MUSEUM ASSOCIATES

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2013

MUSEUM ASSOCIATES

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2013

CONTENTS

Page

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Museum Associates

Report on the Financial Statements
We have audited the accompanying financial statements of Museum Associates (the Museum), which comprise the statement of financial position as of June 30, 2013, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

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

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

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

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

Opinion
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Museum as of June 30, 2013, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

To the Board of Trustees
Museum Associates

Report on Summarized Comparative Information

We have previously audited the Museum's financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 3, 2012. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2012, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Green Hasson & Janks LLP

October 23, 2013
Los Angeles, California

MUSEUM ASSOCIATES

STATEMENT OF FINANCIAL POSITION
June 30, 2013
With Summarized Totals at June 30, 2012

ASSETS	2013	2012
Current assets		
Cash and cash equivalents	$ 4,592,059	$ 9,754,004
Accounts receivable - current portion	4,780,936	5,114,665
Accrued revenue	2,234,727	4,151,667
Pledges receivable - current portion, net	19,895,252	29,551,946
Inventories, net	791,341	891,324
Prepaid expenses and other current assets	153,382	110,272
Total current assets	32,447,697	49,573,878
Noncurrent assets		
Investments	258,318,200	229,369,387
Accounts receivable - long-term portion	18,400,000	-
Pledges receivable - long-term portion, net	49,987,362	50,634,461
Receivables under trust agreement, net	270,140	138,970
Property and equipment, net	305,168,910	312,961,110
Revenue bond trust accounts	208,476	2,155,051
Revenue bond issuance costs, net	15,022,587	15,629,218
Total noncurrent assets	647,375,675	610,888,197
Total assets	$ 679,823,372	$ 660,462,075

The accompanying notes are an integral part of these financial statements

MUSEUM ASSOCIATES

STATEMENT OF FINANCIAL POSITION
June 30, 2013
With Summarized Totals at June 30, 2012

LIABILITIES AND NET ASSETS	2013	2012
Current liabilities		
Accounts payable and accrued liabilities	$ 7,899,189	$ 7,769,783
Deferred revenue - current portion	1,131,986	5,111,625
Note payable - current portion	62,500	62,500
Capital lease obligation - current portion	43,047	256,978
Split-interest agreement liabilities	161,937	139,097
Total current liabilities	9,298,659	13,339,983
Noncurrent liabilities		
Revenue bonds	343,000,000	343,000,000
Deferred revenue - long term portion	27,109,091	-
Interest rate swap	55,636,880	88,148,360
Note payable - long-term portion	-	62,500
Capital lease obligation - long-term portion	-	43,047
Split-interest agreement liabilities	953,252	862,041
Underfunded pension liabilities	2,009,401	1,268,031
Total noncurrent liabilities	428,708,624	433,383,979
Total liabilities	438,007,283	446,723,962
Contingencies (Note 13)		
Net assets		
Unrestricted		
Board-designated, funds functioning as endowment	58,006,344	55,169,572
Donor-restricted endowment fund losses, net	(1,878,826)	(2,173,462)
Other	43,909,525	15,867,744
Temporarily restricted		
Funds functioning as endowment	37,153,626	35,804,687
Other	82,612,206	87,067,122
Permanently restricted – endowment funds	22,013,214	22,002,450
Total net assets	241,816,089	213,738,113
Total liabilities and net assets	$ 679,823,372	$ 660,462,075

The accompanying notes are an integral part of these financial statements

MUSEUM ASSOCIATES

STATEMENT OF ACTIVITIES
Year Ended June 30, 2013
With Summarized Totals for the Year Ended June 30, 2012

	2013				2012
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Total
Revenues and support					
Revenues					
Membership dues	$ 6,799,549	$ 587,424	$ -	$ 7,386,973	$ 7,867,825
Admissions	5,427,354	-	-	5,427,354	6,726,429
Investment income, net	83,334	830,038	-	913,372	1,141,158
Net realized and unrealized gain (loss) on investments	15,437,480	3,509,230	-	18,946,710	(2,525,807)
Unrealized gain (loss) on interest rate swap	32,511,480	-	-	32,511,480	(52,194,101)
County operating contract	22,310,000	-	-	22,310,000	21,584,000
Auxiliary activities	2,095,340	676,845	-	2,772,185	4,666,756
Other	7,604,036	302,209	-	7,906,245	7,359,435
Total revenues	92,268,573	5,905,746	-	98,174,319	(5,374,305)
Support					
Gifts	5,844,661	23,469,917	10,764	29,325,342	29,291,161
Government grants	500,000	130,033	-	630,033	650,220
Fundraising events, net	1,889,459	2,837,243	-	4,726,702	2,810,637
Total support	8,234,120	26,437,193	10,764	34,682,077	32,752,018
Net assets released from restrictions					
Satisfaction of program restrictions	18,539,941	(18,539,941)	-	-	-
Expiration of time restrictions and other transfers	17,623,332	(17,623,332)	-	-	-
Total net assets released from restrictions	36,163,273	(36,163,273)	-	-	-
Total revenues and support	136,665,966	(3,820,334)	10,764	132,856,396	27,377,713

The accompanying notes are an integral part of these financial statements

MUSEUM ASSOCIATES

STATEMENT OF ACTIVITIES
Year Ended June 30, 2013
With Summarized Totals for the Year Ended June 30, 2012

