THE CALIFORNIA MUSEUM FOR HISTORY, WOMEN AND THE ARTS

FINANCIAL STATEMENTS WITH INDEPENDENT AUDITOR'S REPORT

YEARS ENDED DECEMBER 31, 2016 AND 2015

Gilbert Associates, Inc.
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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
The California Museum for History,
Women and the Arts
Sacramento, California

We have audited the accompanying financial statements of The California Museum for History, Women and the Arts (the Museum), which comprise the statement of financial position as of December 31, 2016, and the related statement of activities, functional expenses 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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.

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Museum as of December 31, 2016, 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.

Prior Period Financial Statements

The financial statements of the Museum as of December 31, 2015, were audited by other auditors whose report dated December 14, 2016, expressed an unmodified opinion on those statements. As noted in Note 2, certain 2015 balances were restated. The predecessor auditors reported on the financial statements of the Museum as of December 31, 2015 before the restatement.

Gilbert Associates, Inc.

GILBERT ASSOCIATES, INC.
Sacramento, California

September 1, 2017

THE CALIFORNIA MUSEUM FOR HISTORY, WOMEN AND THE ARTS

STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2016 AND 2015

	2016	2015
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 1,453,090	$ 1,567,825
Accounts receivable	1,071,625	225,970
Prepaid expenses	7,641	7,714
Inventory	16,114	20,396
Total current assets	2,548,470	1,821,905
PROPERTY AND EQUIPMENT, Net	436,376	55,822
COLLECTION	950,000	950,000
LEASEHOLD INTEREST IN PROPERTY	2,928,311	4,830,937
TOTAL ASSETS	$ 6,863,157	$ 7,658,664
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts payable	$ 252,464	$ 37,469
Accrued expenses	36,727	25,709
Total current liabilities	289,191	63,178
NET ASSETS:		
Unrestricted	3,624,832	2,616,886
Temporarily restricted	2,949,134	4,978,600
Total net assets	6,573,966	7,595,486
TOTAL LIABILITIES AND NET ASSETS	$ 6,863,157	$ 7,658,664

The accompanying notes are an integral part of these financial statements.

THE CALIFORNIA MUSEUM FOR HISTORY, WOMEN AND THE ARTS

STATEMENTS OF ACTIVITIES
YEARS ENDED DECEMBER 31, 2016 AND 2015

	2016	2015
UNRESTRICTED NET ASSETS:		
REVENUES:		
Contributions and grants	$ 1,355,216	$ 914,613
Donated services and goods	410,826	475,038
Admission fees	230,525	211,881
Museum store sales	96,257	117,742
Facility rental	85,983	73,734
Gold Rush Grille	21,000	19,500
Memberships	10,353	13,590
Other income	3,448	11,941
Net assets released from restrictions	2,051,506	2,521,928
Total revenues	4,265,114	4,359,967
EXPENSES:		
Program services:		
Exhibits	2,323,487	3,105,639
Museum store	182,886	174,768
Public information	170,830	101,973
Education	113,914	93,282
Facility rental	52,102	6,800
Hall of Fame	50,646	39,974
Unity	41,380	3,071
Volunteer	20,066	17,112
Total program services	2,955,311	3,542,619
Supporting services:		
General and administrative	293,929	283,146
Development and membership	7,928	13,718
Total expenses	3,257,168	3,839,483
INCREASE IN UNRESTRICTED NET ASSETS	1,007,946	520,484
TEMPORARILY RESTRICTED NET ASSETS:		
Contributions and grants	22,040	147,663
Contribution of leasehold interest in property		5,772,718
Net assets released from restrictions	(2,051,506)	(2,521,928)
INCREASE (DECREASE) IN TEMPORARILY RESTRICTED NET ASSETS	(2,029,466)	3,398,453
INCREASE (DECREASE) IN NET ASSETS	(1,021,520)	3,918,937
NET ASSETS, Beginning of Year, as restated	7,595,486	3,676,549
NET ASSETS, End of Year	$ 6,573,966	$ 7,595,486

The accompanying notes are an integral part of these financial statements.

