



Mingei International, Inc.

Financial Report

June 30, 2025

Contents

	<u>Page</u>
Independent Auditor's Report	1
Financial Statements	
Statement of Financial Position	3
Statement of Activities	4
Statement of Functional Expenses.....	5
Statement of Cash Flows	6
Notes to Financial Statements	7



Independent Auditor's Report

To the Board of Directors of Mingei International, Inc.

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Mingei International, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2025, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Mingei International, Inc. as of June 30, 2025, and the changes in 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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Mingei International, Inc. 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 Mingei International, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards 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 generally accepted auditing standards, 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 Mingei International, Inc.'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 Mingei International, Inc.'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 Mingei International, Inc.'s June 30, 2024, financial statements and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 3, 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.

WEST RHODE & ROBERTS
San Diego, California
November 19, 2025

MINGEI INTERNATIONAL, INC.

Statement of Financial Position

June 30, 2025

(With Summarized Financial Information for June 30, 2024)

	2025	2024 (Note 13)
Assets		
Cash and cash equivalents	\$ 235,647	\$ 480,479
Contributions receivable	171,552	117,627
Prepaid expenses and other assets	358,831	211,486
Pledges receivables, net	-	198,683
Right of use asset	245,063	355,546
Investments	16,153,839	15,806,655
Property, equipment, and leasehold improvements, net	40,781,706	43,316,515
Collections and exhibits	1	1
Total assets	<u>\$ 57,946,639</u>	<u>\$ 60,486,992</u>
Liabilities and net assets		
Liabilities:		
Accounts payable and accrued expenses	\$ 852,427	\$ 705,368
Unearned revenues	490,194	94,165
Lease liability	271,292	391,556
Notes payable	<u>1,350,000</u>	<u>6,500,000</u>
Total liabilities	<u>2,963,913</u>	<u>7,691,089</u>
Net assets:		
Without donor restrictions	40,624,278	38,254,124
With donor restrictions	<u>14,358,448</u>	<u>14,541,779</u>
Total net assets	<u>54,982,726</u>	<u>52,795,903</u>
Total liabilities and net assets	<u>\$ 57,946,639</u>	<u>\$ 60,486,992</u>

MINGEI INTERNATIONAL, INC.

Statement of Activities

Year Ended June 30, 2025

(With Summarized Financial Information for the Year Ended June 30, 2024)

	Without Donor Restrictions	With Donor Restrictions	2025 Total	2024 (Note 13)
<u>Operating Activities</u>				
Support and revenues				
Contributions	\$ 1,515,842	\$ 6,157,117	\$ 7,672,959	\$ 6,095,052
Auxiliary activities	1,219,110	-	1,219,110	1,075,651
Memberships	340,297	-	340,297	303,563
Special events and fundraising	243,482	-	243,482	284,365
Contracts and grants	221,405	-	221,405	243,864
Admissions	214,278	-	214,278	189,965
Other income	52,237	-	52,237	130,441
Net assets released from restrictions:				
Satisfaction of program restrictions	6,594,002	(6,594,002)	-	-
Endowment appropriation	1,135,641	(1,135,641)	-	-
Total revenue and support	<u>11,536,294</u>	<u>(1,572,526)</u>	<u>9,963,768</u>	<u>8,322,901</u>
Expenses				
Program services				
Exhibitions and collections	4,071,040	-	4,071,040	3,775,889
Auxiliary services	1,404,594	-	1,404,594	1,562,636
Education	737,955	-	737,955	644,363
Library	320,304	-	320,304	379,317
Total program services	<u>6,533,893</u>	<u>-</u>	<u>6,533,893</u>	<u>6,362,205</u>
Supporting services				
Management and general	1,858,243	-	1,858,243	1,651,644
Fundraising	978,550	-	978,550	941,987
Total supporting services	<u>2,836,793</u>	<u>-</u>	<u>2,836,793</u>	<u>2,593,631</u>
Total expenses	<u>9,370,686</u>	<u>-</u>	<u>9,370,686</u>	<u>8,955,836</u>
Operating revenues and support in excess (deficit) of expenses	<u>2,165,608</u>	<u>(1,572,526)</u>	<u>593,082</u>	<u>(632,935)</u>
<u>Non-operating activities</u>				
Investment income, net	63,012	427,951	490,963	497,768
Net realized and unrealized gain	141,534	961,244	1,102,778	1,439,172
Total non-operating activities	<u>204,546</u>	<u>1,389,195</u>	<u>1,593,741</u>	<u>1,936,940</u>
Change in net assets	2,370,154	(183,331)	2,186,823	1,304,005
Net assets at beginning of year	38,254,124	14,541,779	52,795,903	51,491,898
Net assets at end of year	<u>\$ 40,624,278</u>	<u>\$ 14,358,448</u>	<u>\$ 54,982,726</u>	<u>\$ 52,795,903</u>

