THE CALIFORNIA MUSEUM FOR HISTORY, WOMEN AND THE ARTS

FINANCIAL STATEMENTS WITH INDEPENDENT AUDITOR'S REPORT

YEARS ENDED DECEMBER 31, 2019 AND 2018

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, 2019 and 2018, 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, 2019 and 2018, 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 CPAs
Sacramento, California

July 31, 2020

THE CALIFORNIA MUSEUM FOR HISTORY, WOMEN AND THE ARTS

STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2019 AND 2018

	2019	2018
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 2,236,074	$ 2,762,623
Grants and accounts receivable	2,562,032	973,108
Prepaid expenses	11,116	8,484
Inventory	22,120	23,319
Total current assets	4,831,342	3,767,534
PROPERTY AND EQUIPMENT, Net	2,844,013	1,945,658
COLLECTIONS	970,000	950,000
LEASEHOLD INTEREST IN PROPERTY	3,526,914	5,128,324
TOTAL ASSETS	$ 12,172,269	$ 11,791,516
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts payable	$ 399,692	$ 19,296
Accrued expenses	44,456	50,105
Deferred revenue	114,618	
Total current liabilities	558,766	69,401
NET ASSETS:		
Without donor restrictions	8,062,359	6,567,486
With donor restrictions	3,551,144	5,154,629
Total net assets	11,613,503	11,722,115
TOTAL LIABILITIES AND NET ASSETS	$ 12,172,269	$ 11,791,516

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, 2019 AND 2018

NET ASSETS WITHOUT DONOR RESTRICTIONS:	2019	2018
REVENUES:		
Grants	$ 2,403,030	$ 1,093,597
Donated services and goods	358,374	276,102
Contributions	233,024	250,693
Admission fees	230,774	245,659
Museum store sales	94,370	109,997
Facility rental	91,296	93,772
Gold Rush Grille	21,000	21,000
Memberships	16,988	15,899
Other income	51,710	15,247
Net assets released from restrictions	2,157,733	2,165,280
Total revenues	5,658,299	4,287,246
EXPENSES:		
Program services:		
Exhibits	1,732,590	1,645,763
Education	1,136,169	1,052,376
Unity	393,043	432,235
Museum store	231,434	231,603
Public information	135,103	153,766
Hall of Fame	65,828	63,790
Facility rental	59,943	61,057
Volunteer	23,793	6,215
Total program services	3,777,903	3,646,805
Supporting services:		
General and administrative	370,987	371,211
Development and membership	14,536	20,300
Total expenses	4,163,426	4,038,316
INCREASE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	1,494,873	248,930
NET ASSETS WITH DONOR RESTRICTIONS:		
Contributions and grants	12,820	15,335
Contribution of leasehold interest in property	541,428	6,153,988
Net assets released from restrictions	(2,157,733)	(2,165,280)
INCREASE (DECREASE) IN NET ASSETS WITH DONOR RESTRICTIONS	(1,603,485)	4,004,043
INCREASE (DECREASE) IN NET ASSETS	(108,612)	4,252,973
NET ASSETS, Beginning of Year	11,722,115	7,469,142
NET ASSETS, End of Year	$ 11,613,503	$ 11,722,115

