



# Sonnenberg & Company, CPAs

A Professional Corporation

5190 Governor Drive, Suite 201, San Diego, California 92122

Phone: (858) 457-5252 • (800) 464-4HOA • Fax: (858) 457-2211 • (800) 303-4FAX



Leonard C. Sonnenberg, CPA

## La Jolla Historical Society Audited Financial Statements June 30, 2016

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## INDEPENDENT AUDITOR'S REPORT

Board of Directors and Members  
La Jolla Historical Society

We have audited the accompanying statement of financial position of La Jolla Historical Society (Society) as of June 30, 2016, and the related statements 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 U.S. generally accepted accounting principles; 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 audit. We conducted our audit in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit 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 entities' 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 financial statements referred to above present fairly, in all material respects, the financial position of La Jolla Historical Society as of June 30, 2016, and the changes in its net assets and its cash flows for the year then ended in accordance with U.S. generally accepted accounting principles.

**Report on Summarized Comparative Information**

We have previously audited La Jolla Historical Society's June 30, 2015 financial statements, and we expressed an unmodified opinion on those financial statements in our report dated December 18, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2015, is consistent, in all material respects, with the audited financial statements from which it has been derived.

October 19, 2016

  
Sonnenberg & Company, CPAs

**La Jolla Historical Society**  
**Statement of Financial Position**  
**June 30, 2016**  
(With Comparative Totals for June 30, 2015)

	2016	2015
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 162,216	\$ 136,068
Investments	281,905	298,935
Grant Receivable	-	8,500
Contract Receivable	32,718	10,562
Pledges Receivables	2,250	8,250
Other Receivables	20,820	2,790
Other Assets	13,710	15,059
Property and Equipment, net (Note 6)	4,314,594	4,357,877
Website (net of amortization of \$1,674)	18,416	-
	\$ 4,846,629	\$ 4,838,041
<b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES</b>		
Accounts Payable	\$ 12,556	\$ 7,526
Accrued Payroll and Employee Benefits	13,822	15,118
Deferred Revenue - Membership Dues	15,965	18,399
Prepaid Event Income	20,300	18,250
Sales Tax Payable	34	84
	62,677	59,377
<b>NET ASSETS</b>		
Unrestricted - Undesignated	4,706,616	4,729,717
Temporarily Restricted	77,336	48,947
	4,783,952	4,778,664
	\$ 4,846,629	\$ 4,838,041

See Auditor's Report and Notes to Financial Statements

**La Jolla Historical Society**  
**Statement of Activities**  
**For the Fiscal Year Ended June 30, 2016**  
(With Comparative Totals for the Fiscal Year Ended June 30, 2015)

	2016			2015
	Unrestricted	Temporarily Restricted	Total	Total
<b>SUPPORT AND REVENUE</b>				
<b>Support</b>				
Contributions	\$ 139,423	\$ -	\$ 139,423	\$ 168,296
Contract Income	78,357	-	78,357	44,188
Grant Income	1,000	-	1,000	23,590
Membership	63,047	-	63,047	70,254
Special Events	664,604	-	664,604	618,736
Interest and Dividends	23,965	-	23,965	11,646
Realized Gains/(Losses)	(9,111)	-	(9,111)	10,965
Unrealized Gains and (Losses)	4,815	-	4,815	(18,233)
Other Income	9,846	-	9,846	15,667
Net Assets Released from Restrictions	(8,389)	8,389	-	-
<b>Total Support</b>	<u>967,557</u>	<u>8,389</u>	<u>975,946</u>	<u>945,109</u>
<b>TOTAL SUPPORT AND REVENUE</b>	<u>967,557</u>	<u>8,389</u>	<u>975,946</u>	<u>945,109</u>
<b>EXPENSES</b>				
Program Services	888,743	-	888,743	886,678
Supporting Activities				
Management and General	83,495	-	83,495	93,799
Fundraising	18,420	-	18,420	20,875
<b>TOTAL EXPENSES</b>	<u>990,658</u>	<u>-</u>	<u>990,658</u>	<u>1,001,352</u>
<b>OTHER CHANGES</b>				
Recovery from Uncollectible Pledges	-	20,000	20,000	-
Uncollectible Pledges	-	-	-	(71,995)
<b>TOTAL OTHER CHANGES</b>	<u>-</u>	<u>20,000</u>	<u>20,000</u>	<u>(71,995)</u>
<b>CHANGE IN NET ASSETS</b>	<u>\$ (23,101)</u>	<u>\$ 28,389</u>	<u>\$ 5,288</u>	<u>\$ (128,238)</u>
Net Assets at Beginning of Fiscal Year	<u>\$ 4,729,717</u>	<u>\$ 48,947</u>	<u>\$ 4,778,664</u>	<u>\$ 4,906,902</u>
Net Assets at End of Fiscal Year	<u>\$ 4,706,616</u>	<u>\$ 77,336</u>	<u>\$ 4,783,952</u>	<u>\$ 4,778,664</u>

