

MINGEI INTERNATIONAL, INC.

**Financial Statements
June 30, 2015 and 2014**

MINGEI INTERNATIONAL, INC.

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INDEPENDENT AUDITORS' REPORT

Board of Trustees
Mingei International, Inc.
San Diego, California

We have audited the accompanying financial statements of Mingei International, Inc. (a non-profit corporation), which comprise the statements of financial position as of June 30, 2015 and 2014, and the related statements of activities, and cash flows for the years 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 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 of material misstatements, whether due to fraud or error.

Auditors' 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 of 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 2015 and 2014 financial statements referred to above present fairly, in all material respects, the financial position of Mingei International, Inc., as of June 30, 2015 and 2014, and the results of its operations and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Outage & Konrad, LLP

November 13, 2015

MINGEI INTERNATIONAL, INC.

Statements of Financial Position June 30, 2015 and 2014

	June 30, 2015	June 30, 2014
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 273,591	\$ 78,135
Pledges receivable	500	80,000
Grant and other receivables	64,511	121,482
Prepaid expense	25,673	89,428
Inventories	96,461	96,813
Total current assets	460,736	465,858
Other assets:		
Cash - board designated	347,024	2,270,331
Investments	14,129,643	12,224,598
Pledges receivable - non current	263,204	258,076
Property, furniture and equipment, net	2,999,423	3,157,019
Museum collection, net	14,865,949	14,787,470
Total other assets	32,605,243	32,697,494
TOTAL ASSETS	\$ 33,065,979	\$ 33,163,352
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable	\$ 49,559	\$ 43,685
Accrued expenses	358,806	200,107
Total current liabilities	408,365	243,792
Net Assets:		
Unrestricted		
Board designated endowments	3,947,764	3,965,197
Undesignated	17,628,811	18,069,631
Temporarily restricted	2,980,673	2,924,366
Permanently restricted	8,100,366	7,960,366
Total net assets	32,657,614	32,919,560
TOTAL LIABILITIES AND NET ASSETS	\$ 33,065,979	\$ 33,163,352

The accompanying notes are an integral part of these statements.

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MINGEI INTERNATIONAL, INC.
Statements of Activities
For the Year Ended June 30, 2015

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
SUPPORT AND REVENUES				
Memberships	\$ 301,664	-	-	\$ 301,664
Admissions	198,937	-	-	198,937
Collectors' Gallery	447,786	-	-	447,786
Café Mingei	204,754	-	-	204,754
Government grants	200,113	-	-	200,113
Contributions	883,497	447,242	140,000	1,470,739
Permanent collection contributions	153,953	-	-	153,953
Special events and fundraising	54,185	-	-	54,185
Investment income	102,328	226,173	-	328,501
Other income (expenses)	29,600	-	-	29,600
Loss from deaccession of collection	(113,156)	-	-	(113,156)
Net assets released	617,108	(617,108)	-	-
Total support and revenues	3,080,769	56,307	140,000	3,277,076
EXPENSES				
<i>Program:</i>				
Exhibitions	1,291,533	-	-	1,291,533
Registration	215,407	-	-	215,407
Education	204,462	-	-	204,462
Library	104,287	-	-	104,287
Total program expenses	1,815,689	-	-	1,815,689
<i>Development:</i>				
Marketing & public relations	360,121	-	-	360,121
Memberships	152,231	-	-	152,231
Special events & fundraising	292,711	-	-	292,711
Total development expenses	805,063	-	-	805,063
<i>Collectors' Gallery</i>	369,412	-	-	369,412
<i>Café Mingei</i>	199,860	-	-	199,860
<i>Management and general</i>	348,998	-	-	348,998
Total expenses	3,539,022	-	-	3,539,022
CHANGES IN NET ASSETS	(458,253)	56,307	140,000	(261,946)
NET ASSETS, BEGINNING OF FISCAL YEAR	22,034,828	2,924,366	7,960,366	32,919,560
NET ASSETS, END OF FISCAL YEAR	\$ 21,576,575	\$ 2,980,673	\$ 8,100,366	\$ 32,657,614

The accompanying notes are an integral part of these statements.

