



# Sonnenberg & Company, CPAs

A Professional Corporation

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Leonard C. Sonnenberg, CPA

## La Jolla Historical Society Audited Financial Statements June 30, 2018

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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, 2018, 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, 2018, 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, 2017 financial statements, and we expressed an unmodified opinion on those financial statements in our report dated September 15, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

October 8, 2018

  
Sonnenberg & Company, CPAs

**La Jolla Historical Society**  
**Statement of Financial Position**  
**June 30, 2018**  
(With Comparative Totals for June 30, 2017)

	2018	2017
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 236,811	\$ 141,231
Investments	326,923	312,257
Contract Receivable	22,408	25,842
Pledges Receivables	5,164	1,850
Other Receivables, Net of Uncollectible \$11,428	11,702	38,412
Other Assets	7,396	29,974
Property and Equipment, net (Note 6)	4,284,199	4,272,455
Website (net of amortization)	8,372	13,394
<b>TOTAL ASSETS</b>	<b>\$ 4,902,975</b>	<b>\$ 4,835,415</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES</b>		
Accounts Payable	\$ 13,510	\$ 3,114
Accrued Payroll and Employee Benefits	2,717	9,918
Deferred Revenue - Membership Dues	12,523	12,578
Prepaid Event Income	38,350	13,400
Sales Tax Payable	82	98
<b>TOTAL LIABILITIES</b>	<b>67,182</b>	<b>39,108</b>
<b>NET ASSETS</b>		
Unrestricted - Undesignated	4,760,383	4,696,497
Temporarily Restricted	75,410	99,810
<b>TOTAL NET ASSETS</b>	<b>4,835,793</b>	<b>4,796,307</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 4,902,975</b>	<b>\$ 4,835,415</b>

See Auditor's Report and Notes to Financial Statements

**La Jolla Historical Society**  
**Statement of Activities**  
**For the Fiscal Year Ended June 30, 2018**  
(With Comparative Totals for the Fiscal Year Ended June 30, 2017)

	2018			2017
	Unrestricted	Temporarily Restricted	Total	Total
<b>SUPPORT AND REVENUE</b>				
<b>Support</b>				
Contributions	\$ 155,290	\$ 600	\$ 155,890	\$ 153,362
Contract Income	81,436	-	81,436	111,377
Grant Income	16,000	-	16,000	-
Membership	48,900	-	48,900	53,733
Special Events	795,167	-	795,167	710,598
Interest and Dividends	11,008	-	11,008	13,193
Realized Gains/(Losses)	15,098	-	15,098	8,167
Unrealized Gains and (Losses)	(6,709)	-	(6,709)	13,567
Other Income	1,000	-	1,000	10,831
Net Assets Released from Restrictions	25,000	(25,000)	-	-
Total Support	<u>1,141,850</u>	<u>(24,400)</u>	<u>1,117,450</u>	<u>1,074,828</u>
<b>TOTAL SUPPORT AND REVENUE</b>	<u>1,141,850</u>	<u>(24,400)</u>	<u>1,117,450</u>	<u>1,074,828</u>
<b>EXPENSES</b>				
Program Services	981,418	-	981,418	983,255
<b>Supporting Activities</b>				
Management and General	91,873	-	91,873	90,196
Fundraising	19,673	-	19,673	19,022
<b>TOTAL EXPENSES</b>	<u>1,092,964</u>	<u>-</u>	<u>1,092,964</u>	<u>1,092,473</u>
<b>OTHER CHANGES</b>				
Recovery from Uncollectibles	15,000	-	15,000	30,000
<b>CHANGE IN NET ASSETS</b>	\$ 63,886	\$ (24,400)	\$ 39,486	\$ 12,355
Net Assets at Beginning of Fiscal Year	<u>\$ 4,696,497</u>	<u>\$ 99,810</u>	<u>\$ 4,796,307</u>	<u>\$ 4,783,952</u>
Net Assets at End of Fiscal Year	<u>\$ 4,760,383</u>	<u>\$ 75,410</u>	<u>\$ 4,835,793</u>	<u>\$ 4,796,307</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, 2018**  
(With Comparative Totals for the Fiscal Year Ended June 30, 2017)

	2018				2017
	Program Services	Management and General	Fundraising	Total	Total
<b>Personnel Expenses:</b>					
Salaries and Wages	\$ 116,645	\$ 41,659	\$ 8,332	\$ 166,636	\$ 168,442
Payroll Taxes	10,006	3,574	715	14,295	14,716
Employee Benefits	1,317	471	94	1,882	1,800
<b>Total Personnel Expenses</b>	<u>127,968</u>	<u>45,704</u>	<u>9,141</u>	<u>182,813</u>	<u>184,958</u>
<b>Non-Personnel Expenses:</b>					
Bad Debt Expense	-	-	-	-	11,428
Credit Card Processing and Bank Fee	5,570	1,990	398	7,958	4,560
Depreciation and Amortization	37,672	13,455	2,691	53,818	49,390
Development	10,958	-	577	11,535	4,727
Dues and Subscriptions	1,276	-	67	1,343	1,348
Equipment and Lease	5,992	1,943	39	7,974	7,772
Exhibitions	56,561	-	-	56,561	110,038
Insurance	13,213	4,733	987	18,933	19,738
Investment Fee	1,037	370	74	1,481	3,794
License and Filing Fee	315	113	23	451	420
Marketing	2,879	-	152	3,031	2,269
Miscellaneous	1,436	513	103	2,052	(176)
Newsletter/Magazines	12,962	-	682	13,644	15,381
Occupancy (storage, utilities, phone, landscap	21,987	7,853	1,571	31,411	29,567
Pass-thru Fundings	-	-	-	-	12,375
Payroll Service	1,294	463	93	1,850	1,696
Postage and Delivery	1,111	397	79	1,587	2,187
Printing and Reproduction	132	-	7	139	777
Professional Fees	29,373	10,491	2,098	41,962	45,411
Repairs and Maintenance	8,154	2,912	582	11,648	9,820
Security	1,569	560	112	2,241	3,649
Special Events Expenses	636,599	-	-	636,599	566,611
Supplies	1,052	376	75	1,503	2,548
Travel	2,308	-	122	2,430	2,185
<b>Total Non-Personnel Expenses</b>	<u>853,450</u>	<u>46,169</u>	<u>10,532</u>	<u>910,151</u>	<u>907,515</u>
<b>Total Functional Expenses for FY18</b>	<u>\$ 981,418</u>	<u>\$ 91,873</u>	<u>\$ 19,673</u>	<u>\$ 1,092,964</u>	
<b>Total Functional Expenses for FY17</b>	<u>\$ 983,255</u>	<u>\$ 90,196</u>	<u>\$ 19,022</u>		<u>\$ 1,092,473</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, 2018**  
(With Comparative Totals for the Fiscal Year Ended June 30, 2017)

