THE CALIFORNIA MUSEUM FOR HISTORY, WOMEN AND THE ARTS

FINANCIAL STATEMENTS WITH INDEPENDENT AUDITOR'S REPORT

YEARS ENDED DECEMBER 31, 2018 AND 2017

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, 2018 and 2017, 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.

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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, 2018 and 2017, 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.
Sacramento, California

June 10, 2019

THE CALIFORNIA MUSEUM FOR HISTORY, WOMEN AND THE ARTS

STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2018 AND 2017

	2018	2017
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 2,762,623	$ 1,343,452
Accounts receivable	973,108	1,940,590
Prepaid expenses	8,484	5,507
Inventory	23,319	23,253
Total current assets	3,767,534	3,312,802
PROPERTY AND EQUIPMENT, Net	1,945,658	2,303,582
COLLECTION	950,000	950,000
LEASEHOLD INTEREST IN PROPERTY	5,128,324	983,723
TOTAL ASSETS	$ 11,791,516	$ 7,550,107
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts payable	$ 19,296	$ 32,201
Accrued expenses	50,105	48,764
Total current liabilities	69,401	80,965
NET ASSETS:		
Without donor restrictions	6,567,486	6,318,556
With donor restrictions	5,154,629	1,150,586
Total net assets	11,722,115	7,469,142
TOTAL LIABILITIES AND NET ASSETS	$ 11,791,516	$ 7,550,107

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, 2018 AND 2017

NET ASSETS WITHOUT DONOR RESTRICTIONS:	2018	2017
REVENUES:		
Contributions and grants	$ 1,344,290	$ 3,383,305
Donated services and goods	276,102	412,264
Admission fees	245,659	248,167
Museum store sales	109,997	101,457
Facility rental	93,772	103,271
Gold Rush Grille	21,000	21,000
Memberships	15,899	13,736
Other income	15,247	6,353
Net assets released from restrictions	2,165,280	2,102,395
Total revenues	4,287,246	6,391,948
EXPENSES:		
Program services:		
Exhibits	1,645,763	1,434,628
Education	1,052,376	880,502
Unity	432,235	355,125
Public information	153,766	214,111
Museum store	231,603	199,392
Hall of Fame	63,790	57,875
Facility rental	61,057	52,809
Volunteer	6,215	18,672
Total program services	3,646,805	3,213,114
Supporting services:		
General and administrative	371,211	444,525
Development and membership	20,300	40,585
Total expenses	4,038,316	3,698,224
INCREASE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	248,930	2,693,724
NET ASSETS WITH DONOR RESTRICTIONS:		
Contributions and grants	15,335	303,847
Contribution of leasehold interest in property	6,153,988	
Net assets released from restrictions	(2,165,280)	(2,102,395)
INCREASE (DECREASE) IN NET ASSETS WITH DONOR RESTRICTIONS	4,004,043	(1,798,548)
INCREASE IN NET ASSETS	4,252,973	895,176
NET ASSETS, Beginning of Year	7,469,142	6,573,966
NET ASSETS, End of Year	$ 11,722,115	$ 7,469,142

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, 2018

	Exhibits	Education	Unity	Museum store	Public information	Hall of fame	Facility rental	Volunteer	General and administrative	Development and membership	Total
Amortization of leasehold interest	$ 1,024,788	$ 693,239		$ 110,516					$ 180,844		$ 2,009,387
Personnel	130,576	164,520	$ 46,366	31,088	$ 80,144	$ 20,423	$ 49,346	$ 2,534	39,162	$ 15,964	580,123
Exhibits	265,499	13,185	1,525		725	1,811			81		282,826
Donated services and goods	134,569	90,029		14,353					35,396		274,347
Depreciation	360		366,496						10,471		377,327
Events and programs	1,250	76,798	6,626	98	1,435	12,382	1,859	1,488	466	512	102,914
Payroll tax and employee benefits	15,834	9,559	4,154	13,301	15,111	1,267	9,706	1,334	21,245	1,254	92,765
Professional fees				200		11,351			58,814		70,365
Office expenses and supplies	42,891	503	45	3,515	3,540	13,173	94	535	2,373	185	66,854
Purchases				51,088							51,088
Advertising	1,507	360			40,785	755		67	70		43,544
Insurance	27,255								15,299		42,554
Dues, licenses, and subscriptions	10	3,583	7,000	27	10,357	(140)			3,667	2,197	26,701
Bank and processing fees	48	553		6,998					1,662	188	9,449
Printing	997				1,603	2,768					5,368
Travel, conference, and meetings	159	40	23		66		52	257	596		1,193
Taxes and licenses				419					1,065		1,484
Education and training	20	7									27
Total	$ 1,645,763	$ 1,052,376	$ 432,235	$ 231,603	$ 153,766	$ 63,790	$ 61,057	$ 6,215	$ 371,211	$ 20,300	$ 4,038,316