	2013				
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	2012 Total
Expenses					
Program-related expenses					
Exhibitions and collections management	$ 18,789,627	$ -	$ -	$ 18,789,627	$ 16,884,085
Curatorial	7,796,678	-	-	7,796,678	7,969,500
Education and public programs	5,775,686	-	-	5,775,686	5,309,390
Marketing and communication	5,160,603	-	-	5,160,603	5,855,380
Operations and public services	14,115,990	-	-	14,115,990	13,777,523
Property and deferred maintenance	6,550,048	-	-	6,550,048	602,075
Depreciation expense	7,906,013	-	-	7,906,013	7,889,870
Revenue bond interest expense and fees	14,135,020	-	-	14,135,020	13,723,496
Revenue bond cost of issuance amortization	606,631	-	-	606,631	610,914
Auxiliary activities	3,084,722	-	-	3,084,722	4,574,076
General and administrative	8,047,099	-	-	8,047,099	8,856,348
Development	4,055,660	-	-	4,055,660	3,731,157
Total expenses	96,023,777	-	-	96,023,777	89,783,814
Change in net assets before change related to collection items	40,642,189	(3,820,334)	10,764	36,832,619	(62,406,101)
Collection items purchased	(9,469,000)	-	-	(9,469,000)	(24,161,480)
Collection items sold	-	714,357	-	714,357	114,356
Change in net assets after change related to collection items	31,173,189	(3,105,977)	10,764	28,077,976	(86,453,225)
Net assets, beginning of year	68,863,854	122,871,809	22,002,450	213,738,113	300,191,338
Net assets, end of year	$ 100,037,043	$ 119,765,832	$ 22,013,214	$ 241,816,089	$ 213,738,113

The accompanying notes are an integral part of these financial statements

MUSEUM ASSOCIATES

STATEMENT OF CASH FLOWS
Year Ended June 30, 2013
With Summarized Totals for the Year Ended June 30, 2012

	2013	2012
Cash flows from operating activities		
Change in net assets	$ 28,077,976	$ (86,453,225)
Adjustments to reconcile change in net assets to cash provided by operating activities		
Net realized and unrealized (gain) loss on investments	(18,946,710)	2,525,807
Unrealized (gain) loss on interest rate swap	(32,511,480)	52,194,101
Depreciation expense	7,906,013	7,889,870
Revenue bond cost of issuance amortization	606,631	610,914
Collection items purchased	9,469,000	24,161,480
Collection items sold	(714,357)	(114,356)
Contributions restricted for endowment	(10,764)	(14,931)
Change in operating assets and liabilities		
Accounts receivable and accrued revenue	(16,149,331)	(6,752,335)
Pledges receivable, net	10,303,793	14,714,830
Inventories, net	99,983	722,707
Prepaid expenses and other current assets	(43,110)	471,123
Receivables under trust agreements, net	(131,170)	9,564
Accounts payable and accrued liabilities	129,406	(7,891)
Deferred revenue	23,129,452	3,026,853
Underfunded pension liabilities	741,370	1,268,031
Net cash provided by operating activities	11,956,702	14,252,542
Cash flows from investing activities		
Net purchases of investments	(10,002,103)	(893,707)
Purchase of property and equipment	(113,813)	(202,153)
Collection items purchased	(9,469,000)	(22,211,480)
Proceeds from collection items sold	714,357	114,356
Net cash used in investing activities	(18,870,559)	(23,192,984)
Cash flows from financing activities		
Repayment of revenue bonds	-	(40,000,000)
Decrease in revenue bond trust accounts	1,946,575	46,440,987
Repayment of notes payable	(62,500)	(3,062,500)
Increase in note payable	-	187,500
Payments on capital lease obligation	(256,978)	(244,665)
Increase(decrease) in split-interest agreements liability	114,051	69,363
Contributions restricted for endowment	10,764	14,931
Net cash provided by financing activities	1,751,912	3,405,616
Net decrease in cash and cash equivalents	(5,161,945)	(5,534,826)
Cash and cash equivalents, beginning of year	9,754,004	15,288,830
Cash and cash equivalents, end of year	$ 4,592,059	$ 9,754,004

Supplemental disclosure of noncash investing activities

During the years ended June 30, 2013 and 2012, the Museum paid $13,565,205 and $13,723,496, respectively, in interest expenses and related fees.

The accompanying notes are an integral part of these financial statements

NOTE 1 - GENERAL

Museum Associates (the Museum) is a California nonprofit corporation whose mission is to serve the public through the collection, conservation, exhibition and interpretation of significant works of art from a broad range of cultures and historical periods, and through the translation of these collections into meaningful educational, aesthetic, intellectual and cultural experiences for the widest array of audiences. To that end, the Museum finances the construction of new facilities, mounts exhibitions and conducts other educational programs to enhance public knowledge of the arts through the operation of the Los Angeles County Museum of Art (LACMA).

The Museum is the premier encyclopedic art museum in the Western United States. The Museum's collection of more than 120,000 artworks from around the world spans the history of art, from ancient to contemporary times. Through its varied collections, the Museum is both a resource to and a reflection of the many cultural communities and heritages in Southern California and throughout the world.

In conformity with its art collection policy, the collection items acquired by the Museum are not capitalized in its statement of financial position.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) BASIS OF PRESENTATION

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

The accompanying financial statements include a statement of financial position that presents the amounts for each of the three classes of net assets: unrestricted, temporarily restricted and permanently restricted. These net assets are classified based on the existence or absence of donor-imposed restrictions and the statement of activities reflects the changes in those categories of net assets.

Temporarily restricted net assets include those assets whose use by the Museum has been limited by donors to later periods of time or for specified purposes. Permanently restricted net assets include those net assets that must (to the extent required by donor restrictions) be maintained in perpetuity; the investment return from such assets may be used for purposes as specified by the donor or, if the donor has not specified a purpose, for purposes as approved by the Board of Trustees.

(b) CASH AND CASH EQUIVALENTS

For purposes of the statement of cash flows, the Museum considers all short-term, highly liquid investments with original maturities of three months or less, when purchased, to be cash equivalents.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) ACCOUNTS RECEIVABLE

Accounts receivable are recorded when billed or accrued and represent claims against third parties that will be settled in cash. The carrying value of receivables, net of the allowance for doubtful accounts, represents their estimated net realizable value. The allowance for doubtful accounts is estimated based on historical collection trends, type of debtor, the age of outstanding receivables, and existing economic conditions. If events or changes in circumstances indicate that specific receivable balances may be impaired, further consideration is given to the collectability of those balances and the allowance is adjusted accordingly. Past due receivable balances are written-off when internal collection efforts have been unsuccessful in collecting the amount due. At June 30, 2013, the Museum evaluated the collectability of its accounts receivable and determined that no allowance is necessary.