MINGEI INTERNATIONAL, INC.
Statements of Activities
For the Year Ended June 30, 2014

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
SUPPORT AND REVENUES				
Memberships	\$ 279,578	-	-	\$ 279,578
Admissions	130,660	-	-	130,660
Collectors' Gallery	499,565	-	-	499,565
Café Mingei	-	-	-	-
Government grants	190,858	-	-	190,858
Contributions	1,750,025	214,269	20,500	1,984,794
Permanent collection contributions	184,465	-	-	184,465
Special events and fundraising	141,093	-	-	141,093
Investment income	175,446	1,778,081	-	1,953,527
Other income (expenses)	2,398	-	-	2,398
Loss from deaccession of collection	(62,376)	-	-	(62,376)
Net assets released	847,370	(847,370)	-	-
Total support and revenues	4,139,082	1,144,980	20,500	5,304,562
EXPENSES				
<i>Program:</i>				
Exhibitions	1,013,164	-	-	1,013,164
Registration	140,679	-	-	140,679
Education	260,858	-	-	260,858
Library	92,876	-	-	92,876
Total program expenses	1,507,577	-	-	1,507,577
<i>Development:</i>				
Marketing & public relations	423,479	-	-	423,479
Memberships	174,421	-	-	174,421
Special events & fundraising	271,449	-	-	271,449
Total development expenses	869,349	-	-	869,349
<i>Collectors' Gallery</i>	428,640	-	-	428,640
<i>Café Mingei</i>	-	-	-	-
<i>Management and general</i>	479,239	-	-	479,239
Total expenses	3,284,805	-	-	3,284,805
CHANGES IN NET ASSETS	854,277	1,144,980	20,500	2,019,757
NET ASSETS, BEGINNING OF FISCAL YEAR	21,180,551	1,779,386	7,939,866	30,899,803
NET ASSETS, END OF FISCAL YEAR	\$ 22,034,828	\$ 2,924,366	\$ 7,960,366	\$ 32,919,560

The accompanying notes are an integral part of these statements.

MINGEI INTERNATIONAL, INC.
Statements of Cash Flows
For the Years Ended June 30, 2015 and 2014

For the years ended	June 30, 2015	June 30, 2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (261,946)	\$ 2,019,757
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	234,516	260,134
Loss on deaccession of collection	113,156	62,376
Gain from sale of securities	(53,810)	(27,625)
Decrease (increase) in fair value of investments	20,262	(1,618,915)
Permanent collection contributions	(153,953)	(184,465)
Change in operating assets and liabilities:		
Receivables	131,343	(26,293)
Accrued interest on note receivable	-	4,425
Inventories	352	(14,012)
Prepaid and other assets	63,755	(83,830)
Accounts payable and accrued expenses	164,573	19,761
Net cash provided by operating activities	258,248	411,313
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from securities trading	700,000	375,052
Purchase of property, equipment and leasehold improvements	(76,921)	(315,035)
Purchase of permanent collection	(37,682)	(211,773)
Decrease (Increase) in board designated cash	1,923,307	(1,911,393)
Purchase of securities	(2,571,496)	(248,077)
Net cash (used) provided in investing activities	(62,792)	(794,226)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	195,456	(382,913)
CASH AND CASH EQUIVALENTS, BEGINNING OF FISCAL YEAR	78,135	461,048
CASH AND CASH EQUIVALENTS, END OF FISCAL YEAR	\$ 273,591	\$ 78,135

The accompanying notes are an integral part of these statements.

MINGEI INTERNATIONAL, INC.

Notes to Financial Statements
June 30, 2015 and 2014

Note 1. Nature of Organization and Significant Accounting Policies

Nature of the Organization: Mingei International, Inc. (Museum) is a not-for-profit corporation organized under the laws of the State of California for the purpose of furthering the understanding of arts of people from all cultures of the world. The Museum operates a museum located in San Diego's Balboa Park.

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

Financial Statement Presentation: The Museum is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Functional Allocation of Expenses: The costs of various programs and supporting services have been summarized on a functional basis. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Contributions: Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restriction.

The Museum reports gifts of cash and other assets as temporarily restricted support if they are received with stipulations that limit the use of the assets. When a restriction expires, that is, when a stipulated time restriction ends or the purpose of the restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Gifts received during the year, with donor restrictions that are satisfied before year end, are reported as unrestricted contributions. Permanently restricted net assets are subject to irrevocable donor restrictions requiring that the assets be maintained in perpetuity usually for generating investment income to fund programs or current operations.