MINGEI INTERNATIONAL, INC.

Statement of Functional Expenses

Year Ended June 30, 2025

(With Summarized Financial Information for the Year Ended June 30, 2024)

	Program Services				Total Program Services	Supporting Services		2025 Total	2024 (Note 13)
	Exhibitions and Collections	Auxiliary Services	Education	Library		Management and General	Fundraising		
Expenses									
Salaries	\$ 1,328,153	\$ 100,797	\$ 418,730	\$ 128,183	\$ 1,975,863	\$ 1,199,115	\$ 582,219	\$ 3,757,197	\$ 3,547,597
Depreciation expense	1,368,070	605,869	118,445	98,373	2,190,757	225,344	139,760	2,555,861	2,548,408
Facility expense	511,676	176,895	28,145	33,024	749,740	38,965	28,506	817,211	893,174
Other expenses	331,346	75,383	20,635	14,553	441,917	49,402	79,890	571,209	750,195
Professional services	206,037	6,952	77,406	14,886	305,281	84,996	57,926	448,203	264,325
Cost of goods sold	-	385,477	-	-	385,477	-	-	385,477	326,454
Technology and telephone	107,624	14,692	14,784	12,181	149,281	60,551	40,582	250,414	219,288
Office expenses	70,137	12,265	43,783	4,594	130,779	91,566	26,088	248,433	161,397
In-kind expenses	94,260	-	-	11,067	105,327	-	-	105,327	56,646
Printing and signage	174	-	-	-	174	91,069	1,647	92,890	61,001
Insurance	43,038	2,754	16,027	3,443	65,262	12,531	9,639	87,432	74,177
Bank fees	10,525	23,510	-	-	34,035	4,704	12,293	51,032	53,174
Total expenses	<u>\$ 4,071,040</u>	<u>\$ 1,404,594</u>	<u>\$ 737,955</u>	<u>\$ 320,304</u>	<u>\$ 6,533,893</u>	<u>\$ 1,858,243</u>	<u>\$ 978,550</u>	<u>\$ 9,370,686</u>	<u>\$ 8,955,836</u>

MINGEI INTERNATIONAL, INC.

Statement of Cash Flows

Year Ended June 30, 2025

(With Summarized Financial Information for the Year Ended June 30, 2024)

