-estate Related Transaction

On October 23, 2015, Occidental and the Museum entered into a new agreement whereby (i) Occidental agreed to acquire the Museum's building purchase option, (ii) the 1991 Lease in place at the time was terminated, and (iii) Occidental and the Museum entered into a new lease agreement providing the Museum with free rent for exhibition, office, and parking space in the Occidental building

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for a 99-year term (the 2015 Lease). The fair values of the purchase option, the remaining free rent under the 1991 Lease and the free rent of the 2015 Lease were determined by an independent appraiser and those values, along with the cash contributed by Occidental, resulted in a net realized gain on sale of real estate purchase option reported in the June 30, 2016 financial statements. The fair value of the remaining 2015 Lease of \$53.8 million is reflected as buildings in property and equipment (note 5). Subsequent to this agreement, UCLA purchased the building and assumed the lease agreement with the Museum. For the year ended June 30, 2024, the Museum reported \$543,434 of depreciation expense and paid \$2,676,264 in operating expenses related to the 2015 Lease.

(b) Contributions

For the year ended June 30, 2024 and 2023, UCLA paid \$4,942,920 and \$4,778,780 to the Museum which included annual support per the Operating Agreement, nonobligatory contributions, and cost of living adjustments (note 3). Such contributions were reflected as contributions from related parties in the statement of activities for the year ended June 30, 2024 and 2023.

(c) Due to the University

The Museum reimburses UCLA for certain expenses, such as salaries and benefits, food and beverage related expenses, and pays UCLA for Museum building expenses. As of June 30, 2024 and 2023, \$1,528,296 and \$1,077,642, respectively, was due to UCLA for these expenses and reported as due to related parties in the accompanying financial statements.

(11) Net Assets

Description of amounts classified as net assets with donor-imposed restrictions as of June 30, 2024 and 2023, are as follows:

	2024	2023
The portion of endowment funds subject to donor-restricted stipulation	\$ 140,361	873,014
The portion of the museum reserve fund	45,369,745	43,915,100
The portion of endowment funds that is required to be retained permanently by explicit donor stipulation	5,333,500	3,833,500
Contributions received restricted for specific purpose	14,724,911	18,073,105
Contributions receivable restricted for specific purpose or timing of use	26,783,101	28,675,527
	\$ 92,351,618	95,370,246

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(12) Liquidity and Availability

Financial assets available for general expenditures that are without donor or other restrictions limiting their use, within one year of the statement of financial position, comprise the following:

Cash and cash equivalents	\$	12,822,850
Accounts and interest receivable		468,643
Contribution receivable		4,033,222
Investments		<u>80,308,749</u>
		97,633,464
Less those unavailable for general expenditure within one year due to:		
Restricted by donor with time or purpose restriction		(5,074,671)
Restricted for Museum Reserve Fund		(1,484,207)
Board designated amounts for capital projects		<u>(860,328)</u>
Financial assets available to meet cash needs for general expenditure within one year	\$	<u><u>90,214,258</u></u>

As part of the Museum's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due and to maintain a prudent reserve equal to three times the Museum's monthly average expenses. As described in note 4, the Museum manages its liquidity primarily through ongoing assessments of the nature, redemption period, concentration of the investments within the portfolio, and the lock up periods imposed by the UCLA Foundation. The assessment includes an analysis of how much of the investment portfolio (in concert with the UCLA Foundation) could be converted to cash within one year. At June 30, 2024, the Museum determined that \$80,308,748 of investments could be converted to cash within one year. As described in note 7, the Museum's investments are a mix of Board-designated endowments and donor-restricted endowments. The portions of the endowment that are donor-restricted are not available for general expenditures and, accordingly, are not considered available financial assets. Spending from the Board-designated endowment is determined annually by the Museum's board of directors. Prior to the start of the 2025 fiscal year, the board of directors designated \$6,730,001 in annual endowment spending for general, programming, and art acquisitions expenditures. Although the Museum does not intend to spend from its Board-designated endowment other than the amounts appropriated for general, programming, and art acquisitions expenditures as part of its annual budget approval process, amounts from its board-designated endowment could be made available, through board action, if necessary. Accordingly, the board-designated endowment has been reported as financial assets available for general use.

(13) Subsequent Events

The Museum has evaluated subsequent events through the date that the financial statements are issued, May 20, 2025 for potential recognition or disclosure in the financial statements.

On March 20, 2025, the Museum amended its Credit Agreement referenced in note 9(a) which now has a maturity date of December 31, 2025.