The Museum uses the allowance method to determine uncollectible unconditional promises receivable (pledges and grants receivable). The allowance is based on prior years' experience and management's analysis of specific promises made. The Museum considered all pledges and grants receivable to be collectible as of June 30, 2015 and 2014.

Note 1. Nature of Organization and Significant Accounting Policies (continued)

Physical Facilities: The City of San Diego owns the building in Balboa Park occupied by the Museum under an agreement that terminates May 31, 2021, with an option to renew for an additional 25 years. Other than the cost of the interior leasehold improvements and related repairs and maintenance, the agreement provides the Museum approximately 41,000 square feet of space at no cost. Generally accepted accounting principles require the donated value of the building and land to be reflected on the Museum's financial statements. However, no amounts have been reflected in the financial statements for such use of the building inasmuch as no objective basis is available to measure the value.

Property, Furniture and Equipment Property, furniture and equipment are recorded at cost at the date of acquisition or fair market value at the date of donation in the case of gifts. Property, furniture, and equipment are depreciated on the straight-line method using useful lives ranging from 5 to 40 years.

Long-lived assets held and used by the Museum are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. In the event that facts and circumstances indicate that the cost of any long-lived assets may be impaired, an evaluation of recoverability would be performed.

Assets Held for Sale and Discontinued Operations Individual long-lived assets to be disposed of by sale are classified as assets held for sale if the following criteria are met:

- The carrying amount will be recovered principally through a sale transaction rather than through continuing use;
- The disposal group is available for immediate sale in its present condition subject only to terms that are usual and customary for such sales and;
- The sale is highly probable.

Assets held for sale are carried at the lower of their carrying amount or fair value less costs to sell and are presented separately. Assets held for sale are not depreciated.

If a group of assets to be disposed of represent a separate major line of business or geographical area of operations, or are part of a coordinated plan to dispose of a separate line of business or geographical area of operations, they are classified as discontinued operations. The net results attributable to such discontinued operations are shown separately.

Cash and Cash Equivalents: The Museum considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. Cash and cash equivalents for purposes of the statement of cash flows exclude restricted cash and cash equivalents.

MINGEI INTERNATIONAL, INC.

Notes to Financial Statements
June 30, 2015 and 2014

Note 1. Nature of Organization and Significant Accounting Policies (*continued*)

Investments: Investments consist of mutual funds and managed investment pools. Mutual funds and managed investment pools are carried at fair value. Realized gains or losses are calculated using the specific-identification method. Unrealized gains and losses represent the change in the fair market value of the individual investments for the year or since the acquisition date if acquired during the year and are recorded as a component of unrestricted net assets or temporarily restricted until those amounts are appropriated for expenditures by the Museum.

Designated Cash

Designated cash primarily represents cash set aside by the Board of Trustees (Board) for the specific purpose of funding the Board's Designated Endowment Fund. The Board retains control and may at its discretion subsequently use these funds for other purposes.

Inventories: Collectors' Gallery inventories, which consist principally of books, periodicals and other art objects related to the Museum's tax exempt purpose and Café Mingei inventory, are stated at lower of cost (first-in, first-out) or market.

Collections: The Museum has adopted the policy of capitalizing its collection. Collections consist of museum objects donated to and purchased by the Museum that have been accessioned. Donated museum objects are stated at the estimated fair market value at the time of donation and recognized in the statement of activities net of an estimated allowance for any donated items that may not be accessioned. The allowance is reviewed and adjusted annually to contribution revenue, based on the difference between objects donated and objects eventually accessioned. Museum objects purchased by the Museum are capitalized at cost. Gains and losses on the de-accession of donated collection items are classified in the statement of activities based on the absence or existence and nature of donor restrictions placed on the item at the time of donation.

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

Reclassification: Certain 2014 items have been reclassified in order to conform with the 2015 financial statement presentation.

Subsequent Events: The Museum has evaluated subsequent events through November 13, 2015, the date which the financial statements were available to be issued.

MINGEI INTERNATIONAL, INC.