	2025	2024 (Note 13)
Cash flows from operating activities		
Change in net assets	\$ 2,186,823	\$ 1,304,005
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	2,555,861	2,548,408
Net realized and unrealized gain on investments	(1,102,778)	(1,439,172)
Non cash lease expense	(9,781)	(6,574)
Change in operating assets and liabilities:		
Pledges receivables	198,683	(102,641)
Contributions receivables	(53,925)	45,734
Prepaid expenses and other assets	(147,345)	(7,667)
Accounts payable and accrued expenses	147,059	(7,647)
Unearned revenues	396,029	(3,510,690)
Net cash provided by (used in) operating activities	<u>4,170,626</u>	<u>(1,176,244)</u>
Cash flows from investing activities		
Purchase of investments	(2,753,623)	(4,775,598)
Proceeds from sale of investments	3,305,563	6,386,365
Purchase of property and equipment	(21,052)	(41,775)
Net cash provided by investing activities	<u>530,888</u>	<u>1,568,992</u>
Cash flows from financing activities		
Payment on notes payable	(5,150,000)	-
Net cash used in financing activities	<u>(5,150,000)</u>	<u>-</u>
Change in cash and cash equivalents	(448,486)	392,748
Cash and cash equivalents at beginning of year	6,282,984	5,890,236
Cash and cash equivalents at end of year	<u>\$ 5,834,498</u>	<u>\$ 6,282,984</u>
Cash and cash equivalents consist of		
Cash and cash equivalents	\$ 235,647	\$ 480,479
Cash and cash equivalents included in investments	5,598,851	5,802,505
	<u>\$ 5,834,498</u>	<u>\$ 6,282,984</u>
Supplemental cash flow information		
Cash paid for interest	<u>\$ 462,439</u>	<u>\$ 339,327</u>

Note 1. Organization and Significant Accounting Policies

Organization and Activities

Mingei International, Inc. (the Museum) is a not-for-profit corporation organized under the laws of the State of California for the purpose of furthering the understanding of art of people (mingei) from all eras and cultures of the world. This art shares a direct simplicity and reflects joy in making, by hand, useful objects of timeless beauty that are satisfying to human spirit. The Museum collects, conserves and exhibits these arts of daily life – by unknown craftspeople of ancient times, from traditional cultures of past and present and by historical and contemporary designers. The Museum is located in San Diego's Balboa Park.

Significant Accounting Policies

Method of Accounting - The financial statements of the Museum have been prepared utilizing the accrual basis of accounting.

Basis of Presentation – The financial statements of the Museum have been prepared in accordance with U.S. generally accepted accounting principles ("US GAAP"), which require the Museum to report information regarding its financial position and activities according to the following net asset classifications:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of the Museum's management and the board of directors.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Museum or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity. Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the combined statement of activities.

Measure of Operations – The statement of activities reports all changes in net assets, including changes in net assets from operating and non-operating activities. Operating activities consist of those items attributable to the Museum's ongoing programs. Non-operating activities are limited to resources that generate return from long-term investments and other activities considered to be of a more unusual or nonrecurring nature.

Revenue Recognition – The Museum recognizes revenue in accordance with the following policies:

Contributions – Contributions are recognized as revenue when they are unconditionally pledged or when all conditions have been met.

The Museum reports contributions as restricted if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, with restriction revenues are reclassified to without restriction revenues and reported in the statement of activities as revenues released from restrictions. Contributions with donor restrictions requiring the principal gift to be held in perpetuity are reported as donor restricted endowments. The income and net gains earned from such assets is generally restricted to the purpose designated by the donor. This recognition is in accordance with the Financial Accounting Standards Board (FASB) Accounting Standards Codification No. 958-605.

Mingei International, Inc.

Notes to Financial Statements

Contributions of service are recognized if the services received (a) create or enhance non-financial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. The Museum reports such contributions at their estimated fair value when received. During the year ended June 30, 2025, no contributions of services were recorded.

Contributions in-kind are recorded based on an estimated fair market value or an appraised value provided by a third-party appraiser for individual in-kind gifts over \$5,000. During the year ended June 30, 2025, \$105,327 in-kind gifts were recorded which is included with contributions on the statement of activities.

Auxiliary Activities – The Museum’s auxiliary activities include food and beverage services, education activities, retail merchandise, facility rentals, and other similar support activities.

Memberships – Membership fees are recognized as revenue ratably over the membership period. Amounts received for subsequent year’s fees are recorded as deferred membership revenue in the statement of financial position.

Contracts and Grants – The policy of the Museum is to recognize the revenue to the extent of eligible costs incurred, up to the maximum subcontract or grant amount.