THE CALIFORNIA MUSEUM FOR HISTORY, WOMEN AND THE ARTS

STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2016

	Exhibits	Museum Store	Public Information	Education	Facility Rental	Hall of Fame	Unity	Volunteer	General and Administrative	Development and Membership	Total
Amortization of leasehold interest	$ 1,787,707	$ 68,114							$ 46,805		$ 1,902,626
Personnel	75,033	44,140	$ 78,737	$ 54,049	$ 41,584	$ 2,943	$ 25,285	$ 16,196	137,037	$ 825	475,829
Donated services and goods	329,260		70,353	200							399,813
Exhibits	93,856		402	856							95,114
Payroll tax and employee benefits	10,353	4,783	12,295	9,007	8,249	88	2,294	2,410	34,428	40	83,947
Events and programs	3,310	213	20	36,939	1,956	21,540	3,249	605	1,437		69,269
Purchases		53,551		5,563							59,114
Professional fees						2,295	8,058		30,633		40,986
Office expenses and supplies	7,371	2,049	530	1,686	195	14,894	64	362	646	3,143	30,940
Insurance	16,114								12,085		28,199
Dues, licenses, and subscriptions	2	799	6,409	2,558		310		120	3,646	2,007	15,851
Advertising									14,708		14,708
Depreciation									10,470		10,470
Printing	101		2,084	1,980	101	3,010	376	101		1,325	9,078
Taxes and licenses		4,965			17		2,000		329		7,311
Travel, conference, and meetings	280			487		5,566	54	257	643	8	7,295
Bank and processing fees		4,272		589					1,062	580	6,503
Education and training	100							15			115
Total	$ 2,323,487	$ 182,886	$ 170,830	$ 113,914	$ 52,102	$ 50,646	$ 41,380	$ 20,066	$ 293,929	$ 7,928	$ 3,257,168

The accompanying notes are an integral part of these financial statements.

THE CALIFORNIA MUSEUM FOR HISTORY, WOMEN AND THE ARTS

STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2015

	Exhibits	Museum Store	Public Information	Education	Facility Rental	Hall of Fame	Unity	Volunteer	General and Administrative	Development and Membership	Total
Amortization of leasehold interest	$ 1,716,015	$ 65,382							$ 44,928		$ 1,826,325
Personnel	130,195	32,321	$ 79,210	$ 44,612	$ 2,731			$ 13,202	152,956		455,227
Donated services and goods	473,668		1,370								475,038
Exhibits	730,414										730,414
Payroll tax and employee benefits	22,541	5,595	13,714	7,724	473			2,286	26,483		78,816
Events and programs	3,757			28,651	222	$ 6,480		1,318			40,428
Purchases		55,488									55,488
Professional fees	9,057					3,988	$ 3,071		7,987		24,103
Office expenses and supplies	4,623	2,479	1,780	4,103	3,374	21,307		237	3,657	$ 1,191	42,751
Insurance	12,257								15,256	908	28,421
Dues, licenses, and subscriptions	625	1,421	5,371	2,584						1,567	11,568
Advertising									15,046		15,046
Depreciation									1,618		1,618
Printing	2,363		503	5,346		2,503			874		11,589
Taxes and licenses	100	8,859	25						171		9,155
Travel, conference, and meetings	24			250		5,696		69	2,508	52	8,599
Bank and processing fees		3,223		12					10,927		14,162
Education and training									735	10,000	10,735
Total	$ 3,105,639	$ 174,768	$ 101,973	$ 93,282	$ 6,800	$ 39,974	$ 3,071	$ 17,112	$ 283,146	$ 13,718	$ 3,839,483

The accompanying notes are an integral part of these financial statements.