Notes to Financial Statements
June 30, 2015 and 2014

Note 1. Nature of Organization and Significant Accounting Policies *(continued)*

Income Taxes: The Museum, a California not-for-profit corporation, is exempt from taxes under Section 501(c) (3) of the Internal Revenue Code and Section 23701(d) of the California Revenue and Taxation Code. However, income from the Museum's café is not directly related to the Museum's tax exempt purpose and is subject to taxation as unrelated business income. Income taxes for such unrelated business income totaled \$2,600 and \$0 in 2015 and 2014, respectively.

The Museum's federal Exempt Organization Business Income Tax Returns (Form 990) for 2014, 2013, and 2012 are subject to examination by the IRS, generally for three years after they were filed.

Donated Services: Donated services are recognized as contributions if the services received (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Museum. There were no contributed services to be recognized for the years ended June 30, 2015 and 2014. Volunteers also provided a variety of tasks throughout the year that are not recognized as contributions in the financial statements since the recognition criteria was not met.

Note 2. Pledges Receivable

Pledges receivable represent an unconditional promise to receive cash or some other type of asset. These pledge arrangements are discounted for the present value of estimated future cash flows using a discount rate of 2%. The pledges receivable are composed of the following:

	June 30, 2015	June 30, 2014
Pledges receivable, due in less than one year	\$ 500	\$ 80,000
Pledges receivable, due in two to more years	275,000	275,000
Less: net present value discount for pledges due in more than one year	11,796	16,924
	263,204	258,076
Total pledges receivables	\$ 263,704	\$ 338,076
Capital Campaign - Balboa	\$ 263,204	\$ 258,076
Other	500	80,000
Total pledges receivables	\$ 263,704	\$ 338,076

MINGEI INTERNATIONAL, INC.

Notes to Financial Statements June 30, 2015 and 2014

Note 3. Inventories

Inventories consist of the following:

	June 30, 2015	June 30, 2014
Collectors' Gallery	\$ 82,806	\$ 85,357
Purchased publications	12,227	11,456
Café Mingei	1,428	-
Total inventories	\$ 96,461	\$ 96,813

Note 4. Investments

Investments consist of the following:

	June 30, 2015		June 30, 2014	
	Cost	Carrying/ Fair Value	Cost	Carrying/ Fair Value
Mutual Funds	\$ 11,724,166	\$ 13,674,511	\$ 9,584,568	\$ 11,774,195
Managed investment pools	301,022	455,132	301,022	450,403
Total investments carried at fair value	\$ 12,025,188	\$ 14,129,643	\$ 9,885,590	\$ 12,224,598

Investment return is summarized as follows:

	June 30, 2015	June 30, 2014
Interest and dividends	294,953	\$ 306,987
Realized gains (losses)	53,810	27,625
Unrealized gains (losses)	(20,262)	1,618,915
Total investment income	\$ 328,501	\$ 1,953,527

MINGEI INTERNATIONAL, INC.

Notes to Financial Statements
June 30, 2015 and 2014

Note 4. Investments (Continued)

The Museum measures fair value at the price that would be received upon sale of an asset, or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Authoritative guidance establishes a hierarchy for ranking the quality and reliability of the information used to determine fair values, requiring that assets and liabilities carried at fair value be classified and disclosed in one of the following three categories:

Level 1: Unadjusted quoted market prices in active markets for identical assets or liabilities.

Level 2: Unadjusted quoted prices in active markets for similar assets or liabilities, unadjusted quoted prices for identical or similar assets or liabilities in markets that are not active, or inputs other than quoted prices that are observable for the asset or liability.

Level 3: Unobservable inputs for the asset or liability.

The Museum endeavors to utilize the best available information in measuring fair value. The following table summarizes the valuation of the financial instruments in accordance with the guidance's pricing levels as of:

June 30, 2015

	Total	Level 1	Level 2	Level 3
Mutual Funds:				
Domestic equities	\$ 5,789,558	\$ 5,789,558	\$ -	\$ -
Foreign equities	3,135,546	3,135,546	-	-
Short term bonds	4,749,407	4,749,407	-	-
Managed investment pools	455,132	-	-	455,132
Total investments carried at fair value	\$ 14,129,643	\$ 13,674,511	\$ -	\$ 455,132

MINGEI INTERNATIONAL, INC.