Admissions – Admissions are recorded when tickets are redeemed at the Museum.

Cash and Cash Equivalents – The Museum considers all highly liquid investments with an original maturity of less than three months to be cash equivalents.

Contributions receivables – Contributions are recognized upon the earlier of the receipt of a donor’s unconditional promise to give or upon receipt of the contribution. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. Contributions receivables are reviewed for collectability and reserves for uncollectible amounts are recorded based on the estimated collectability. Accounts are written off against the allowance for doubtful accounts when deemed uncollectible. Management has determined that no allowance is needed for the year ended June 30, 2025.

Investments – Investments in debt and equity securities with readily determinable fair values are reported at fair values. Net realized and unrealized gains or losses are reflected as increases or decreases in net assets without donor restrictions, unless the use is restricted by the donor. Cash and cash equivalents that are used as part of the investment policy are included with investments.

Property, Equipment and Leasehold Improvements – Property, equipment and leasehold improvements are carried at cost for items purchased or improvements made, or fair value at the date of the gift for donated items. Items which cost or have a fair value at the date of the gift of \$5,000 or more are capitalized. Depreciation is provided using the straight-line method over the estimated useful lives of the assets as follows:

Leasehold improvements	24 years
Furniture and equipment	5 - 7 years

Collections – The permanent collection of the Museum consists of paintings, sculpture, installations, works on paper (including photography), video and other media. The cornerstone of any museum is its collection. Acquisition and preservation of objects are the primary responsibilities of the Board of Directors, the executive director, and the curatorial staff.

In accordance with the Museum's policy and FASB ASC 958-360, collections are not capitalized. Purchases of collection items are expensed when acquired, and contributed collection items are not recognized in the financial statements. The value of the Museum's collection is excluded from the accompanying financial statements and is reflected on the statement of financial position at the nominal value of \$1, as there is no objective basis for establishing value. Contributed collection items are not reflected in the financial statements.

Proceeds from deaccessions or insurance recoveries are used to acquire other items for the collection or for the direct care of existing collections and are reflected as increases in the appropriate net asset class. There were no deaccessions during the year ended June 30, 2025.

Leases – Under ASC 842, the Museum determines if an arrangement is or contains a lease at inception. Leases are included in right-of-use (ROU) assets and lease liabilities in the statement of financial position. ROU assets represent the right to control the use of an identified asset for the lease term and lease liabilities represent the obligation to make lease payments arising from the lease. ROU assets and liabilities are recognized at the commencement date based on the present value of the future minimum lease payments over the lease term. Operating lease expense is recognized on a straight-line basis over the lease term. The Museum does not report ROU assets and leases liabilities for its short-term leases (leases with a term of 12 months or less). Instead, the lease payments of those leases are reported as lease expense on a straight-line basis over the lease term.

Physical Facilities – The City of San Diego (the City) owns the building in Balboa Park occupied by the Museum. The Museum occupies the building under a 25-year lease agreement with the City of San Diego expiring in 2046, which permits the Museum use of the structure at no charge. Under the terms of the lease, the City is responsible for the maintenance of the exterior of the building.

In accordance with accounting principles generally accepted in the United States of America (US GAAP), the original value of the building is to be reflected in the Museum's financial statements. However, if the building had been reported at its fair market value at the date the agreement with the City originally commenced, it would have been fully depreciated in prior years. Therefore, it is not reflected in the accompanying statement of financial position. The cost of expansion and renovation, amounting to \$47,020,315, has been capitalized and is amortized over the lease term.

As the lease with the City is classified as an operating lease under ASC 842, and involves no fixed lease payments, no lease liability or right-of-use asset is recognized on the statement of financial position for this lease. The maintenance and upkeep costs, as well as the depreciation of leasehold improvements, are expensed as incurred and reported in the statement of activities.

Land Use and Maintenance - The agreement with the City also provides for the Museum's free use of the land in Balboa Park on which the structure is situated and maintenance of the building's exterior by the City. No value for land use reflected in the financial statements, as no objective basis is available to measure its value.