THE CALIFORNIA MUSEUM FOR HISTORY, WOMEN AND THE ARTS

STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2016 AND 2015

	2016	2015
CASH FLOW FROM OPERATING ACTIVITIES:		
Increase (decrease) in net assets	$ (1,021,520)	$ 3,918,937
Reconciliation to net cash provided (used) by operating activities:		
Contribution of leasehold interest in property		(5,772,718)
Amortization of leasehold interest in property	1,902,626	1,826,325
Depreciation	10,470	1,618
Changes in:		
Receivables	(845,655)	56,723
Prepaid expenses	73	2,080
Inventory	4,282	8,749
Accounts payable	214,995	20,792
Accrued expenses	11,018	(9,282)
Net cash provided by operating activities	276,289	53,224
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	(391,024)	
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVILANTS	(114,735)	53,224
CASH AND EQUIVALENTS, Beginning of Year	1,567,825	1,514,601
CASH AND EQUIVALENTS, End of Year	$ 1,453,090	$ 1,567,825

The accompanying notes are an integral part of these financial statements.

1. ORGANIZATION AND NATURE OF ACTIVITIES

The California Museum for History, Women and the Arts (the Museum) is a nonprofit organization originally formed in 1987. The Museum's principal purpose is to operate the Museum, located in Sacramento, California pursuant to a Memorandum of Understanding and Operating Agreement between the Museum and the California Secretary of State.

Basis of presentation – The financial statements are prepared on the accrual basis of accounting and in conformity with professional standards applicable to not-for-profit entities. The Musuem reports information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted. The Museum has no permanently restricted net assets.

Revenue recognition – Contributions, including grants from private foundation and corporations, are recognized in full when received or unconditionally promised, in accordance with professional standards. All contributions are considered available for unrestricted use unless specifically restricted by donors for future periods or specific purposes. Donor-restricted amounts are reported as increases in temporarily or permanently restricted net assets. Temporarily restricted net assets become unrestricted, and are reported in the statements of activities as satisfaction of restrictions, when the time restrictions expire or the contributions are used for the restricted purposes. Temporarily restricted contributions whose restrictions are met in the same reporting period are shown as unrestricted.

Revenues from government grants are recognized when qualifying expenses are incurred or when services have been performed, as applicable.

Receivables – Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management believes that there are no significant uncollectible receivable balances, accordingly, no allowance for doubtful accounts has been recorded.

Inventory – Inventory consists of merchandise at the Museum's retail store and is stated at the lower of fair value or cost using the first-in, first-out (FIFO) method.

Functional allocation of expenses – The cost of providing the program services have been summarized on a functional basis in the statements of activities and of functional expenses. Accordingly, certain costs have been allocated among the program services based on management estimates of employee time incurred and usage of resources.

Use of estimates – The preparation of financial statements in conformity with 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 revenue and expenses during the reporting period. Actual results could differ from those estimates.

Property and equipment – All acquisitions of property, improvement, equipment, and cost for long-standing exhibits in excess of $2,500 and all expenditures for repairs, maintenance, renewals, and betterments that materially prolong the useful lives of assets are capitalized. Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation.

Depreciation is computed using the straight-line method over the estimated useful lives of individual assets ranging from 3 to 7 years.

Income taxes – The California Museum for History, Women and the Arts is exempt from federal and state income taxes under Internal Revenue Code Section 501(c)(3) and corresponding state statutes.

Cash equivalents – The Museum considers all investments with a maturity of less than three months to be cash equivalents. The Museum maintains its cash balances with three financial institutions. At times, throughout the year amounts may exceed federally insured limits.

Donated services and goods – Donated services, which consists of security staff, and goods are recorded as in-kind support and are recognized at the estimated fair value as of the date of donation or service and presented as donated services and goods on the statement of functional expenses.

The Museum recognizes in-kind revenue for the fair value of contributed services that create or enhance non-financial assets or require specialized skills, which are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. The Museum relies on volunteer services in order to conduct museum docent activities. The value of this donated time is not reflected in the financial statements as it does not meet the aforementioned criteria.