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, 2019

	Exhibits	Education	Unity	Museum store	Public information	Hall of fame	Facility rental	Volunteer	General and administrative	Development and membership	Total
Amortization of leasehold interest	$ 1,092,847	$ 739,279		$ 117,856					$ 192,856		$ 2,142,838
Personnel	161,158	170,772	$ 28,388	22,588	$ 46,278		$ 49,691	$ 17,088	43,391	$ 11,797	551,151
Donated services and goods	182,771	123,639		19,711					32,253		358,374
Depreciation	3,384		340,120	738							344,242
Exhibits	227,490	14,000			189	$ 12,631			77		254,387
Events and programs	3,878	65,310	9,934	42	2,743	36,017	129	1,232	1,191		120,476
Payroll tax and employee benefits	22,239	14,951	3,538	8,458	15,626		10,103	4,187	26,785	529	106,416
Advertising	5,411	1,587			59,629	1,300		13			67,940
Purchases				52,730							52,730
Professional fees	1,700	1,330			54	300		449	48,570		52,403
Office expenses and supplies	17,535	1,698	3,988	1,586	274	11,241	20	109	2,756	164	39,371
Insurance	10,735								15,916		26,651
Dues, licenses, and subscriptions		2,108	7,000		9,532	300		438	3,634	1,948	24,960
Bank and processing fees		1,116		7,909					336	98	9,459
Printing	381				703	3,739			43		4,866
Travel, conference, and meetings	82	151		16				277	3,323		3,849
Education and training	2,979	228	75		75				99		3,456
Taxes and licenses				(200)		300			(243)		(143)
Total	$ 1,732,590	$ 1,136,169	$ 393,043	$ 231,434	$ 135,103	$ 65,828	$ 59,943	$ 23,793	$ 370,987	$ 14,536	$ 4,163,426

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
Donated services and goods	134,569	90,029		14,353					35,396		274,347
Depreciation	360		366,496						10,471		377,327
Exhibits	265,499	13,185	1,525		725	1,811			81		282,826
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
Advertising	1,507	360			40,785	755		67	70		43,544
Purchases				51,088							51,088
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
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
Education and training	20	7									27
Taxes and licenses				419					1,065		1,484
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

STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2019 AND 2018

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES:		
Increase (decrease) in net assets	$ (108,612)	$ 4,252,973
Reconciliation to net cash provided by operating activities:		
Contribution of leasehold interest in property	(541,428)	(6,153,988)
Amortization of leasehold interest in property	2,142,838	2,009,387
Receipt of donated collection	(10,000)	
Depreciation	344,242	377,327
Changes in:		
Receivables	(1,588,924)	967,482
Prepaid expenses	(2,632)	(2,977)
Inventory	1,199	(66)
Accounts payable	380,396	(12,905)
Accrued expenses	(5,649)	1,341
Deferred revenue	114,618	
Net cash provided by operating activities	726,048	1,438,574
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of collections	(10,000)	
Purchases of property and equipment	(1,242,597)	(19,403)
Net cash used by investing activities	(1,252,597)	(19,403)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(526,549)	1,419,171
CASH AND EQUIVALENTS, Beginning of Year	2,762,623	1,343,452
CASH AND EQUIVALENTS, End of Year	$ 2,236,074	$ 2,762,623

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. Conditional contributions are not recognized until the conditions on which they depend have been substantially met or the donor has explicitly released the condition. The Museum receives certain government grants which limit spending to qualifying expenditures as defined in grant agreements. Amounts received in advance of incurrence of qualifying expenditures are recorded as deferred revenue. Outstanding conditional promises to give subject to qualifying expenditure requirements were $5,081,766 as December 31, 2019, and will be recognized as revenue as the conditions are met.

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 net assets with donor restrictions. Net assets with donor restrictions become unrestricted and are reported in the statements of activities as net assets released from restrictions when the time restrictions expire, or the contributions are used for the restricted purpose. The Museum has no net assets with donor restrictions that are perpetual in nature. Donor-restricted contributions that are initially classified as conditional, and for which the donor-imposed conditions and restrictions are met simultaneously, are recognized as next assets without donor restrictions in the statement of activities.

The Museum’s revenue from contracts with customers consists of admission fees, museum store sales, Gold Rush Grille and facility rentals, and membership dues. Revenue is recognized for admissions fees and store sales at time of admission or when goods are purchased by the customer. Facility rental revenue is recognized when the rental event takes place. Membership dues are recognized over the term of the membership period and dues collected in advance are recorded as deferred revenue. Accounts receivable balances from contracts with customers were $50,730, $2,280, and $80,626 as of December 31, 2019, 2018, and 2017, respectively.