Exhibition Costs – Exhibition costs are usually expensed when incurred or during the life of the exhibit; however, traveling exhibition costs included in prepaid expense are expensed over the term of the exhibition.

Functional Allocation of Expenses – The statement of functional expenses presents expense by function and natural classification. Expenses directly attributable to a specific functional area of the Museum are reported as expenses of those functional areas. A portion of costs that benefit multiple functional areas (indirect costs) have been allocated across programs and supporting services based on the full-time employee equivalents of a programs or supporting service. Salary and benefits are allocated based on full time equivalents. Depreciation, interest, office and occupancy, insurance, and miscellaneous other expenses are allocated based on a square footage basis.

Use of Estimates – The preparation of financial statements, in conformity with US GAAP, 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 and the reported amounts of support, revenue, and expenses during the reporting period. Actual results could differ from those estimates.

Income Tax Status – The Museum is exempt from federal income tax pursuant to Section 501(c)(3) of the Internal Revenue Code and Section 23701(d) of the California Revenue and Taxation Code and is also exempt from state income tax. The Financial Accounting Standards Board (FASB) issued Accounting Standards Codification No. 740-10, Accounting for Uncertainties in Income Taxes, which sets a minimum threshold for financial statement recognition of the benefit of a tax position taken or expected to be taken in a tax return. The Museum has reviewed its positions for all open tax years and has determined that it has no uncertain tax positions requiring accrual or disclosure.

Subsequent Events – Subsequent events are events or transactions that occur after the statement of financial position date but before financial statements are available to be issued. The Museum recognizes in the financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at that date, including the estimates inherent in the process of preparing financial statements. The Museum's financial statements do not recognize subsequent events that provide evidence about conditions that did not exist at the date of the statement of financial position, but arose after that date and before the financial statements are available to be issued.

The Museum has evaluated subsequent events through November 19, 2025, which is the date the financial statements are available for issuance, and concluded that there are no events or transactions that needs to be disclosed.

Mingei International, Inc.

Notes to Financial Statements

Note 2. Liquidity and Availability of Resources

The Museum's financial assets available for general expenditure, that is without donor restrictions limiting their use within one year of the statement of position date, are as follows:

<u>Financial Assets</u>	
Cash and cash equivalents	\$ 235,647
Contributions receivable	171,552
Investments	<u>16,153,839</u>
Total financial assets available within one year	<u>16,561,038</u>
Less amounts unavailable for general expenditures within one year, due to:	
Restricted by donors with purpose restrictions	326,916
Restricted by donors in perpetuity	<u>14,031,532</u>
Total amounts unavailable for general expenditures within one year	<u>14,358,448</u>
Amounts unavailable to management without Board of directors approval:	
Board designated quasi-endowment	<u>2,122,306</u>
Total financial assets available to management for general expenditure within one year	<u>\$ 80,284</u>

The Museum maintains policies of structuring its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

Note 3. Investments and Fair Value Measurements

Fair value is defined as the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Museum uses a fair value hierarchy that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that observable inputs be used when available.

The hierarchy for fair value measurement are described as follows:

Level 1 - quoted prices for identical assets or liabilities in active markets as of the reporting date. Active markets are those in which transactions for the asset or liability occur in sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2 - observable market-based inputs or unobservable inputs that are corroborated by market data. May include quoted prices in a market that is not active.

Level 3 - unobservable inputs that cannot be corroborated by market data. These inputs reflect management's best estimate of fair value using its own assumptions about the assumptions a market participant would use in pricing the asset or liability.

NAV - privately held investments and securities held in partnerships are valued at Net Asset Value (NAV) as a practical expedient. These investments have not been classified in the three-level fair value hierarchy and NAV investments are presented in the accompanying financial statements at fair value, as determined by the Museum. The Museum believes that the carrying amount of its NAV investments is a reasonable estimate of fair value.

Mingei International, Inc.

