THE CALIFORNIA MUSEUM FOR HISTORY, WOMEN AND THE ARTS

FINANCIAL STATEMENTS WITH INDEPENDENT AUDITOR'S REPORT

YEARS ENDED DECEMBER 31, 2017 AND 2016

Gilbert Associates, Inc.
CPAs and Advisors
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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 statements of financial position as of December 31, 2017 and 2016, and the related statements of activities, functional expenses 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 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.

2880 GATEWAY OAKS DRIVE, SUITE 100, SACRAMENTO, CA 95833 • 101 PARKSHORE DRIVE, SUITE 100, FOLSOM, CA 95630
PHONE:916.646.6464 • FAX:916.929.6836 • GilbertCPA.com

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, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Gilbert Associates, Inc.

GILBERT ASSOCIATES, INC.
Sacramento, California

June 19, 2018

THE CALIFORNIA MUSEUM FOR HISTORY, WOMEN AND THE ARTS

STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2017 AND 2016

	2017	2016
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 1,343,452	$ 1,453,090
Accounts receivable	1,940,590	1,071,625
Prepaid expenses	5,507	7,641
Inventory	23,253	16,114
Total current assets	3,312,802	2,548,470
PROPERTY AND EQUIPMENT, Net	2,303,582	436,376
COLLECTION	950,000	950,000
LEASEHOLD INTEREST IN PROPERTY	983,723	2,928,311
TOTAL ASSETS	$ 7,550,107	$ 6,863,157
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts payable	$ 32,201	$ 252,464
Accrued expenses	48,764	36,727
Total current liabilities	80,965	289,191
NET ASSETS:		
Unrestricted	6,318,556	3,624,832
Temporarily restricted	1,150,586	2,949,134
Total net assets	7,469,142	6,573,966
TOTAL LIABILITIES AND NET ASSETS	$ 7,550,107	$ 6,863,157

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, 2017 AND 2016

	2017	2016
UNRESTRICTED NET ASSETS:		
REVENUES:		
Contributions and grants	$ 3,383,305	$ 1,355,216
Donated services and goods	412,264	410,826
Admission fees	248,167	230,525
Facility rental	103,271	85,983
Museum store sales	101,457	96,257
Gold Rush Grille	21,000	21,000
Memberships	13,736	10,353
Other income	6,353	3,448
Net assets released from restrictions	2,102,395	2,051,506
Total revenues	6,391,948	4,265,114
EXPENSES:		
Program services:		
Exhibits	1,434,628	1,525,754
Education	880,502	759,341
Unity	355,125	40,382
Public information	214,111	170,900
Museum store	199,392	219,330
Hall of Fame	57,875	44,133
Facility rental	52,809	51,518
Volunteer	18,672	19,880
Total program services	3,213,114	2,831,238
Supporting services:		
General and administrative	444,525	418,003
Development and membership	40,585	7,927
Total expenses	3,698,224	3,257,168
INCREASE IN UNRESTRICTED NET ASSETS	2,693,724	1,007,946
TEMPORARILY RESTRICTED NET ASSETS:		
Contributions and grants	303,847	22,040
Net assets released from restrictions	(2,102,395)	(2,051,506)
DECREASE IN TEMPORARILY RESTRICTED NET ASSETS	(1,798,548)	(2,029,466)
INCREASE (DECREASE) IN NET ASSETS	895,176	(1,021,520)
NET ASSETS, Beginning of Year,	6,573,966	7,595,486
NET ASSETS, End of Year	$ 7,469,142	$ 6,573,966

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, 2017

	Exhibits	Education	Unity	Public information	Museum store	Hall of fame	Facility rental	Volunteer	General and administrative	Development and membership	Total
Amortization of leasehold interest	$ 991,740	$ 670,883			$ 106,952				$ 175,013		$ 1,944,588
Personnel	109,155	57,136	$ 98,134	$ 86,202	44,079	$ 11,695	$ 41,480	$ 13,166	71,508	$ 10,965	543,520
Donated services and goods	104,382	104,382		94,861					93,309		396,934
Exhibits	185,381	5,118	177	1,150	233	8,598		1	10		200,668
Events and programs	2,017	29,138	105,048	360	15	15,893	2,522	2,416	750		158,159
Depreciation	210		113,135						10,470		123,815
Payroll tax and employee benefits	14,088	9,579	8,109	15,281	4,695	1,119	8,744	2,069	22,622	1,207	87,513
Professional fees	3,450		4,790						49,641	25,000	82,881
Purchases					38,871						38,871
Office expenses and supplies	9,269	296	1,286	2,424	2,739	17,743	63	1,005	1,555	796	37,176
Insurance	14,234								15,591		29,825
Advertising			17,372	7,484		245					25,101
Dues, licenses, and subscriptions		2,006	494	5,728	127	50			1,726	1,902	12,033
Printing	167	1,503	4,552	621	75	2,500				525	9,943
Travel, conference, and meetings	128	9	2,028		15	32			733	32	2,977
Bank and processing fees		452			1,358				667	158	2,635
Education and training	407							15	740		1,162
Taxes and licenses					233				190		423
Total	$ 1,434,628	$ 880,502	$ 355,125	$ 214,111	$ 199,392	$ 57,875	$ 52,809	$ 18,672	$ 444,525	$ 40,585	$ 3,698,224