(d) PLEDGES RECEIVABLE

Contributions, including endowment gifts and pledges, as well as unconditional promises to give, are recognized as revenue in the period pledged. Amounts expected to be collected within one year are recorded at their net realizable value. Amounts expected to be collected in future years are recorded at the present value of estimated future cash flows discounted at an appropriate market interest rate at the date of the contribution. The Museum has established a general reserve considered to be adequate but not excessive in relation to the outstanding pledge balance.

(e) INVENTORIES

Inventories consist of Museum Shop goods and are stated at the lower of weighted-average cost or market.

(f) INVESTMENTS

The Museum's investments are reflected on the statement of financial position at fair value. Changes in unrealized gains and losses resulting from changes in fair value are reflected in the statement of activities. The Museum's investments consist of long-only equities, fixed income securities, absolute return funds, partnership interests and other funds.

The Museum's long-only equity investments and fixed income securities are generally publicly traded on national securities exchanges and have readily available quoted market values. The Museum's other partnership interests and other funds, and portions of its absolute return fund investments, are carried at estimated fair value. The Museum establishes fair value of these nonmarketable investments through (a) observable trading activity reported at net asset value, or (b) a documented valuation process including review of audited reports for the investment

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) INVESTMENTS (continued)

funds, verification of the fair value of marketable securities in the funds, regular review of fund manager valuation approaches, and monitoring of fund activities. Because of the inherent uncertainty of valuation of nonmarketable investments, the estimated fair values may differ significantly from the values that would have been used had a ready market for the investments existed, and the differences could be material.

Investments received through gifts are recorded at estimated fair value at the date of donation.

Dividend and interest income are accrued when earned. Such amounts are presented net of related investment expenses, which were $724,112 for the year ended June 30, 2013. Dividend and interest income and investment income earned from investments in all net asset classifications is allocated based on the individual investment asset as a percentage of total investment assets. Income from permanently restricted investments is recorded as temporarily restricted, except where the instructions of the donor specify otherwise.

(g) RECEIVABLES UNDER TRUST AGREEMENT AND SPLIT-INTEREST AGREEMENT LIABILITIES

The Museum has been named as the beneficiary of a trust agreement for which a third party has been named as the trustee. Assets contributed by the donor under this trust agreement are recognized at the present value of the estimated future distributions to be received. The interest rate used in determining the present value was the Museum's appropriate market rate of return at the date of the gift. Amortization of the discount and changes in actuarial assumptions are included in "Other" in the statement of activities. The present value of the total future amounts to be received was $270,140 at June 30, 2013.

Assets contributed by donors under gift annuity agreements and controlled by the Museum are recognized at fair value with a corresponding liability to beneficiaries of the annuity agreements. Such liability is calculated as the present value of the estimated future cash flows to be distributed to the income beneficiaries over their expected lives. The Museum has determined such liability using investment returns consistent with the composition of investment portfolios, single or joint life expectancies and the discount rates applicable in the years in which the agreements were entered into. The present value of these split-interest liabilities was $1,115,189 at June 30, 2013. The Museum has established a segregated reserve fund of $1,315,322 at June 30, 2013 which exceeds the present value of the liabilities.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) PROPERTY AND EQUIPMENT

Costs of renovating and constructing facilities located on land owned by the County of Los Angeles (the County) are expensed, as title to these facilities is either vested in the County or transferred to the County at the close of the construction period, which is relatively short. Facilities that are not located on land owned by the County are capitalized at cost and depreciated using the straight-line method over an estimated life of forty years.

Equipment and other property that are purchased are recorded at cost. Equipment and other property are depreciated using the straight-line method over the estimated useful life of five years.

(i) LONG-LIVED ASSETS

The Museum reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. An impairment loss is recognized when the sum of the undiscounted future cash flows is less than the carrying amount of the asset, in which case a write-down is recorded to reduce the related asset to its estimated fair value. No impairment losses were recognized on long-lived assets during the year ended June 30, 2013.

(j) ART COLLECTION

In conformity with the practice followed by many museums, art objects purchased by or donated to the Museum are not capitalized in the statement of financial position. The Museum's art collection is made up of art objects that are held for exhibition and various other program activities. Each of the items is cataloged, preserved and cared for, and activities verifying their existence and assessing their condition are performed continuously. Purchased collection items are recorded as decreases in unrestricted net assets in the year in which the items are acquired. Contributed collection items are excluded from the financial statements.

Proceeds from deaccessions or insurance recoveries are reflected as increases in the appropriate net asset classes. Deaccession proceeds are required by Museum policy to be applied to the acquisition of works of art for the permanent collection. The Museum purchased collection items in the amount of $9,469,000 during the year ended June 30, 2013. The Museum received donated art objects valued at $11,573,231 during the year ended June 30, 2013.

The Museum retains title to art objects that it acquires; art objects acquired jointly with County and Museum funds become the property of the County and the Museum on a pro rata basis.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) FINANCING COSTS

Financing costs are capitalized and amortized using the straight-line method over the terms of the related financing.

(l) REVENUES AND SUPPORT

Annual membership dues and admissions are recognized as revenue when such income is received. Monies received for conditional grants are recorded as deferred revenue until the monies are spent for the specified program or purpose. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

(m) CONTRIBUTED SERVICES

A substantial number of unpaid volunteers, including council members, have made significant contributions of their time to develop the Museum's programs. The value of this contributed time is not reflected in these financial statements, as it is not susceptible to objective measurement or valuation.

(n) INCOME TAXES

The Museum is a California not-for-profit corporation and is exempt from taxation under Section 501(c)(3) of the Internal Revenue Code (IRC) and is also exempt from state franchise taxes.

(o) ESTIMATED FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is the price that would be received to sell an asset or paid to transfer the liability in an orderly transaction between market participants at the measurement date. In determining fair value, the Museum uses the market or income approach. Based on this approach, the Museum utilizes certain assumptions about the risk and or risks inherent in the inputs to the valuation technique. These inputs can be readily observable, market-corroborated or generally unobservable inputs. The Museum utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. Based on the observability of the inputs used in the valuation techniques the Museum is required to provide information according to the fair value hierarchy. The fair value hierarchy ranks the quality and the reliability of the information used to determine fair values and in general is defined as follows:

Level 1 - Observable inputs that reflect quoted prices (unadjusted) for identical assets or liabilities in active markets.

