



# Sonnenberg & Company, CPAs

A Professional Corporation

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Leonard C. Sonnenberg, CPA

**La Jolla Historical Society  
Audited Financial Statements  
June 30, 2015  
RECEIVED FEB 11 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, 2015, 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, 2015, 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, 2014 financial statements, and we expressed an unmodified opinion on those financial statements in our report dated November 10, 2014. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2014, is consistent, in all material respects, with the audited financial statements from which it has been derived.

December 18, 2015



Sonnenberg & Company, CPAs

**La Jolla Historical Society**  
**Statement of Financial Position**  
**June 30, 2015**  
(With Comparative Totals for June 30, 2014)

	<u>2015</u>	<u>2014</u>
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 136,068	\$ 108,271
Investments	298,935	310,101
Grant Receivable	8,500	10,000
Contract Receivable	10,562	24,151
Pledges Receivables (Net of Allowance of \$96,996 & \$25,501)	8,250	80,045
Other Receivables	2,790	12,119
Other Assets	15,059	44,738
Property and Equipment, net (Note 6)	4,357,877	4,407,076
	<hr/>	<hr/>
TOTAL ASSETS	\$ <u>4,838,041</u>	\$ <u>4,996,501</u>
 <b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES</b>		
Accounts Payable	\$ 7,526	\$ 27,314
Accrued Payroll and Employee Benefits	15,118	24,243
Deferred Revenue - Membership Dues	18,399	15,336
Prepaid Event Income	18,250	22,650
Sales Tax Payable	84	56
	<hr/>	<hr/>
TOTAL LIABILITIES	59,377	89,599
 <b>NET ASSETS</b>		
Unrestricted - Undesignated	4,729,717	4,801,485
Temporarily Restricted	48,947	105,417
	<hr/>	<hr/>
TOTAL NET ASSETS	4,778,664	4,906,902
	<hr/>	<hr/>
TOTAL LIABILITIES AND NET ASSETS	\$ <u>4,838,041</u>	\$ <u>4,996,501</u>

See Auditor's Report and Notes to Financial Statements

**La Jolla Historical Society**  
**Statement of Activities**  
**For the Fiscal Year Ended June 30, 2015**  
(With Comparative Totals for the Fiscal Year Ended June 30, 2014)

	2015			2014
	Unrestricted	Temporarily Restricted	Total	Total
<b>SUPPORT AND REVENUE</b>				
<b>Support</b>				
Contributions	\$ 163,496	\$ 4,800	\$ 168,296	\$ 355,222
Contract Income	44,188	-	44,188	45,801
Grant Income	-	23,590	23,590	-
Membership	70,254	-	70,254	68,268
Special Events	618,736	-	618,736	538,544
Interest and Dividends	11,646	-	11,646	11,568
Realized Gains	10,965	-	10,965	16,141
Unrealized Gains and (Losses)	(18,233)	-	(18,233)	26,332
Other Income	15,667	-	15,667	14,256
Net Assets Released from Restrictions	84,860	(84,860)	-	-
Total Support	<u>1,001,579</u>	<u>(56,470)</u>	<u>945,109</u>	<u>984,530</u>
<b>TOTAL SUPPORT AND REVENUE</b>	<u>1,001,579</u>	<u>(56,470)</u>	<u>945,109</u>	<u>984,530</u>
<b>EXPENSES</b>				
Program Services	886,678	-	886,678	716,537
Supporting Activities				
Management and General	93,799	-	93,799	81,077
Fundraising	20,875	-	20,875	18,236
<b>TOTAL EXPENSES</b>	<u>1,001,352</u>	<u>-</u>	<u>1,001,352</u>	<u>815,850</u>
Uncollectible Pledges	(71,995)	-	(71,995)	-
<b>CHANGE IN NET ASSETS</b>	<u>\$ (71,768)</u>	<u>\$ (56,470)</u>	<u>\$ (128,238)</u>	<u>\$ 168,680</u>
Net Assets at Beginning of Fiscal Year	<u>\$ 4,801,485</u>	<u>\$ 105,417</u>	<u>\$ 4,906,902</u>	<u>\$ 4,738,222</u>
Net Assets at End of Fiscal Year	<u>\$ 4,729,717</u>	<u>\$ 48,947</u>	<u>\$ 4,778,664</u>	<u>\$ 4,906,902</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, 2015**  
(With Comparative Totals for the Fiscal Year Ended June 30, 2014)