See Auditor's Report and Notes to Financial Statements

**La Jolla Historical Society**  
**Statement of Functional Expenses**  
**For the Fiscal Year Ended June 30, 2016**  
(With Comparative Totals for the Fiscal Year Ended June 30, 2015)

	2016				2015
	Program Services	Management and General	Fundraising	Total	Total
<b>Personnel Expenses:</b>					
Salaries and Wages	\$ 113,777	\$ 40,635	\$ 8,127	\$ 162,539	\$ 199,915
Payroll Taxes	10,224	3,651	730	14,605	20,385
Employee Benefits	1,362	486	97	1,945	1,947
<b>Total Personnel Expenses</b>	<u>125,363</u>	<u>44,772</u>	<u>8,954</u>	<u>179,089</u>	<u>222,247</u>
<b>Non-Personnel Expenses:</b>					
Credit Card Processing and Bank Fee	4,209	-	-	4,209	8,349
Depreciation and Amortization	35,012	12,504	2,501	50,017	49,199
Development	5,788	-	305	6,093	10,992
Dues and Subscriptions	1,491	-	78	1,569	1,092
Equipment and Lease	5,168	1,846	369	7,383	7,420
Exhibitions	49,456	-	-	49,456	63,789
Insurance	11,491	4,104	821	16,416	18,815
Investment Fee	2,434	869	174	3,477	3,535
License and Filing Fee	328	118	24	470	632
Marketing	3,144	-	166	3,310	3,236
Miscellaneous	790	282	56	1,128	4,812
Newsletter	16,637	-	876	17,513	21,576
Occupancy (rent, utilities, phone, landscape)	17,683	6,315	1,263	25,261	28,073
Pass-thru Fundings	12,500	-	-	12,500	23,590
Payroll Service	1,174	419	84	1,677	1,781
Postage and Delivery	1,129	404	81	1,614	2,193
Printing and Reproduction	2,921	-	154	3,075	2,297
Professional Fees	20,553	7,341	1,468	29,362	11,822
Repairs and Maintenance	8,511	3,153	631	12,295	17,527
Security	1,192	426	85	1,703	2,240
Special Events Expenses	556,427	-	-	556,427	488,169
Supplies	2,496	892	178	3,566	3,512
Travel	2,706	-	142	2,848	3,069
Website	140	50	10	200	1,385
<b>Total Non-Personnel Expenses</b>	<u>763,380</u>	<u>38,723</u>	<u>9,466</u>	<u>811,569</u>	<u>779,105</u>
<b>Total Functional Expenses for FY16</b>	<u>\$ 888,743</u>	<u>\$ 83,495</u>	<u>\$ 18,420</u>	<u>\$ 990,658</u>	
<b>Total Functional Expenses for FY15</b>	<u>\$ 886,678</u>	<u>\$ 93,799</u>	<u>\$ 20,875</u>		<u>\$ 1,001,352</u>

**La Jolla Historical Society**  
**Statement of Cash Flow**  
**For the Fiscal Year Ended June 30, 2016**  
(With Comparative Totals for the Fiscal Year Ended June 30, 2015)