Notes to Financial Statements June 30, 2015 and 2014

Note 4. Investments (Continued)

	<i>June 30, 2014</i>			
	Total	Level 1	Level 2	Level 3
Mutual Funds:				
Domestic equities	\$ 6,073,825	\$ 6,073,825	\$ -	\$ -
Foreign equities	2,781,509	2,781,509	-	-
Short term bonds	2,918,861	2,918,861	-	-
Managed investment pools	450,403	-	-	450,403
Total investments carried at fair value	\$ 12,224,598	\$ 11,774,195	\$ -	\$ 450,403

Investments in marketable equity securities and mutual funds are valued using market prices on active markets (Level 1). Level 1 instrument valuations are obtained from real-time quotes for transactions in active exchange markets.

The Museum did not have any Level 2 investments.

Investments in management investment pools are valued based on the net asset value of each investment position, as provided by the respective pool managers. The Museum has designated these investments as Level 3 instruments since independent market quotes are not available.

Changes in Level 3 financial instruments, as included in Unrealized gains (losses) in the statement of activities, are follows for the years ended:

	June 30, 2015	June 30, 2014
Managed investment pools, beginning of year	\$ 450,403	\$ 396,462
Net unrealized gains	4,729	53,941
Managed investment pools, end of year	\$ 455,132	\$ 450,403

MINGEI INTERNATIONAL, INC.

Notes to Financial Statements June 30, 2015 and 2014

Note 5. Property, Equipment and Leasehold Improvements

Property, equipment and leasehold improvements are summarized as follows:

	June 30, 2015	June 30, 2014
Furniture & equipment	\$ 2,310,232	\$ 2,240,315
Leasehold improvements - Balboa	4,669,501	4,662,498
	6,979,733	6,902,813
Less: accumulated depreciation	3,980,310	3,745,794
Total Property, Equipment & Leasehold Improvements	\$ 2,999,423	\$ 3,157,019

Depreciation expense for the years ended June 30, 2015 and 2014 was \$234,516 and \$260,134 respectively.

Note 6. Museum Collection

Museum collection is composed of the following:

	June 30, 2015	June 30, 2014
Museum collection	\$ 15,035,768	\$ 14,979,544
Accession allowance	(168,819)	(192,074)
Total museum collection	\$ 14,866,949	\$ 14,787,470

Note 7. Endowment

The Museum's endowment consists of six individual funds established for particular purposes. Its endowment includes both donor-restricted funds and funds designated by the Board of Trustees to function as endowments. As required by GAAP, net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The Board of Trustees of the Museum has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift, as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Museum classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the organization in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Museum considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

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

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. In accordance with GAAP, there was no deficiency reported in restricted net assets as of June 30, 2015 and 2014 respectively.

Note 7. Endowment (Continued)

Return Objectives and Risk Parameters

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 organization must hold in perpetuity or for a donor-specified period(s) as well as board-designated funds. Under this policy, as approved by the Board of Trustees, the endowment assets are invested in a manner that is intended to produce results that match the price and yield results of the S&P 500 index for equities and the Barclay's aggregate index for fixed income, while assuming a moderate level of investment risk." Actual returns in any given year may vary from this amount.

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 and How the Investment Objectives Relate to Spending Policy

The Museum has a policy of appropriating for distribution each year no more than 4 percent 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. In establishing this policy, the Museum considered the long-term expected return on its endowment. Accordingly, over the long term, the Museum expects the current spending policy to allow its endowment to grow annually. This is consistent with the organization's objective to maintain the purchasing 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.

MINGEI INTERNATIONAL, INC.

**Notes to Financial Statements
June 30, 2015 and 2014**

Note 7. Endowment (Continued)

Endowment Net Asset Composition by Fund Type

The compositions of endowment net assets by type of fund are as follows:

June 30, 2015

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor- restricted endowment funds	\$ -	\$ 2,208,628	\$ 8,100,366	\$ 10,308,994
Board- designated endowment funds	-	-	-	-
	3,947,764			3,947,764
	<u>\$ 3,947,764</u>	<u>\$ 2,208,628</u>	<u>\$ 8,100,366</u>	<u>\$ 14,256,758</u>

June 30, 2014

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor- restricted endowment funds	\$ -	\$ 2,310,946	\$ 7,960,366	\$ 10,271,312
Board- designated endowment funds	-	-	-	-
	3,965,197			3,965,197
	<u>\$ 3,965,197</u>	<u>\$ 2,310,946</u>	<u>\$ 7,960,366</u>	<u>\$ 14,236,509</u>

MINGEI INTERNATIONAL, INC.