Notes to Financial Statements

The following are descriptions of the valuation inputs and techniques that the Museum utilizes to determine fair value for each major category of assets and liabilities.

Due to the short-term nature of cash equivalents, other assets, accounts payable and accrued expenses, carrying value approximates fair value.

Equity funds are classified within Level 1 when they are traded on an active exchange and valued using quoted market prices.

Funds held at San Diego Foundation and Rancho Santa Fe Foundation are classified within Level 2, when they are valued using quoted prices in principal active markets for certain underlying fund positions and significant other observable inputs.

Private equities are valued at NAV. The Museum uses NAV to determine the fair value of all of the investments, which do not have readily determinable fair value. Such a value generally represents the proportionate share of the investment as reported by the fund managers and general partners. The Museum reviews and evaluates the values provided by the fund managers and general partners and agrees with the valuation methods and assumptions used in determining the fair value of these investments.

The following table represents investments by type, including placement in the fair value hierarchy of assets that are measured at fair value on a recurring basis.

	Fair Value Measurements at June 30, 2025, Using:				
	Level 1	Level 2	Level 3	NAV	Total
Assets					
Cash and cash equivalents	\$ 5,598,851	\$ -	\$ -	\$ -	\$ 5,598,851
Equity funds	8,446,028	-	-	-	8,446,028
Private equities	-	-	-	1,568,925	1,568,925
Total investments	14,044,879	-	-	1,568,925	15,613,804
Funds held at San Diego Foundation	-	266,074	-	-	266,074
Funds held at Rancho Santa Fe Foundation	-	273,961	-	-	273,961
	<u>\$ 14,044,879</u>	<u>\$ 540,035</u>	<u>\$ -</u>	<u>\$ 1,568,925</u>	<u>\$ 16,153,839</u>

The management of the Museum is responsible for making fair value measurements and disclosures in the financial statements. As part of fulfilling this responsibility, the management of the Museum has established an accounting and financial reporting process for determining the fair value measurements and disclosures, which identifies and adequately supports the valuation methods and assumptions used and ensures that the presentation of the fair value measurement is in accordance with US GAAP.

The Museum's investment activities for the year ended June 30, 2025, resulted in interest and dividend income of \$598,789, net realized and unrealized gain of \$1,102,778 and management fees of \$107,826.

Note 4. Property, Equipment, and Leasehold Improvements

Property, equipment, and leasehold improvements consist of the following at June 30, 2025:

Leasehold improvements	\$ 47,020,315
Furniture, fixtures, and equipment	<u>4,027,294</u>
	51,047,609
Less accumulated depreciation	<u>(10,265,903)</u>
Total property, equipment, and leasehold improvements, net	<u>\$ 40,781,706</u>

Mingei International, Inc.

Notes to Financial Statements

Depreciation expense totaled \$2,555,861 for the year ending June 30, 2025.

Note 5. Notes Payable

On January 31, 2024, the Museum refinanced and restructured its loan with Chase Bank. The refinanced amount totaled \$6,500,000 with a 36-month term and a variable interest rate based on the Secured Overnight Financing Rate (SOFR), which was 8.25% as of January 31, 2024. On April 28, 2025, the note was modified to require monthly interest-only payments beginning May 1, 2025, with all outstanding principal and accrued interest due at maturity on February 1, 2027. The outstanding principal balance as of June 30, 2025, was \$1,350,000. Interest expense incurred on the note for the year ended June 30, 2025, totaled \$317,478.

Future minimum payments on the note payable is as follows:

<u>Years Ending June 30,</u>	
2026	\$ -
2027	1,350,000
	<u>\$ 1,350,000</u>

Note 6. Leases

The Museum evaluated current contracts to determine which met the criteria of a lease. The right-of-use (ROU) assets represent the Museum's right to use underlying assets for the lease term, and the lease liabilities represent the Museum's obligation to make lease payments arising from these leases. The ROU assets and lease liabilities, all of which arise from operating leases on copiers and storage space, were calculated based on the present value of future lease payments over the lease terms. The Museum has made an accounting policy election to use US treasury rate to discount future lease payments. The US treasury rate applied to calculate lease liabilities was 1.37%.