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

STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2018 AND 2017

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES:		
Increase in net assets	$ 4,252,973	$ 895,176
Reconciliation to net cash provided by operating activities:		
Contribution of leasehold interest in property	(6,153,988)	
Amortization of leasehold interest in property	2,009,387	1,944,588
Depreciation	377,327	123,815
Changes in:		
Receivables	967,482	(868,965)
Prepaid expenses	(2,977)	2,134
Inventory	(66)	(7,139)
Accounts payable	(12,905)	(220,263)
Accrued expenses	1,341	12,037
Net cash provided by operating activities	1,438,574	1,881,383
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	(19,403)	(1,991,021)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,419,171	(109,638)
CASH AND EQUIVALENTS, Beginning of Year	1,343,452	1,453,090
CASH AND EQUIVALENTS, End of Year	$ 2,762,623	$ 1,343,452

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 two classes of net assets based on the existence or absence of donor or grantor-imposed restrictions: *Net assets without donor restrictions* and *Net assets with donor restrictions.*

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, specific purposes, or perpetuity. Donor-restricted amounts are reported as increases in net assets with donor restrictions. Net assets with donor restrictions 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. The Museum has no net assets with donor restrictions that are perpetual in nature.

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 costs 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. Personnel expenses are allocated based on estimates of employees' time incurred. Donated goods, services, and amortization of leasehold interest in facilities provided by the Secretary of State are allocated based on square footage. All other expenses are allocated based on the 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.

The Museum deposits held with financial institutions in excess of federal depository insurance limits were $1,920,477 and $786,581 as of December 31, 2018 and 2017, respectively. The Museum has not experienced any losses in such accounts and management believes the Museum is not exposed to any significant credit risk related to cash.

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 $43,544 and $25,101 in 2018 and 2017, respectively.

New Accounting Pronouncement – On August 18, 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14, Not-for-Profit Entities (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Museum has adjusted the presentation of these statements accordingly. The ASU has been applied retrospectively to all periods presented.

Recently Issued Accounting Pronouncement – In May 2014, the FASB issued ASU No. 2014-09, *Revenue with Contract from Customers (Topic 606)*. The new accounting standard develops a common revenue standard that will remove inconsistencies and weaknesses in revenue requirements, provide a more robust framework for addressing revenue issues, improve comparability of revenue recognition practices, provide more useful information to users of financial statements and simplify the preparation of financial statements. Application of this statement is effective for the year ending December 31, 2019. The Museum is currently evaluating the impact this pronouncement will have on its financial statements.

In June 2018, the FASB issued ASU 2018-08, Topic 958, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The new accounting standard clarifies and improves the guidance for (1) evaluating whether transactions should be accounted for as contributions within the scope of Topic 958 or as exchange transactions subject to other guidance and (2) determining whether a contribution is conditional. Application of this statement is effective for transactions in which the entity serves as the resource recipient for the year ending December 31, 2019. For transactions in which the entity serves as the resource provider, the statement is effective for the year ending December 31, 2020. The Museum is currently evaluating the impact this pronouncement will have on the financial statements.

Subsequent events have been reviewed through June 10, 2019, the date the financial statements were issued. Management concluded that no material subsequent events have occurred since December 31, 2018 that require recognition or disclosure in the financial statements.

2. LIQUIDITY AND AVAILABILITY OF RESOURCES

The Museum's financial assets available within one year of the statement of financial position date for general expenditure are as follows as of December 31, 2018:

Cash and cash equivalents	$ 2,762,623
Accounts receivable	973,108
Total financial assets	3,735,731
Less those unavailable for general expenditures within one year due to contractual or donor restrictions:	(26,306)
Total financial assets available for general expenditures within one year	$ 3,709,425

The Museum has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due.

3. PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	2018	2017
Exhibits	$ 2,380,834	$ 2,375,834
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	45,579	31,176
Total	2,615,782	2,596,379
Less accumulated depreciation	670,124	292,797
Net property and equipment	$ 1,945,658	$ 2,303,582

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. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are available for the following purposes:

	2018	2017
Leasehold interest in property	$ 5,128,323	$ 983,723
We the People exhibit	13,806	12,545
Renewable Energy exhibit	12,500	12,500
And Still We Rise exhibit		5,000
Health Happens Here grant		136,818
Total	$ 5,154,629	$ 1,150,586

Leasehold interest in property represents the Museum's interest in use of facilities contributed by the Secretary of State (the State). Effective June 30, 2018, 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, 2021.

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 facilities and services:

	2018	2017
Security services	$ 213,291	$ 208,764
Office expenses and equipment	61,056	97,059
Advertising services		91,111
Total	$ 274,347	$ 396,934

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, 2018 and 2017, the Museum made no matching contribution to the retirement plan.