	2015				2014
	Program Services	Management and General	Fundraising	Total	Total
<b>Personnel Expenses:</b>					
Salaries and Wages	\$ 139,940	\$ 49,979	\$ 9,996	\$ 199,915	\$ 210,000
Payroll Taxes	14,270	5,096	1,019	20,385	18,061
Employee Benefits	1,363	487	97	1,947	1,945
<b>Total Personnel Expenses</b>	<u>155,573</u>	<u>55,562</u>	<u>11,112</u>	<u>222,247</u>	<u>230,006</u>
<b>Non-Personnel Expenses:</b>					
Bad Debt Expense	-	-	-	-	1,370
Credit Card Processing and Bank Fee	8,349	-	-	8,349	12,499
Depreciation and Amortization	34,439	12,300	2,460	49,199	25,350
Development	10,442	-	550	10,992	9,278
Dues and Subscriptions	1,037	-	55	1,092	1,200
Equipment and Lease	5,194	1,855	371	7,420	7,624
Exhibitions	63,789	-	-	63,789	14,324
Insurance	13,170	4,704	941	18,815	16,166
Investment Fee	2,474	884	177	3,535	4,591
License and Filing Fee	442	158	32	632	1,102
Marketing	3,074	-	162	3,236	3,090
Miscellaneous	3,368	1,203	241	4,812	270
Newsletter	20,497	-	1,079	21,576	19,879
Occupancy (rent, utilities, phone, landscape)	19,651	7,018	1,404	28,073	14,081
Pass-thru Fundings	23,590	-	-	23,590	-
Payroll Service	1,247	445	89	1,781	1,612
Postage and Delivery	1,535	548	110	2,193	1,216
Printing and Reproduction	2,182	-	115	2,297	4,000
Professional Fees	8,275	2,956	591	11,822	8,193
Repairs and Maintenance	12,269	4,382	876	17,527	5,168
Security	1,568	560	112	2,240	2,321
Special Events Expenses	488,169	-	-	488,169	422,245
Supplies	2,458	878	176	3,512	7,077
Travel	2,916	-	153	3,069	2,788
Website	970	346	69	1,385	400
<b>Total Non-Personnel Expenses</b>	<u>731,105</u>	<u>38,237</u>	<u>9,763</u>	<u>779,105</u>	<u>585,844</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>	
<b>Total Functional Expenses for FY14</b>	<u>\$ 716,537</u>	<u>\$ 81,077</u>	<u>\$ 18,236</u>		<u>\$ 815,850</u>

See Auditor's Report and Notes to Financial Statements

**La Jolla Historical Society**  
**Statement of Cash Flow**  
**For the Fiscal Year Ended June 30, 2015**  
(With Comparative Totals for the Fiscal Year Ended June 30, 2014)

	2015	2014
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in Net Assets	\$ (128,238)	\$ 168,680
Adjustments to Reconcile Change in Net Assets		
Depreciation	49,199	22,650
(Gains) Losses on Investments	11,166	65,764
(Increase) / Decrease in Current Assets:		
Pledges Receivables	71,795	66,150
Grant Receivable	1,500	(10,000)
Contract Receivable	13,589	(9,129)
Other Receivables	9,329	5,351
Other Assets	29,679	(31,426)
Increase / (Decrease) in Current Liabilities:		
Accounts Payable	(19,788)	15,230
Accrued Payroll and Employee Benefits	(9,125)	8,344
Sales Tax Payable	28	2
Prepaid Event Income	(4,400)	8,150
Deferred Revenue	3,063	4,363
Net Cash Provided (Used) by Operating Activities	27,797	314,129
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchases of Property & Equipment	-	(1,194,207)
Construction in Progress	-	243,005
Addition of Intangible Assets	-	2,700
Net Cash Provided (Used) by Investing Activities	-	(948,502)
Net Increase(Decrease) in Cash	27,797	(634,373)
Cash Balance at the Beginning of the Year	108,271	742,644
Cash Balance at the End of the Year	\$ 136,068	\$ 108,271