Average operating lease terms and discount rate at June 30, 2025, were as follows:

Weighted average remaining lease term (in Years)	2
Weighted average discount rate	3.61%

For the year ended June 30, 2025, total operating lease cost was \$122,564 and is included with facility expense on the statement of functional expenses.

Right-of-use assets at June 30, 2025, was \$245,063.

Future minimum base lease payments required under the lease agreement for the years ending June 30 is as follows:

<u>Years Ending June 30,</u>	
2026	\$ 135,774
2027	129,790
2028	<u>16,638</u>
Total lease payments	282,202
Less interest	<u>(10,910)</u>
Present value of lease liability	<u>\$ 271,292</u>

Mingei International, Inc.

Notes to Financial Statements

Note 7. Net Assets Without Donor Restrictions

The Museum's net assets without donor restrictions is comprised of undesignated and Board designated amounts for the following purposes at June 30, 2025:

Board designated quasi-endowments	\$ 2,122,306
Without donor restrictions	<u>38,501,972</u>
	<u>\$ 40,624,278</u>

Note 8. Net Assets With Donor Restrictions

Net assets with donor restrictions represent contributions and other inflows received by the Museum, which are limited in their use by the donor-imposed stipulations. Net assets with donor restrictions at June 30, 2025, that are available for the following purposes.

Subject to expenditure for specified purpose	
Programs, exhibitions and acquisitions	<u>\$ 326,916</u>

Net assets with donor restrictions at June 30, 2025, held in endowments subject to the Museum's spending policy and appropriations, the income which is expendable for:

	Donor restrictions to be maintained in perpetuity	Unappropriated income on endowment funds available to support	Total
Endowments:			
Gwendolyn E. Peacher Fund for exhibition enhancement	\$ 4,385,927	\$ 3,004,477	\$ 7,390,404
Building endowment fund	1,825,741	1,279,367	3,105,108
Operating	1,011,862	632,555	1,644,417
MWL Director's Chair	796,809	666,038	1,462,847
Brinley Thomas	120,000	43,256	163,256
San Diego Foundation	<u>7,955</u>	<u>257,545</u>	<u>265,500</u>
	<u>\$ 8,148,294</u>	<u>\$ 5,883,238</u>	<u>\$ 14,031,532</u>

Total net assets with donor restrictions at June 30, 2025, is \$14,358,448.

Note 9. Net Assets Released from Restriction

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes. Spending under the Museum's investment policy as well as funds released from other donor restricted funds accomplished the following by supporting:

	Endowment Draw	Satisfaction of program restrictions	Total
Capital campaign	\$ -	\$ 4,579,870	\$ 4,579,870
Building endowment	251,312	1,075,000	1,326,312
Other programs, exhibitions and acquisitions	884,329	490,474	1,374,803
Community Mondays	-	230,000	230,000
Blue gold exhibition	-	218,658	218,658
Total net assets released from restriction	<u>\$ 1,135,641</u>	<u>\$ 6,594,002</u>	<u>\$ 7,729,643</u>

Note 10. Endowment

The Museum follows the standards codified in FASB ASC 958-205-65, Endowments of Not-for-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act, and Enhanced Disclosures for All Endowment Funds, which provides guidance on the net asset classification of donor-restricted endowment funds for a not-for-profit organization that is subject to an enacted version of the 2006 Uniform Prudent Management of Institutional Funds Act (UPMIFA). The Museum's endowment consists of a number of funds established for a variety of purposes. Its endowment includes both donor-restricted endowment funds and funds designated by the Board of Directors to function as endowments. These funds are held in the pooled investment funds.

Interpretation of Relevant Law – The Board of Directors of the Museum has interpreted the 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.