	2016	2015
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in Net Assets	\$ 5,288	\$ (128,238)
Adjustments to Reconcile Change in Net Assets		
Depreciation	50,017	49,199
(Gains) Losses on Investments	17,030	11,166
(Increase) / Decrease in Current Assets:		
Pledges Receivables	6,000	71,795
Grant Receivable	8,500	1,500
Contract Receivable	(22,156)	13,589
Other Receivables	(18,030)	9,329
Other Assets	1,348	29,679
Increase / (Decrease) in Current Liabilities:		
Accounts Payable	5,030	(19,788)
Accrued Payroll and Employee Benefits	(1,296)	(9,125)
Sales Tax Payable	(50)	28
Prepaid Event Income	2,050	(4,400)
Deferred Revenue	(2,434)	3,063
Net Cash Provided (Used) by Operating Activities	51,297	27,797
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchases of Property & Equipment	(5,059)	-
Addition of Intangible Assets	(20,090)	-
Net Cash Provided (Used) by Investing Activities	(25,149)	-
Net Increase(Decrease) in Cash	26,148	27,797
Cash Balance at the Beginning of the Year	136,068	108,271
Cash Balance at the End of the Year	\$ 162,216	\$ 136,068

See Auditor's Report and Notes to Financial Statements

**La Jolla Historical Society**  
**Notes to Financial Statements**  
**June 30, 2016**

**Note 1.                    Organization and Income Tax Status**

Organization and Nature of Activities

The La Jolla Historical Society (the Society) is dedicated to the discovery, collection and preservation of La Jolla's heritage. Through our collections, programs and advocacy, we carry out our mission by discovering, recording and sharing La Jolla's history; preserving La Jolla's historical objects, sites and structures; increasing community awareness of the value of our heritage.

Income Tax Status

The Society is a California not-for-profit corporation exempt from federal and state income taxes under Internal Revenue Code Section 501(c)(3) and California State Tax Code 23701(d). The Society currently has no unrelated business income. Accordingly, no provision for income taxes has been recorded.

**Note 2.                    Summary of Significant Accounting Policies**

Basis of Presentation

The Society's financial statements have been prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles and the AICPA Accounting and Auditing Guide for Not-for-profit Entities.

The Society reports contributions received according to three classes: unrestricted, temporarily restricted, or permanently restricted support, depending on the existence or nature of any donor restrictions. Contributions are considered available for unrestricted use unless specifically restricted by the donors. It is the Society's policy to treat donor restricted contribution, whose restrictions are met in the same reporting period as unrestricted.

The Society is also 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.

Cash and Cash Equivalents

Cash and cash equivalents consist primarily of certificates of deposits and other securities with original maturities of 90 days or less. Securities with original maturities over 90 days are generally classified as short-term investments.



**La Jolla Historical Society**  
**Notes to Financial Statements**  
**June 30, 2016**

**Note 2.      Summary of Significant Accounting Policies (continued)**

Unconditional Promises to Give/Pledge Receivables

Unconditional promises to give are recognized as revenues or gains in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

Investments

Investments consist primarily of assets invested in marketable equity and debt securities, and money – market accounts. The Society accounts for investments in accordance with FASB ASC 958-320 and subsections (formerly SFAS No. 124, *Accounting for Certain Investments Held by Non-for-Profit Organization* [“SFAS 124”]). This standard requires that investments in equity securities with readily determinable fair values and all investments in debt securities be measured at fair value in the statement of financial position. Fair value of marketable equity and debt securities is based on quoted market prices. The realized and unrealized gain or loss on investments is reflected in the statement of changes in net assets.

Investments are exposed to various risks such as significant world events, interest rate, credit, and overall market volatility risks. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the fair value of investments will occur in the near term and that such changes could materially affect the amounts reported in the statement of financial position.