Level 2 - Include other inputs that are directly or indirectly observable in the marketplace.

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

The fair value hierarchy also requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. For the year ended June 30, 2013, the application of valuation techniques applied to similar assets and liabilities has been consistent with the techniques applied during the year ended June 30, 2012.

Financial instruments included in the Museum's statement of financial position include cash and cash equivalents, accounts receivable and accrued revenue, pledges receivable, investments, receivables under trust agreement, revenue bond trust accounts, accounts payable and accrued liabilities, note payable, capital lease obligation, split-interest agreement liabilities, and interest rate swap.

For cash and cash equivalents, accounts receivable and accrued revenue, accounts payable and accrued liabilities, the carrying amounts represent a reasonable estimate of fair values due to their short-term maturity. Pledges receivable have been discounted using applicable market rates to approximate fair value. The receivables under trust agreement and split-interest agreement liabilities are reflected at their estimated fair values using the methodology described above. The estimated fair value of the Museum's note payable and capital lease obligation approximates the carrying value of these liabilities as these bear interest commensurate with their risks. Investments, revenue bond trust accounts, and derivative financial instruments (i.e., interest rate swaps) are reflected at estimated fair value as described below.

Investments and Revenue Bond Trust Accounts
The basis of fair value for the Museum's investments and revenue bond trust accounts differs depending on the investment type. For certain investments, market value is based on quoted market prices. These are classified within Level 1 of the valuation hierarchy. For certain investments, the market value is based on net asset value or market values of similar observable or underlying assets; these are classified within Level 2 of the fair value hierarchy. Some investments are based on unobservable inputs such as net asset value, cash flows, discount rates and alternative investments which are supported by little or no market activity; these are classified within Level 3 of the fair value hierarchy.

Interest Rate Swap
Concurrent with the issuance and sale of the Series 2008 Bonds (See Note 7) and in order to manage exposure to interest rate fluctuations, the Museum entered into an interest rate swap agreement with Citibank, which was later novated to Wells Fargo, the counterparty.

The interest rate swap is valued separately from its underlying debt and is accounted for using a "mark-to-market" basis. As market fixed rates change over time, existing fixed rate swaps become more or less valuable than at inception, resulting in a mark-to-market value which includes either an unrealized gain or loss.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

The fair value of the interest rate swap is estimated using Level 2 inputs, which are based on model-derived valuations in which all significant inputs and significant value drivers are observable in active markets. The estimated market value of the interest rate swap at June 30, 2013 was computed by the counterparty and includes adjustments to reflect counterparty credit risk and the Museum's non-performance credit risk in estimating the fair value.

(p) CONCENTRATION OF CREDIT RISK

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

The Museum maintains its cash balances with several financial institutions that from time to time exceed amounts insured by the Federal Deposit Insurance Corporation. To date, the Museum has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash.

With respect to pledges and receivables, the Museum routinely assesses the financial strength of its creditors and believes that the related credit risk exposure is limited. At June 30, 2013, 80% of pledges are due from members of the Board of Trustees or their affiliates.

Investment securities, in general, are exposed to various risks, such as interest rate, credit and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the value of investment securities will occur in the near term and that such change could materially affect the amounts reported in the statement of financial position. The Museum attempts to limit its credit risk associated with investments through diversification and by utilizing the expertise and processes of an outside investment consultant.

(q) USE OF ESTIMATES

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(r) COMPARATIVE TOTALS

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Museum's financial statements for the year ended June 30, 2012 from which the summarized information was derived.

(s) RECLASSIFICATION

For comparability, certain June 30, 2012 amounts have been reclassified, where appropriate, to conform with the financial statement presentation used at June 30, 2013.

NOTE 3 - ACCOUNTS RECEIVABLE

At June 30, 2013, the Museum had the following accounts receivable:

Accounts Receivable - Current Portion	$ 4,780,936
Accounts Receivable - Long-Term Portion	18,400,000
TOTAL ACCOUNTS RECEIVABLE	$23,180,936

In October 2012, the Museum entered into a long term lease of one of its buildings for the development of a motion picture arts and sciences museum. All lease payments are scheduled to be paid over a period of not more than five years after the commencement date of the lease and the payments are subject to a 5% annual interest rate. Accounts receivable – current portion on the statement of financial position includes $4,600,000 related to the lease and accounts receivable – long-term portion reflects the remaining balance. During the year ended June 30, 2013, $517,500 in interest income was recognized related to the lease. Lease revenue associated with the long-term lease is recognized over the term of the lease with the unrecognized portion reflected as deferred revenue on the statement of financial position. At June 30, 2013, deferred revenue related to the long-term lease was $27,618,182.

NOTE 4 - PLEDGES RECEIVABLE

At June 30, 2013, the Museum had the following pledges receivable:

Pledges Receivable - Current Portion	$19,895,252
Due Between One and Five Years	39,415,728
Due after Five Years	29,455,701
Present Value Discount of Approximately 2 to 5%	(16,884,067)
Allowance for Doubtful Pledges	(2,000,000)
PLEDGES RECEIVABLE - LONG-TERM PORTION (NET)	49,987,362
TOTAL PLEDGES RECEIVABLE (NET)	$69,882,614

NOTE 5 - INVESTMENTS AND FAIR VALUE MEASUREMENTS

The Museum's investments consist of operating reserves and funds functioning as endowment and funds which have been restricted by the donor as endowment. The Museum's investments are managed as a single diversified portfolio governed by the Museum's investment policy, which sets asset allocation ranges to achieve portfolio diversification and also a minimum percentage of liquid assets. The Museum establishes the fair value of Level 1 investments based on quoted market prices. The Museum establishes Level 2 investments through observation of trading activity reported at net asset value or market values of similar observable or underlying assets. The Museum establishes Level 3 investments through a documented valuation process including review of audited reports for the investment funds, verification of the fair value of marketable securities in the funds, regular review of fund manager valuation approaches, and monitoring of fund activities.