See Auditor's Report and Notes to Financial Statements

**La Jolla Historical Society**  
**Notes to Financial Statements**  
**June 30, 2015**

**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, 2015**

**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, 2015**

**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, 2015, the liability for accrued vacation is \$6,874. 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, 2015**

**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, 2015**

**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 and the balance at the San Diego Foundation. 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, 2015 are comprised of the following:

	<u>Fair Value</u>	<u>Cost Basis</u>
Cash, Money Funds, and FDIC Deposit	\$ 1,472	\$ 1,472
Mutual Funds	204,237	185,098
San Diego Foundation	93,226	63,900
Total	<u>\$ 298,935</u>	<u>\$250,470</u>

**La Jolla Historical Society**  
**Notes to Financial Statements**  
**June 30, 2015**

**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, 2015.

	<u>Amount</u>
Interest and dividend income	\$ 11,646
Realized Gains (Losses)	10,965
Unrealized Gains (Losses)	(18,233)
Total Investment Income	<u>\$ 4,378</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 \$96,996 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, 2015**

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

At June 30, 2015 Property and Equipment consisted of:

	<u>Balance</u> <u>July 1, 2014</u>	<u>Additions</u>	<u>Balance</u> <u>June 30, 2015</u>
Non-depreciated Fixed Assets			
Land	\$2,970,600	\$ -	\$ 2,970,600
Depreciated Fixed Assets			
Buildings and Structures	1,424,594	-	1,424,594
Furniture and Equipment	117,134	-	117,134
Total Depreciated Fixed Assets	<u>1,541,728</u>	<u>-</u>	<u>1,541,728</u>
Less Accumulated Depreciation	<u>(105,251)</u>	<u>(49,199)</u>	<u>(154,450)</u>
Net Depreciated Fixed Assets	<u>1,346,477</u>	<u>(49,199)</u>	<u>1,387,278</u>
Net Fixed Assets	<u>\$4,407,076</u>	<u>\$ (49,199)</u>	<u>\$ 4,357,877</u>

**Note 7. Temporarily Restricted Net Assets**

As of June 30, 2015, the amounts of temporarily restricted net assets are as follows:

	<u>Beginning</u> <u>Balance</u>	<u>Additions</u>	<u>Released</u>	<u>Ending</u> <u>Balance</u>
Capital Campaign Fund	\$ 58,420	\$ 1,800	\$ (60,220)	\$ -
Survey Fund	24,250	-	(3,000)	21,250
Oral History	21,774	-	-	21,774
Donor Perfect	973	-	-	973
Passthru Grants	-	23,590	(18,640)	4,950
Others	-	3,000	(3,000)	-
Total Temp. Restricted NA	<u>\$ 105,417</u>	<u>\$ 28,390</u>	<u>\$ (84,860)</u>	<u>\$ 48,947</u>

**La Jolla Historical Society**  
**Notes to Financial Statements**  
**June 30, 2015**

**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, 2015.

**Note 9. Government Grants**

In Fiscal year ending June 30, 2015, the Society received \$67,778 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 Society disbursed pass-thru grants totaling \$23,590 (part of the contracted amount \$67,778) to its sub-recipients.

**Note 10. Commitments and Contingencies:**

The Society entered into service agreements with various vendors. Future minimum payments, by year and in the aggregate, under these agreements are as follows:

Years End	McFarlane Promotion, Inc. CDE 6/11/15- 4/13/17	McFarlane Promotion, Inc. SGT 8/15/15- 5/31/16	SCCS Canon Copier Office 12/1/12- 11/31/17	Total
June 30, 2016	\$ 75,000	\$ 10,000	\$ 4,308	\$ 89,308
2017	75,000	-	4,308	79,308
2018	-	-	4,308	4,308
2019	-	-	1,795	1,795
<b>Total</b>	<b>\$ 150,000</b>	<b>\$ 10,000</b>	<b>\$ 14,719</b>	<b>\$ 174,719</b>