The Society’s investment policy intends for the Society to invest in assets that would produce results exceeding the investment’s purchase price and incur a significant yield of return, while assuming a moderate level of investment risk. The Society expects its investment fund, over time, to provide a reasonable rate of return. To satisfy the long-term rate of return objective, the Society 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 Society targets a diversified asset allocation that places a greater emphasis on marketable equity and debt securities and money – market accounts to achieve its long-term objective within prudent risk constraints.

**La Jolla Historical Society**  
**Notes to Financial Statements**  
**June 30, 2016**

**Note 2.      Summary of Significant Accounting Policies (continued)**

Donated Materials and Services

The estimated fair market value of donated goods, if any, is recorded in the financial statements. In conformance with U.S. generally accepted accounting principles, the Society accounts for donated services at fair market value in the financial statements when and if such services create or enhance nonfinancial assets or require specialized professional skills, and would need to be purchased if not donated.

Collections

Collection items acquired either through purchase or donation are not capitalized. Purchases of collection items are recorded as decreases in unrestricted net assets if purchased with unrestricted assets and as decreases in temporarily restricted or permanently restricted net assets if purchased with donor-restricted assets. Contributions of collection items are not recognized in the Statement of Activities. Proceeds from deaccessions or insurance recoveries are reflected on the Statement of Activities based on the absence or existence and nature of donor-imposed restrictions.

Compensated Absences

Employees of the Society are entitled to compensate absences depending on the length of service and other factors. Such absences consist of unused vacation and time off, and any unused portion thereof is payable upon termination or retirement. As of June 30, 2016, the liability for accrued vacation is \$4,768. The Society's policy is to record sick leave as an operation expense when taken, since such benefits do not vest, and payment is not probable.

Impairment of Long-lived Assets

The Society evaluates long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. If the estimated future cash flows (undiscounted and without interest charges) from the use of an asset are less than the carrying value, a write-down will be recorded to reduce the related asset to its estimated fair value. To date, no such write-downs have occurred.

**La Jolla Historical Society**  
**Notes to Financial Statements**  
**June 30, 2016**

**Note 2.      Summary of Significant Accounting Policies (continued)**

Fair Value Measurements

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value should be based on assumptions that market participants would use, including a consideration of non-performance risk. Management assesses the inputs used to measure fair value using a three-tier hierarchy based on the extent to which inputs used in measuring fair value are observable in the market. Level 1 inputs are quoted market prices for identical instruments in an active market that the entity has the ability to access and are the most observable. Level 2 inputs include quoted market prices for similar assets and observable inputs such as interest rates, currency exchange rates, commodity rates, and yield curves. Level 3 inputs are not observable in the market and include management's judgments about the assumptions market participants would use in pricing the asset or liability. The Society has determined that it has Level 1 inputs.

Functional Allocation of Expenses

Costs of providing the Society's programs and other activities have been presented in the Statement of Functional Expenses. During the year, such costs are accumulated into separate groupings as either direct or indirect. Indirect or shared costs are allocated among program and support services by a method that best measures the relative degree of benefit.

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 disclosures 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.

**La Jolla Historical Society**  
**Notes to Financial Statements**  
**June 30, 2016**

**Note 2. Summary of Significant Accounting Policies (continued)**

**Comparative Totals**

The comparative information shown for the previous year is included to provide a basis for comparison and presents summarized totals only. Such information does not include sufficient detail to constitute a presentation in conformity with U. S. generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Society's financial statements for the year ended June 30, 2014, from which the summarized information was derived. Some items may have been reclassified for purposes of overall comparability and consistency of presentation.

**Note 3. Concentration of Risk and Uncertainty:**

The Society maintains bank accounts that are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. The Society's cash balance occasionally exceeded the FDIC limit during the fiscal year. The Society has not experienced any losses in such accounts. The Society maintains the vast majority of its investments at Merrill Lynch. Accounts at these institutions are not insured by the Federal Deposit Insurance Corporation. The Society's management deems its funds not to be at significant risk.