Notes to Financial Statements June 30, 2015 and 2014

Note 7. Endowment (Continued)

Changes in Endowment Net Assets

Changes in endowment net assets are as follows for the years ended June 30

June 30, 2015

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ 3,965,197	\$ 2,310,946	\$ 7,960,366	\$ 14,236,509
Investment Return:				
Investment income, gains (losses)	80,257	203,075	-	283,332
Unrealized gains (losses)	9,128	23,098	-	32,226
Total Investment return	89,385	226,173	-	315,558
Contributions	20,000	-	140,000	160,000
Appropriation of endowment assets for expenditures	(126,818)	(328,491)	-	(455,309)
Endowment net assets, end of year	\$ 3,947,764	\$ 2,208,628	\$ 8,100,366	\$ 14,256,758

June 30, 2014

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ 1,722,717	\$ 940,765	\$ 7,939,866	\$ 10,603,348
Investment Return:				
Investment income, gains (losses)	55,196	279,417	-	334,612
Unrealized gains (losses)	120,251	1,498,664	-	1,618,915
Total Investment return	175,447	1,778,081	-	1,953,528
Contributions	310,734	-	20,500	331,234
Transfers to from unrestricted funds	1,825,209	-	-	1,825,209
Appropriation of endowment assets for expenditures	(68,910)	(407,900)	-	(476,810)
Endowment net assets, end of year	\$ 3,965,197	\$ 2,310,946	\$ 7,960,366	\$ 14,236,509

MINGEI INTERNATIONAL, INC.

Notes to Financial Statements
June 30, 2015 and 2014

Note 8. Restrictions on Net Assets

Net assets released from temporary restrictions were comprised of the following:

For the years ended	June 30, 2015	June 30, 2014
Programs, exhibitions and acquisitions	\$ 617,108	\$ 847,370
Total net assets released from temporary restrictions	\$ 617,108	\$ 847,370

Temporarily restricted net assets were available for the following purposes:

	June 30, 2015	June 30, 2014
Programs, exhibitions, acquisitions and other	\$ 772,045	\$ 613,420
San Diego Foundation - operations	187,956	189,810
Building and endowment fund	467,922	495,270
Operating endowment fund	224,416	235,999
MWL Director's Chair	260,635	270,664
Brinley Thomas endowment	459	-
Endowment by Gwendolyn E. Peacher Fund for exhibition enhancement	1,067,240	1,119,203
Total temporarily restricted net assets	\$ 2,980,673	\$ 2,924,366

Permanently restricted net assets consisted of the following:

	June 30, 2015	June 30, 2014
San Diego Foundation - operations	\$ 7,855	\$ 7,855
Building and endowment fund	1,785,456	1,785,456
MWL Director's Chair	791,166	791,166
Operating endowment fund	1,009,962	989,962
Brinley Thomas endowment	120,000	-
Endowment by Gwendolyn E. Peacher Fund for exhibition enhancement	4,385,927	4,385,927
Total permanently restricted net assets	\$ 8,100,366	\$ 7,960,366

MINGEI INTERNATIONAL, INC.

Notes to Financial Statements June 30, 2015 and 2014

Note 9. Certain Transactions with Related-Party

During the year, the Museum had the following transactions with related parties.

For the years ended	June 30, 2015	June 30, 2014
Contributions by Board of Trustees	\$ 226,173	\$ 285,382

Note 10. Concentrations

The Museum maintains its cash with various financial institutions in California. The balances are insured by Federal Deposit Insurance Corporation up to \$250,000 per institution. At June 30, 2015, the Museum's deposits were all insured.

Financial instruments potentially subjecting the Museum to concentrations of credit risk consists primarily of investments in marketable securities and cash deposits held in excess of the Securities Investor Protection Corporation ("SIPC") insurance threshold. Investment securities are exposed to various risks, such as interest rate, market and credit risk. It is at least reasonably possible, given the level of risk associated with investment securities, that changes in the near term could materially affect the amount reported in the statement. The risk associated with the investments is mitigated through diversification.

Note 11. Subsequent Events

Investments

Subsequent to June 30, 2015, the stock market experienced a significant decline in value resulting in the Museum losing approximately \$750,000 in the value of its investments.