Grants and accounts 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 $2,029,632 and $1,920,477 as of December 31, 2019 and 2018, 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 donor-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 $67,940 and $43,544 in 2019 and 2018, respectively.

New Accounting Pronouncements – In May 2014, the Financial Accounting Standards Board (FASB) issued Topic 606, *Revenue from Contracts with Customers*. The new accounting standard develops a common standard that will remove inconsistencies in revenue requirements, improve comparability of revenue recognition practices, provide more useful information to users of financial statements and simplify the preparation of financial statements. The Museum has implemented Topic 606 effective January 1, 2019 for all open contracts with no effect on beginning net assets.

In June 2018, the FASB issued Accounting Standards Update (ASU) 2018-08, Not-for-Profit Entities (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. The Museum has implemented this accounting standard in the accompanying financial statements effective January 1, 2019 under the modified prospective basis. Accordingly, there is no effect on beginning net assets in connection with the implementation of ASU 2018-08.

Future Accounting Pronouncement – In February 2016, the FASB issued ASU 2016-02, *Leases* (Topic 842). The new accounting standard requires lessees to recognize a lease liability measured on a discounted basis and a right-of-use asset for all leases with terms longer than 12 months. Application of this statement is effective for the year ending December 31, 2022. The Museum is currently evaluating the impact this pronouncement will have on the financial statements.

Subsequent events have been reviewed through July 31, 2020, the date the financial statements were issued. Refer to Note 8.

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:

	2019	2018
Cash and cash equivalents	$ 2,236,074	$ 2,762,623
Accounts receivable	2,562,032	973,108
Total financial assets	4,798,106	3,735,731
Less those unavailable for general expenditures within one year due to contractual or donor restrictions:	(24,230)	(26,306)
Total financial assets available for general expenditure within one year	$ 4,773,876	$ 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. GRANTS AND ACCOUNTS RECEIVABLE

Grants and accounts receivable from various sources at December 31, 2019 and 2018 are as follows:

	2019	2018
Government grants	$ 2,511,302	$ 859,490
Other	50,730	113,618
Total	$ 2,562,032	$ 973,108

Management expects all receivable balances to be collected within one year.

4. PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	2019	2018
Exhibits	$ 2,380,834	$ 2,380,834
Construction in progress	1,242,597	
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	45,579
Total	3,858,379	2,615,782
Less accumulated depreciation	1,014,366	670,124
Net property and equipment	$ 2,844,013	$ 1,945,658

5. COLLECTIONS

The Museum's collection consists of a statue donated to the Museum during 2006 with an appraised value of $950,000 and various other collections valued at a total of $20,000. The Museum has determined that the statue and other collections have historical value and intends to protect and preserve the assets perpetually. As a result, in accordance with professional standards over historical treasures and art that have these characteristics, depreciation is not recognized for the collections.

6. NET ASSETS WITH DONOR RESTRICTIONS

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

	2019	2018
Leasehold interest in property	$ 3,526,914	$ 5,128,323
We the People exhibit	11,730	13,806
Renewable Energy exhibit	12,500	12,500
Total	$ 3,551,144	$ 5,154,629

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.

During 2019, the Museum received an updated use valuation from the State, and as a result, the leasehold interest in property was updated to reflect the value of the use of property.

7. 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:

	2019	2018
Security services	$ 237,597	$ 213,291
Office expenses and equipment	120,777	61,056
Total	$ 358,374	$ 274,347

8. 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 4 percent matching contribution. For the year ended December 31, 2019, the Museum made matching contributions of $12,207 to the retirement plan. No matching contributions were made to the plan for the year ended December 31, 2018.

9. SUBSEQUENT EVENT

In 2020, the COVID-19 outbreak in the United States has caused business disruption through mandated closure of the Museum. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration of the closure. Therefore, the Museum expects this matter to negatively impact its operating results. However, the related financial impact and duration cannot be reasonably estimated at this time