**Note 4. Investments:**

Investments at June 30, 2016 are comprised of the following:

	<u>Fair Value</u>	<u>Cost Basis</u>
Cash, Money Funds, and FDIC Deposits	\$ 2,013	\$ 2,013
Mutual Funds	279,892	267,488
<b>Total</b>	<u>\$ 281,905</u>	<u>\$ 269,501</u>

**La Jolla Historical Society**  
**Notes to Financial Statements**  
**June 30, 2016**

**Note 4. Investments, continued:**

The following schedule summarizes the investment return in its classification in the statement of activities for the year ended June 30, 2016.

	<u>Amount</u>
Interest and dividend income	\$ 23,965
Realized Gains (Losses)	(9,111)
Unrealized Gains (Losses)	4,815
Total Investment Income	<u>\$ 19,669</u>

**Note 5. Pledges Receivable/Unconditional Promises to Give:**

Pledges are recognized when the donor makes an unconditional pledge to the Society. Pledges that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the year which the pledges are recognized. All other donor-restricted pledges are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets. The Society has received some multi-year pledges. Management has recorded multi-year pledges at their stated values rather than at discounted value per U.S. GAAP because the difference in value is expected to be insignificant. An allowance for uncollectible accounts in the amount of \$45,000 has been recorded.

**Note 6. Property and Equipment:**

Property and equipment are capitalized at cost. It is the Society's policy to capitalize expenditures for these items in excess of \$2,000. Lesser amounts are expensed. Buildings are being depreciated over estimated useful lives of 40 years using a straight-line method, with a half year's depreciation recognized in the years of acquisition and disposal. All other capitalized property and equipment (with the exception of land), are being depreciated over estimated useful lives of 5 to 15 years using a straight-line method, with a half of year's depreciation recognized in the years of acquisition and disposal.

**La Jolla Historical Society**  
**Notes to Financial Statements**  
**June 30, 2016**

**Note 6. Property and Equipment continued:**

At June 30, 2016 Property and Equipment consisted of:

	<u>Balance July 1, 2015</u>	<u>Additions</u>	<u>Balance June 30, 2016</u>
<b>Non-depreciated Fixed Assets</b>			
Land	\$ 2,970,600	\$ -	\$ 2,970,600
<b>Depreciated Fixed Assets</b>			
Buildings and Structures	1,424,594	-	1,424,594
Furniture and Equipment	117,134	5,059	122,193
<b>Total Depreciated Fixed Assets</b>	<u>1,541,728</u>	<u>5,059</u>	<u>1,546,787</u>
<b>Less Accumulated Depreciation</b>	<u>(154,450)</u>	<u>(48,342)</u>	<u>(202,792)</u>
<b>Net Depreciated Fixed Assets</b>	<u>1,387,278</u>	<u>(43,283)</u>	<u>1,343,995</u>
<b>Net Fixed Assets</b>	<u>\$ 4,357,877</u>	<u>\$ (43,283)</u>	<u>\$ 4,314,594</u>

**Note 7. Temporarily Restricted Net Assets**

As of June 30, 2016, the amounts of temporarily restricted net assets are as follows:

	<u>Ending Balance</u>
Capital Campaign Fund	\$ 21,800
Survey Fund	21,250
Oral History	21,774
Passthru Grants	12,326
Archive Collection	186
<b>Total Temp. Restricted NA</b>	<u>\$ 77,336</u>

**La Jolla Historical Society**  
**Notes to Financial Statements**  
**June 30, 2016**

**Note 8.      IRA Retirement Plan:**

The Society maintains an IRA retirement plan covering all employees who meet the plan's eligibility requirements. Under the plan, voluntary contributions may be made by participants. No contributions from the Society were made to the plan for the year ended June 30, 2016.

**Note 9.      Government Grants**

In Fiscal year ending June 30, 2016, the Society received \$78,357 in City of San Diego Organizational Support Program (OSP) funding within the Arts, Culture and Community Festivals program category to enhance the economy and contribute to San Diego's reputation as a cultural destination. The pass-thru grants to its sub-recipients were totaling \$12,500 (part of the contracted amount \$78,357).

**Note 10.     Commitments and Contingencies:**

The Society entered into service agreements with various vendors. Future minimum payments are totaling \$85,411.