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	Education	Unity	Public information	Museum store	Hall of fame	Facility rental	Volunteer	General and administrative	Development and membership	Total
Amortization of leasehold interest	$ 970,340	$ 656,406			$ 104,644				$ 171,236		$ 1,902,626
Personnel	74,932	53,977	$ 25,252	$ 78,633	44,082	$ 2,939	$ 41,529	$ 16,175	136,856	$ 824	475,199
Donated services and goods	329,260	200		70,353							399,813
Exhibits	114,514	1,044		490							116,048
Events and programs	2,309	25,776	2,267	14	149	15,030	1,365	422	1,003		48,335
Depreciation									10,470		10,470
Payroll tax and employee benefits	10,431	9,075	2,311	12,387	4,819	89	8,311	2,428	34,686	40	84,577
Professional fees			8,058			2,295			30,633		40,986
Purchases		5,563			53,551						59,114
Office expenses and supplies	7,371	1,686	64	530	2,049	14,894	195	362	646	3,143	30,940
Insurance	16,114								12,085		28,199
Advertising									14,708		14,708
Dues, licenses, and subscriptions	2	2,558		6,409	799	310		120	3,646	2,007	15,851
Printing	101	1,980	376	2,084		3,010	101	101		1,325	9,078
Travel, conference, and meetings	280	487	54			5,566		257	643	8	7,295
Bank and processing fees		589			4,272				1,062	580	6,503
Education and training	100							15			115
Taxes and licenses			2,000		4,965		17		329		7,311
Total	$ 1,525,754	$ 759,341	$ 40,382	$ 170,900	$ 219,330	$ 44,133	$ 51,518	$ 19,880	$ 418,003	$ 7,927	$ 3,257,168

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, 2017 AND 2016

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES:		
Increase (decrease) in net assets	$ 895,176	$ (1,021,520)
Reconciliation to net cash provided by operating activities:		
Amortization of leasehold interest in property	1,944,588	1,902,626
Depreciation	123,815	10,470
Changes in:		
Receivables	(868,965)	(845,655)
Prepaid expenses	2,134	73
Inventory	(7,139)	4,282
Accounts payable	(220,263)	214,995
Accrued expenses	12,037	11,018
Net cash provided by operating activities	1,881,383	276,289
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	(1,991,021)	(391,024)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(109,638)	(114,735)
CASH AND EQUIVALENTS, Beginning of Year	1,453,090	1,567,825
CASH AND EQUIVALENTS, End of Year	$ 1,343,452	$ 1,453,090

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 Museum 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.

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 $25,101 and $14,708 in 2017 and 2016, respectively.

Subsequent events have been reviewed through June 19, 2018, the date the financial statements were issued. Management concluded that no material subsequent events have occurred since December 31, 2017 that require recognition or disclosure in the financial statements.

Reclassification of prior year balances – Certain prior year expense natural and functional classifications have been changed to conform to current year presentation. These changes had no net asset effect.

2. PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	2017	2016
Exhibits	$ 2,375,834	$ 387,332
Improvements	19,296	19,296
Office equipment	16,653	16,653
Store equipment	24,139	24,139
Computer and software	129,281	129,281
Other equipment	31,176	28,657
Total	2,596,379	605,358
Less accumulated depreciation	292,797	168,982
Net property and equipment	$ 2,303,582	$ 436,376

3. 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.

4. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes:

	2017	2016
Leasehold interest in property	$ 983,723	$ 2,928,311
Health Happens Here grant	136,818	7,323
We the People exhibit	12,545	
Renewable Energy exhibit	12,500	12,500
And Still We Rise exhibit	5,000	
Choices exhibit		1,000
Total	$ 1,150,586	$ 2,949,134

Leasehold interest in property represents the Museum's interest 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.

5. 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 facilities and services:

	2017	2016
Security services	$ 208,764	$ 223,454
Advertising services	91,111	70,353
Office expenses and equipment	97,059	106,006
Total	$ 396,934	$ 399,813

6. 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, 2017 and 2016, the Museum made no matching contribution to the retirement plan.