As of June 30, 2013, the Museum's investments and related liabilities were classified by level within the valuation hierarchy as follows:

	Level 1	Level 2	Level 3	Total
INVESTMENTS:				
Cash and Cash Equivalents	$ 3,980,129	$ -	$ -	$ 3,980,129
Long-Only Equity	75,520,830	-	-	75,520,830
Fixed Income	22,970,580	-	-	22,970,580
Absolute Return	7,956,246	116,814,919	1,156,135	125,927,300
Other Partnerships and Other Funds	-	-	29,919,361	29,919,361
TOTAL INVESTMENTS	110,427,785	116,814,919	31,075,496	258,318,200
LIABILITIES:				
Split-interest Agreement Liabilities	-	(1,115,189)	-	(1,115,189)
NET	$110,427,785	$115,699,730	$31,075,496	$257,203,011

NOTE 5 - INVESTMENTS AND FAIR VALUE MEASUREMENTS (continued)

For the year ended June 30, 2013, the changes in fair value of the Museum's Level 3 investments are as follows:

Balance - Beginning of Year	$23,022,378
Purchases	9,779,141
Transfer from Level 2	328,857
Sales	(4,424,884)
Realized and Unrealized Gains (Net)	2,370,004
BALANCE - END OF YEAR	$31,075,496

During the year ended June 30, 2013, the net change in unrealized gain for Level 3 investments still held at June 30, 2013 amounted to $2,370,004, which is reflected as part of net realized and unrealized loss on investments on the statement of activities.

The Museum recognizes transfers at the beginning of each reporting period. Transfers between Level 1 and 2 investments generally relate to whether a market becomes active or inactive. The transfers between Level 2 and 3 investments related to whether significant relevant observable inputs are available for the fair value measurement in their entirety and when redemption rules become more or less restrictive. There was $328,857 transferred from Level 2 to Level 3 during the year ended June 30, 2013.

The Museum's investments in Level 2 and 3 funds are valued using the fair value practical expedient of net asset value. The following table summarizes the redemption frequency and notice period for the Museum's Level 2 and 3 investments at fair value as of June 30, 2013:

	Fair Value	Redemption Frequency	Redemption Notice Period
Absolute Return	$117,971,054	Monthly to Illiquid	30 - 90 Days, Unless Illiquid
Other Partnerships and Other Funds	29,919,361	Illiquid	Illiquid
TOTAL	$147,890,415		

Total unfunded commitments at June 30, 2013 amounted to $18,866,461.

NOTE 6 - PROPERTY AND EQUIPMENT

Property and equipment at June 30, 2013 consisted of the following:

Land	$ 36,143,953
Buildings and Improvements	303,277,925
Equipment and Other Property	9,770,029
TOTAL	349,191,907
Less: Accumulated Depreciation	(44,022,997)
PROPERTY AND EQUIPMENT (NET)	$305,168,910

Depreciation expense amounted to $7,906,013 for the year ended June 30, 2013.

NOTE 7 - REVENUE BONDS AND INTEREST RATE SWAPS

(a) REVENUE BONDS

On September 10, 2008, pursuant to an Indenture (the Indenture) by and between the California Statewide Communities Development Authority (the Issuer) and US Bank (the Trustee), the Museum refinanced the prior bonds issued in 2004 (Series A, B and C) and 2007 (Series A, B, C and D) with $383,000,000 of tax-exempt Variable Rate Demand Obligations (the 2008 Bonds). The 2008 Bonds were issued in $100,000 denominations with a variable interest rate that is reset, depending on the series, either weekly or daily.

The 2008 Bonds were issued in five series: Series 2008A was issued for $100,000,000, Series 2008B was issued for $100,000,000, Series 2008C was issued for $95,000,000, Series 2008D was issued for $60,000,000 and Series 2008E was issued for $28,000,000.

The Issuer lent the proceeds of the 2008 Bonds to the Museum pursuant to a loan agreement (the Loan Agreement) by and between the Issuer and the Museum. Such proceeds received by the Museum were used to (i) redeem all of the Museum's 2004 and 2007 bonds, (ii) finance capitalized interest on the 2008 Bonds, and (iii) finance costs of issuance of the 2008 Bonds.

The 2008 Bonds were supported by a 3-year letter of credit from a consortium of banks fronted by Wells Fargo and set to expire September 2011. In May 2011, the Museum restructured the debt. Series 2008A and 2008B totaling $200,000,000 remained variable demand obligations and were remarketed on a weekly basis. These bonds were supported by a letter of credit from a consortium of banks fronted by Union Bank. Series 2008C and 2008E totaling $123,000,000 were directly purchased by Wells Fargo and Series 2008D totaling $60,000,000 were directly purchased by US Bank.

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

(a) REVENUE BONDS (continued)

Terms of both the renewed letter of credit and the direct purchase agreements are parallel; both have terms of four years and expire in May 2015. Fees are charged at a rate of 1.50% on the letter of credit and direct purchase arrangements, with an increase possible if LACMA's credit rating is downgraded. As of June 30, 2013 there were no amounts borrowed or outstanding on the letter of credit.

Under the terms of the Loan Agreement, the Museum is subject to a certain financial covenant, the adjusted unrestricted net assets to indebtedness ratio ("UNA ratio"), which is tested each June 30 and December 31. If the ratio falls below 0.75 more than one time during the term of the letter of credit and direct purchase agreements, it is an event of default. As of June 30, 2013, the UNA ratio was 0.84.

In March 2012, the Museum redeemed $40,000,000 of its unspent bond proceeds and applied the principal reduction on a pro-rata basis to the five series of 2008 Bonds. After the redemption the revised principal debt balances were: Series 2008A $89,555,000, Series 2008B $89,555,000, Series 2008C $85,080,000, Series 2008D $53,735,000 and Series 2008E $25,075,000. The letter of credit covering Series 2008A and 2008B bonds was also reduced pro-rata to $182,054,274.