Leasehold interest in property - The Museum receives contributed use of property as part of a multi-year agreement with the California Secretary of State. This contribution is considered an unconditional promise to give and is reported as a temporarily restricted contribution and as leasehold interest in property at the fair value of the contributed use of the property in the period it is contributed. The leasehold interest is amortized and the restrictions are considered satisfied evenly over the term of the agreement.

Advertising costs – Advertising and marketing costs are expensed as incurred. Advertising costs totaled $14,708 and $15,046 in 2016 and 2015, respectively.

Reclassifications – Certain amounts in the prior year financial statements have been reclassified to conform to current year presentation.

Subsequent events have been reviewed through September 1, 2017, the date the financial statements were available to be issued. Management concluded that no material subsequent events have occurred since December 31, 2016 that require recognition or disclosure in the financial statements.

2. PRIOR PERIOD ADJUSTMENTS

Net assets at January 1, 2015, have been restated to reflect the recognition of the Museum's use of property contributed by the California Secretary of State under a multi-year lease agreement. Leasehold interest in property and temporarily restricted net assets were increased by $884,544 to record the final year of an existing lease agreement.

Additionally, the leasehold interest in property, temporarily restricted net assets, contribution of leasehold interest in property, and amortization of leasehold interest in property balances have been restated as of and for the year ended December 31, 2015, to reflect a new multi-year agreement with the California Secretary of State for contributed use of property. The impacts of these adjustments as of and for the year ended December 31, 2015 are as follows:

	As previously reported	As restated
Contribution of leasehold interest in property		$ 5,772,718
Leasehold interest in property		4,830,937
Temporarily restricted net assets	$ 147,663	4,978,600
Amortization of leasehold interest in property		1,826,325
Net assets released from restrictions	(695,693)	(2,521,928)
Change in temporarily restricted net assets	(548,030)	3,398,453

3. PROPERTY AND EQUIPMENT

Property and equipment at December 31 consisted of the following:

	2016	2015
Exhibits	$ 387,332	
Improvements	19,296	$ 19,296
Office equipment	16,653	16,653
Store equipment	24,139	20,448
Computer and software	129,281	129,281
Other equipment	28,657	28,657
Total	605,358	214,335
Less accumulated depreciation	168,982	158,513
Net property and equipment	$ 436,376	$ 55,822

4. COLLECTION

The Museum's collection consists of a statue donated to the Museum during 2006 with an appraised value of $950,000. The Museum has determined that the statue has historical value and intends to protect and preserve the asset perpetually. As a result, in accordance with professional standards over historical treasures and art that have these characteristics, depreciation is not recognized for the collection.

5. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets as of December 31 are restricted as follows:

	2016	2015
Leasehold interest in property	$ 2,928,311	$ 4,830,937
Renewable Energy exhibit	12,500	
Health Happens Here grant	7,323	135,513
Choices exhibit	1,000	
Drought grant		12,150
Total	$ 2,949,134	$ 4,978,600

Leasehold interest in property represents the Museum's interested in use of facilities contributed by the Secretary of State (the State). Effective June 30, 2015, the Museum renewed their memorandum of understanding with the State which provides for use of space for the Museum's exhibits, gift shop, and administrative offices within the California State Archives building. The agreement extends through June 30, 2018.

6. DONATED SERVICES AND GOODS

Donated services and goods revenue and expense represents the fair market value of personnel services and goods provided under an agreement with the California Secretary of State. In addition, the Museum may receive other in-kind equipment and supplies donations throughout the year.

The Museum received the following donated facilies and services during the year ending December 31:

	2016	2015
Security services	$ 285,761	$ 186,274
Office expenses and equipment	114,052	291,764
Total	$ 399,813	$ 478,038

7. RETIREMENT PLAN

The Museum maintains a 401(k) plan which allows employees to defer a portion of their salary up to Internal Revenue Code limits. At the Museum's discretion, it may provide for a 3 percent matching contribution. For the years ended December 31, 2016 and 2015, the Museum made no matching contribution to the retirement plan.