Endowment Investment Policy –The Museum has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment, while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Museum must hold in perpetuity. Actual returns in any given year may vary.

The investment objectives for the Endowment's assets are to earn long-term returns that match or exceed annual income requirements of the Mingei International, Inc., to provide for asset growth at a rate in excess of the rate of inflation, to diversify the Endowment's assets in order to reduce the risk of wide swings in market value from year-to-year, or of incurring large losses, and to achieve investment results over the long-term that compare favorably with those of other endowments and of appropriate market indexes. The committee uses a return objective which is measured over a full market cycle (5 years), and is expected to outperform a custom index which reflects the target asset allocation of the portfolio. The 5-year custom index was 7.5% as of June 30, 2025.

Mingei International, Inc.

Notes to Financial Statements

Funds with Deficiencies – From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Museum to retain as a fund of perpetual duration. The Museum maintains records of the sum of (a) the original value of gifts donated to its permanent endowment, (b) the original value of subsequent gifts to such permanent endowment, and (c) the value of accumulations to such permanent endowment funds made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. As of June 30, 2025, the Museum had no funds with deficiencies.

Strategies Employed for Achieving Objectives – To satisfy its long-term rate-of-return objectives, the Museum relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Museum targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Spending Policy - Except as set forth in the donors' requirements or in the constitutive instruments establishing an endowment, the Museum has adopted a policy of appropriating distribution each year to the board designated quasi-endowment no more than 7% of its endowment fund's average fair value over the prior 12 quarters through the calendar year end preceding the fiscal year in which the distribution is planned. The Museum may draw up to 4.5% of the endowment, including the quasi-endowment, to support operations, allowing the endowment, and specifically the board designated quasi-endowment, to grow annually. This is consistent with the Museum's objective to maintain the power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

Endowment funds net asset composition as of June 30, 2025, is as follows:

	Without Donor Restriction	With Donor Restriction	Total
Board designated quasi-endowments	\$ 2,122,306	\$ -	\$ 2,122,306
Donor restricted endowments	-	14,031,532	14,031,532
	<u>\$ 2,122,306</u>	<u>\$ 14,031,532</u>	<u>\$ 16,153,838</u>

Changes in endowment funds during the year ended June 30, 2025, are summarized in the following table:

	Without Donor Restriction	With Donor Restriction	Total
Endowment net assets, beginning of year	\$ 2,028,677	\$ 13,777,978	\$ 15,806,655
Investment return:			
Investment income	63,012	427,951	490,963
Net appreciation (1)	141,534	961,244	1,102,778
Total investment return	204,546	1,389,195	1,593,741
Appropriation of assets for expenditure	(110,917)	(1,135,641)	(1,246,558)
Endowment net assets, end of year	<u>\$ 2,122,306</u>	<u>\$ 14,031,532</u>	<u>\$ 16,153,838</u>

(1) Includes realized and unrealized gains and losses.

Note 11. Retirement Plan

The Museum offers a defined contribution employee retirement plan, providing a safe harbor match of 100% of participants' contributions, up to 5% of their salary, after six months of employment. The contributions are made in accordance with Section 401(k) of the Internal Revenue Code. Total employer contribution was \$123,787 at June 30, 2025.

Note 12. Risks and Uncertainties

Concentration of credit risk – The Museum maintains its cash in bank accounts, which at times may exceed federally insured limits. The Museum has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk related to cash.

Investments - The Museum invests in various investments, including equity funds. Investment securities, in general, are subject to various risks, such as interest rate, credit, and overall market volatility. Due to the level of risk associated with certain investments, it is reasonably possible that changes in the values of investments could occur in the near term and that such change could materially affect amounts reported on the combined financial statements.

Note 13. June 30, 2024, Financial Information

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 accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Museum's financial statements for the year ended June 30, 2024, from which the summarized information was derived. Certain reclassifications have been made to the summarized 2024 financial information to conform to the classifications adopted for the 2025 financial statements. These reclassifications had no effect on the change in net assets.