Lease Extension

In September of 2015, the City of San Diego agreed to extend the Museum's facility lease to May 27, 2046.



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CERTIFIED PUBLIC ACCOUNTANTS

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**INDEPENDENT AUDITOR'S REPORT
ON THE SUPPLEMENTARY INFORMATION**

Board of Trustees
Mingei International, Inc.
San Diego, California

We have audited the financial statements of Mingei International, Inc as of and for the years ended June 30, 2015 and 2014, and our report thereon dated November 13, 2015, which expressed an unmodified opinion on those financial statements, appears on pages 1 and 2. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Supplementary information on pages 22 and 23 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements taken as a whole.

Ortega & Konrad, LLP

November 13, 2015

MINGEI INTERNATIONAL, INC.
The Collectors' Gallery
Revenues and Expenses
Years Ended June 30, 2015 and 2014

For the years ended	June 30, 2015	June 30, 2014
SALES	\$ 447,786	\$ 499,565
COST OF SALES		
Consignment	104,509	110,295
Purchased merchandise	88,335	115,147
Total cost of sales	192,844	225,442
GROSS PROFIT	254,942	274,123
OPERATING EXPENSES		
Salaries and wages	110,920	121,803
Maintenance and operations	19,393	7,104
Depreciation	12,682	20,811
Credit card fees	11,517	13,010
Rent	6,363	11,269
Utilities	4,796	5,442
Supplies	2,784	3,943
Insurance	1,853	2,023
Printing	1,564	4,559
Advertising	1,130	930
Shipping	1,128	3,242
Travel	1,021	1,428
Other miscellaneous	727	989
Telephone	672	681
Postage	18	23
Casual labor	-	826
Professional services	-	4,860
Dues and subscriptions	-	255
Total operating expenses	176,568	203,198
NET INCOME	\$ 78,374	\$ 70,925

MINGEI INTERNATIONAL, INC.

Café Mingei

Revenues and Expenses

Year Ended June 30, 2015

For the years ended	June 30, 2015
SALES	\$ 204,754
COST OF SALES	75,681
GROSS PROFIT	129,073
OPERATING EXPENSES	
Salaries and wages	87,953
Maintenance and operations	9,337
Supplies	7,238
Credit card fees	5,266
Depreciation	4,831
Printing	2,390
Utilities	2,334
Insurance	902
Licenses & permints	716
Travel	387
Dues and subscriptions	106
Other miscellaneous	70
Advertising	49
Income tax	2,600
Total operating expenses	124,179
NET INCOME	\$ 4,894



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**INDEPENDENT AUDITOR'S REPORT
ON COMPLIANCE WITH AN ALLOCATIONS PROGRAM AGREEMENT
BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS**

Board of Trustees
Mingei International, Inc.
San Diego, California

We have audited, in accordance with auditing standards generally accepted in the United States of America, the financial statements of Mingei International, Inc, which comprise the statement of financial positions as of June 30, 2015 and 2014, and the related statements of activities, and cash flows for the years then ended, and the related notes to the financial statements, and we have issued our report thereon dated November 13, 2015.

In connection with our audit, nothing came to our attention that caused us to believe that Mingei International, Inc. failed to comply with the terms, covenants, provisions, or conditions of certain provisions of allocation program agreement with the City of San Diego Commission for Arts and Culture, insofar as they relate to accounting matters. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the Company's noncompliance with the above referenced terms, covenants, provisions, or conditions of the allocation program agreement, insofar as they relate to accounting matters.

This report and the accompanying schedule on page 25 is intended solely for the information and use of the boards of trustees and management of Mingei International, Inc. and City of San Diego Commission for Arts and Culture and is not intended to be and should not be used by anyone other than those specified parties.

Ortega & Konrad, LLP

November 13, 2015

MINGEI INTERNATIONAL, INC.
SUPPLEMENTARY INFORMATION
INCOME/EXPENSE STATEMENT
CITY OF SAN DIEGO TOT FUNDS
Year Ended June 30, 2015



For the year ended	June 30, 2015	
	Budgeted	
	Funds	Expenditures
Personnel expenses:		
All Salaried personnel	\$ 192,113	\$ 192,113
TOTAL EXPENSES	\$ 192,113	\$ 192,113