As of June 30, 2013, there were no unspent bond proceeds held in trust with the Trustee.

As of June 30, 2013, outstanding amounts due on the 2008 Bonds were $343,000,000. The carrying amounts of the bonds approximate fair value. As of June 30, 2013, the 2008 Bonds' mandatory bond redemption requirements have been summarized as follows:

Redemption Date December 1,	
2030	$ 16,470,000
2031	35,965,000
2032	36,450,000
2033	54,265,000
2034	76,350,000
2035	39,810,000
2036	41,180,000
2037	42,510,000
TOTAL	$343,000,000

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

(b) INTEREST RATE SWAPS

In September 2008, the Museum recast five existing swap agreements on prior bonds (2004 and 2007 Bonds) with Citibank and consolidated them into one swap agreement with the same aggregate notional amount of $256,315,000 and a termination date of December 1, 2037. Under the recast swap agreement, the Museum agreed to pay Citibank a synthetic fixed amount of interest, 3.552% per month, and received 59.5% of one-month LIBOR plus 0.3%.

On May 6, 2011, in conjunction with the May 2011 letter of credit renewal, Citibank novated the interest rate swap agreement with the Museum to Wells Fargo. Under the terms of the interest rate swap agreement with Wells Fargo, the aggregate notional amount of $256,315,000 and the termination date of December 1, 2037 remain unchanged. In addition, the Museum agrees to pay Wells Fargo a synthetic fixed amount of interest, 3.592% per month, and will receive 59.5% of one-month LIBOR (0.19435% at June 25, 2013) plus 0.3%. The Museum can terminate this agreement at any time, but Wells Fargo may terminate the agreement only if certain adverse conditions occur.

As of June 30, 2013, the fair value of the interest rate swap liability was $55,636,880. The aggregate unrealized gain reflecting the change in the swap value for the year ended June 30, 2013 was $32,511,480.

(c) REVENUE BOND ISSUANCE COSTS

The Museum amortizes its revenue bond issuance costs using the straight-line method over the term of the related debt. At June 30, 2013, the aggregate capitalized costs on the 2004, 2007 and 2008 Bonds were $20,202,225, net of $5,179,638 of accumulated amortization, and are included under Revenue bond issuance costs, net on the statement of financial position. The Museum recognized $606,631 in amortization costs on the capitalized bond issuance costs for the year ended June 30, 2013, and such costs are included under Revenue bond cost of issuance amortization on the statement of activities.

NOTE 8 - NOTE PAYABLE

Note payable at June 30, 2013 is related to an obligation for the purchase of artwork totaling $62,500. The note is unsecured and interest free. The remaining payment is due in 2014.

NOTE 9 - CAPITAL LEASE OBLIGATIONS

The Museum financed the purchase of certain software through a capital lease obligation with a principal amount of $1,003,213 and with final payment of $43,047 which is due in 2014. The imputed interest is approximately 0.9% per annum.

The software was placed in service during the year ended June 30, 2012. Related accumulated depreciation and depreciation expense as of and for the year ended June 30, 2013 was $434,682 and $217,341, respectively.

NOTE 10 - NET ASSETS

Unrestricted, temporarily restricted and permanently restricted net assets at June 30, 2013 were available for the following purposes:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment and Funds Functioning as Endowment:				
Operating Support	$ 56,047,449	$ -	$ 712,337	$ 56,759,786
Restricted Operating Support	-	11,872,356	15,089,043	26,961,399
Art Acquisitions	1,958,895	25,281,270	6,211,834	33,451,999
Donor Restricted Endowment Fund Losses	(1,878,826)	-	-	(1,878,826)
TOTAL ENDOWMENT AND FUNDS FUNCTIONING AS ENDOWMENT	56,127,518	37,153,626	22,013,214	115,294,358
Other Funds:				
Programs	119,090,629	77,710,680	-	196,801,309
Art Acquisitions	17,938	4,901,526	-	4,919,464
Property and Equipment	(75,199,042)	-	-	(75,199,042)
TOTAL OTHER FUNDS	43,909,525	82,612,206	-	126,521,731
TOTAL	$100,037,043	$119,765,832	$22,013,214	$241,816,089

NOTE 11 - ENDOWMENT

The Museum's endowment funds consist of funds functioning as endowment through (a) designation by the Board, (b) temporarily restricted funds managed as endowment funds and (c) donor-restricted endowment funds. The earnings of the Museum's endowment funds support education and art programs, and the mission of the Museum. Net assets associated with endowment funds, including funds designated by the board to function as endowment, are classified and reported based on the existence or absence of donor-imposed restrictions.

NOTE 11 - ENDOWMENT (continued)

At June 30, 2013, the Museum's endowment net asset composition by type of fund was as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Board Designated Endowment Funds	$58,006,344	$ -	$ -	$ 58,006,344
Temporarily Restricted Funds Managed as Endowment Funds	-	37,153,626	-	37,153,626
Donor Restricted Endowment Funds	(1,878,826)	-	22,013,214	20,134,388
TOTAL ENDOWMENT FUNDS	$56,127,518	$37,153,626	$22,013,214	$115,294,358

From time to time the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor requires the Museum to retain as a fund of perpetual duration. Deficiencies of this nature that are reported in unrestricted net assets were $1,878,826 as of June 30, 2013. These deficiencies resulted from unfavorable market fluctuations occurring after the investment of permanently restricted contributions and continued appropriations for certain programs, which was deemed prudent by the Board of Trustees.

For the year ended June 30, 2013, the Museum's endowment net assets changed as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Balance - Beginning of Year	$52,996,110	$35,804,687	$22,002,450	$110,803,247
Investment Income and Realized and Unrealized Appreciation (Net)	3,426,044	1,054,303	-	4,480,347
TOTAL	56,422,154	36,858,990	22,002,450	115,283,594
Contributions	-	-	10,764	10,764
Reclassification of Underwater Endowment Funds	(294,636)	294,636	-	-
BALANCE - END OF YEAR	$56,127,518	$37,153,626	$22,013,214	$115,294,358

Investment income related to the Museum's permanently restricted endowments is recorded as temporarily restricted revenue unless otherwise directed by the donor's gift instrument.

The Museum's endowment spending policy is based on the trailing market value of its endowment. Specifically, it is 5% of the average market value of the endowment at each of the twelve prior quarters as of March 31 in the most recent fiscal year. The spending policy is reviewed by the Finance Committee of the Board of Trustees annually.

NOTE 11 - ENDOWMENT (continued)

As delegated authority by the full Board, the Finance Committee of the Board has adopted an investment policy that governs the management and oversight of the endowment funds and other investments (endowment and reserves). The policy sets forth the objectives for the endowment and reserves of the Museum, the strategies to achieve the objectives, procedures for monitoring and control, and the delineation of responsibilities for the Finance Committee, consultant, investment managers, staff and custodians in relation to the portfolio. The policy is intended to allow for sufficient flexibility in the management oversight process to capture investment opportunities as they may occur, while at the same time setting forth reasonable risk control parameters that a prudent person would take in the execution of the investment program. Investment assets are managed on a total return basis, with emphasis on both preservation of capital and acceptance of investment risk necessary to achieve favorable performance on a risk-adjusted basis. In addition to parameters of return and risk, the policy establishes minimum liquidity guidelines for the portfolio. Other objectives are to maintain or enhance the real purchasing power of the endowment and reserves after covering its spending rate; to provide sufficient cash to cover debt interest and retirement of debt over the life of the Museum's outstanding debt; to outperform a policy benchmark return, after fees, at a lower level of risk over seven- to ten-year rolling periods; and to diversify investments to reduce the impact of losses in single investments, industries or asset classes.

NOTE 12 - EMPLOYEE BENEFIT PLANS

The Museum sponsors four employee benefit plans as described below:

(a) DEFINED BENEFIT PLAN

The Museum sponsors a defined benefit pension plan. Retirement benefits are provided through a noncontributory defined-benefit retirement plan (the Plan) for generally all employees who have completed one year of service, and have not attained age sixty-five. The Museum's funding policy is to contribute amounts to the Plan sufficient to meet the minimum funding requirements of the Employee Retirement Income Security Act, plus additional amounts as determined to be appropriate. A plan amendment was adopted that updated accrued benefits for active participants as of June 30, 2012 to use compensation for the plan year ended December 31, 2007 for prior credited service; this increased benefit obligation by $1,440,326, amortizable over 13.88 years. Contributions to the Plan were $1,550,000 during the year ended June 30, 2013.

The following sets forth the components of net periodic benefit costs and the obligations and funded status of the defined benefit plan. Valuations of assets and liabilities are determined using a measurement date of June 30.

NOTE 12 - EMPLOYEE BENEFIT PLANS (continued)

(a) DEFINED BENEFIT PLAN (continued)

Net periodic benefit cost for the years ended June 30, 2013:

Service Cost	$ 1,161,643
Interest Cost	719,592
Expected Return on Plan assets	(1,075,221)
Amortization of Prior Service Cost	34,779
Amortization of Actuarial (Gains) Losses	210,951
NET PERIODIC BENEFIT COST	$ 1,051,744

Obligation and funded status at June 30, 2013:

Change in Benefit Obligation:	
Benefit Obligation - Beginning Of Year	$14,787,801
Service Cost	1,161,643
Interest Cost	719,592
Plan Amendment	1,440,326
Actuarial Loss	285,622
Benefits Paid	(617,731)
BENEFIT OBLIGATION - END OF YEAR	17,777,253
Change in Plan Assets:	
Fair Value of Plan Assets - Beginning of Year	13,519,770
Actual Return on Plan Assets	1,315,813
Employer Contributions	1,550,000
Benefit and Settlement or Curtailment Payments	(617,731)
FAIR VALUE OF PLAN ASSETS - END OF YEAR	15,767,852
FUNDED STATUS	$ (2,009,401)

The funded status at June 30, 2013 is reflected under underfunded pension liabilities on the statement of financial position.

NOTE 12 - EMPLOYEE BENEFIT PLANS (continued)

(a) DEFINED BENEFIT PLAN (continued)

The following represents pension costs directly charged to net assets at June 30, 2013:

Accumulated Net Adjustment to Net Assets - Beginning of Year	$ (4,513,458)
Current Year Change:	
Actuarial Loss during the Year	(165,921)
Amortization of Prior Service Cost	129,459
TOTAL CURRENT YEAR CHANGE	(36,462)
ACCUMULATED NET ADJUSTMENT TO NET ASSETS - END OF YEAR	$ (4,549,920)

Weighted-average assumptions used to determine benefit obligations were as follows at June 30, 2013:

Discount rate	5.0%
Expected return on plan assets	7.75%
Rate of compensation increase	3.0%

The discount rate is estimated based on the yield on a portfolio of high-quality debt instruments. Expected long-term rate of return on plan assets is the projected rate for plan assets, and the rate of compensation increase is estimated based on the Museum's historical rate. The Museum's management develops all actuarial assumptions with a third-party pension actuary.

The Museum's year-end plan weighted-average asset allocations by category were as follows:

	Target	2013
Long-Only Equities	26.0%	30.7%
Fixed Income	28.0%	19.0%
Long/Short Equities	36.0%	21.8%
Alternatives	10.0%	23.1%
Cash	0.0%	5.4%

Plan assets are invested in a diversified portfolio whose value is subject to fluctuations of the securities market.

Changes in this value attributable to differences between actual and assumed returns on plan assets are deferred as unrecognized gains or losses and included in the determination of net pension expense over time.

NOTE 12 - EMPLOYEE BENEFIT PLANS (continued)

(a) DEFINED BENEFIT PLAN (continued)

The Museum expects to contribute $1,700,000 to the Plan for the year ending June 30, 2013.

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

Years Ending June 30	
2014	$ 1,615,597
2015	1,042,155
2016	1,029,271
2017	977,647
2018	936,776
2019 to 2023	6,006,354
Total	$11,607,800

Investment allocation decisions for plan assets are made in order to achieve the Plan's investment return objectives, consistent with its risk parameters. The investment objectives are to achieve an absolute total return of 8% – 10% as measured as an average annual return over a seven- to ten-year period. This is in order to attain or beat the actuarial target rate of return (currently 8%) for the plan. Its risk parameters include:

- Avoiding failure to provide sufficient capital to meet the Plan's distribution obligations
- Avoiding sustained or meaningful underperformance relative to the Plan's actuarial target rate of return

The risk parameters will be judged with the following criteria: To achieve the targeted rate of return, while at the same time experiencing a level of market/systematic risk no greater than 70% of that of the MSCI World Index as measured by BETA. The portfolio's total volatility (as measured by Standard Deviation) should be no greater than that of a passively managed portfolio consisting of 75% MSCI World and 25% Barclays Aggregate Bond indices.

In order to achieve the above return and risk objectives, the Plan asset allocation makes use of a broadly diverse group of investments to provide returns from each separate investment that are relatively uncorrelated with those of other investments in the Plan portfolio. As part of the allocation, a portion of the investments provides high liquidity in order to meet known and potential immediate benefit pay-outs. Other investments are less liquid consistent with the broad asset allocation in order to achieve the long-term investment objective.

NOTE 12 - EMPLOYEE BENEFIT PLANS (continued)

(a) DEFINED BENEFIT PLAN (continued)

As of June 30, 2013, the Museum's plan assets were classified by level within the valuation hierarchy as follows:

	Level 1	Level 2	Level 3	Total
Cash	$ 843,715	$ -	$ -	$ 843,715
Investment-Grade Fixed Income	2,992,143	-	-	2,992,143
Domestic Equity	3,401,365	-	-	3,401,365
International Equity	1,442,299	-	-	1,442,299
Long/Short Equity	-	3,448,070	-	3,448,070
High-Yield and Liquid Credit	-	926,613	-	926,613
Alternatives	-	1,548,828	1,164,819	2,713,647
TOTAL	$8,679,522	$5,923,511	$1,164,819	$15,767,852

For the year ended June 30, 2013, the changes in fair value of the Museum's Level 3 plan assets are as follows:

Balance - Beginning of Year	$ 1,062,335
Return on Plan Assets (Net)	102,484
BALANCE - END OF YEAR	$ 1,164,819

(b) DEFINED CONTRIBUTION PLAN

The Museum also offers a defined contribution plan, whereby employees elect to make voluntary contributions (up to limits set by law) to the plan through a payroll deduction. The Museum then matches 100% of the employee contributions, up to 4% of salary. Matching contributions during the year ended June 30, 2013 were $541,071.

(c) DEFERRED COMPENSATION PLAN

The Museum offers a deferred compensation plan for its highly compensated employees. Employees compensated in excess of $90,000 annually are eligible to elect to make voluntary contributions (up to the limits set by law) to the plan through payroll deductions in excess of the annual thresholds allowed under the Museum's defined contribution plan.

NOTE 12 - EMPLOYEE BENEFIT PLANS (continued)

(d) EXECUTIVE DEFERRED COMPENSATION PLAN

Effective July 1, 2010, the Museum and the Director and Chief Executive Officer entered into a six-year employment agreement. Under the terms of the agreement, deferred compensation in the amount of $500,000 will be expensed in six equal annual installments of approximately $83,333 each, commencing June 30, 2011 through June 30, 2016.

NOTE 13 - CONTINGENCIES

In the normal course of business, the Museum may become a party to litigation. Management believes there are no asserted or unasserted claims or contingencies that would have a significant impact on the financial statements of the Museum as of June 30, 2013.

NOTE 14 - SUBSEQUENT EVENTS

The Museum has evaluated events and transactions occurring subsequent to the statement of financial position date of June 30, 2013 for items that should potentially be recognized or disclosed in these financial statements. The evaluation was conducted through October 23, 2013, the date these financial statements were available to be issued.

On August 27, 2013, the Museum refinanced its $343,000,000 of bond debt to decrease costs, improve the principal bond covenant, increase tenor, reduce remarketing risk and diversify its investor base. Pursuant to an Indenture (the Indenture) by and between the California Infrastructure and Economic Development Bank (the issuer) and US Bank (the trustee), and pursuant to direct purchase agreements with Wells Fargo, Union Bank and US Bank, the museum refinanced its 2008 bonds with 2013 floating rate notes (FRN's) and direct purchase bonds (DP).

The 2013 bonds were issued in four series in the following amounts and with terms as indicated:

Series	**Par**	**Mode**	**Spread**	**Index** (1)	**Term**	**Tender Date**
2013A	78,000,000	FRN	1.75%	70%	5 years	Aug 1, 2018
2013B	115,000,000	DP	1.05%	67%	4 years	Aug 1, 2017
2013C	100,000,000	DP	1.05%	67%	4 years	Aug 1, 2017
2013D	50,000,000	DP	1.05%	67%	4 years	Aug 1, 2017

(1) % of one-month LIBOR

NOTE 14 - SUBSEQUENT EVENTS (continued)

Under the terms of the Loan Agreement, the Museum is subject to a certain financial covenant, the adjusted unrestricted net assets to indebtedness ratio ("UNA ratio"), which is tested each June 30 and December 31. As part of the refinancing, the required ratio was changed from 0.75 to 0.73. Unchanged from the previous agreements, if the ratio falls below 0.73 more than one time during the term of the letter of credit and direct purchase agreements, it is an event of default.

While outstanding amounts due on the bonds remained at $343,000,000, mandatory redemption requirements were modified as part of the refinancing. As of August 27, 2013, the refinance date, mandatory redemption requirements for the 2013 bonds are as follows:

Redemption Date December 1,	
2030	$ 15,990,000
2031	24,185,000
2032	24,425,000
2033	55,680,000
2034	55,680,000
2035	55,680,000
2036	55,680,000
2037	55,680,000
Total	$343,000,000

The existing swap with Wells Fargo remained unchanged except for an increase in the fixed rate the Museum pays Wells Fargo of 0.04%.