	<u>2018</u>	<u>2017</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in Net Assets	\$ 39,486	\$ 12,355
Adjustments to Reconcile Change in Net Assets		
Depreciation	53,818	51,619
(Gains) Losses on Investments	(8,389)	(21,734)
(Increase) / Decrease in Current Assets:		
Pledges Receivables	(3,314)	400
Contract Receivable	3,434	6,876
Other Receivables, Net of Uncollectible \$11,428	26,710	(17,592)
Other Assets	22,578	(16,264)
Increase / (Decrease) in Current Liabilities:		
Accounts Payable	10,396	(9,442)
Accrued Payroll and Employee Benefits	(7,201)	(3,904)
Sales Tax Payable	(16)	64
Prepaid Event Income	24,950	(6,900)
Deferred Revenue	(55)	(3,387)
Net Cash Provided (Used) by Operating Activities	<u>162,397</u>	<u>(7,909)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Construction in Progress	(62,769)	(2,229)
Sale of Investments	87,057	202,419
Purchase of Investments	(91,105)	(213,266)
Net Cash Provided (Used) by Investing Activities	<u>(66,817)</u>	<u>(13,076)</u>
Net Increase(Decrease) in Cash	95,580	(20,985)
Cash Balance at the Beginning of the Year	<u>141,231</u>	<u>162,216</u>
Cash Balance at the End of the Year	<u>\$ 236,811</u>	<u>\$ 141,231</u>

See Auditor's Report and Notes to Financial Statements

**La Jolla Historical Society**  
**Notes to Financial Statements**  
**June 30, 2018**

**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, 2018**

**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*). 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, 2018**

**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, 2018, the liability for accrued vacation is \$2,717. 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, 2018**

**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, 2018**

**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, 2017, from which the summarized information was derived. Some items may have been reclassified for purposes of overall comparability and consistency of presentation.

Management's Review

The Society has evaluated subsequent events through October 8, 2018, the date the financial statements were available to be issued. The Board and management are not aware of any subsequent events that would require adjustment to, or disclosures in, the financial statements.

**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, 2018 are comprised of the following:

	Fair Value	Cost Basis
Cash, Money Funds, and FDIC Deposit	\$ 13,197	\$ 13,197
Mutual Funds	313,726	294,024
<b>Total</b>	<b>\$ 326,923</b>	<b>\$307,221</b>

**La Jolla Historical Society**  
**Notes to Financial Statements**  
**June 30, 2018**

**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, 2018.

	Amount
Interest and dividend income	\$ 11,008
Realized Gains (Losses)	15,098
Unrealized Gains (Losses)	(6,709)
Total Investment Income	\$ 19,397

**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 \$11,428 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, 2018**

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

At June 30, 2018 Property and Equipment consisted of:

	<u>Balance</u> <u>July 1, 2017</u>	<u>Additions</u>	<u>Balance</u> <u>June 30, 2018</u>
Non-depreciated Fixed Assets			
Land	\$ 2,970,600	\$ -	\$ 2,970,600
Construction in Progress	2,229	60,540	62,769
Total Non-depreciated Fixed Asse	<u>2,972,829</u>	<u>60,540</u>	<u>3,033,369</u>
Depreciated Fixed Assets			
Buildings and Structures	1,424,594	-	1,424,594
Furniture and Equipment	122,193	-	122,193
Total Depreciated Fixed Assets	<u>1,546,787</u>	<u>-</u>	<u>1,546,787</u>
Less Accumulated Depreciation	<u>(247,160)</u>	<u>(48,796)</u>	<u>(295,956)</u>
Net Depreciated Fixed Assets	<u>1,299,627</u>	<u>(48,796)</u>	<u>1,250,831</u>
Net Fixed Assets	<u>\$ 4,272,455</u>	<u>\$ 11,744</u>	<u>\$ 4,284,199</u>

**Note 7. Temporarily Restricted Net Assets**

As of June 30, 2018, the amounts of temporarily restricted net assets are as follows:

	<u>Ending Balance</u>
Capital Campaign Fund	\$ 29,200
Survey Fund	21,250
Oral History	21,774
Bench Fund	3,000
Archive Collection	186
Total Temp. Restricted NA	<u>\$ 75,410</u>

**La Jolla Historical Society**  
**Notes to Financial Statements**  
**June 30, 2018**

**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, 2018.

**Note 9.      Government Grants**

In Fiscal year ending June 30, 2017, the Society received \$81,436 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.

**Note 10.     Commitments and Contingencies:**

The Society entered into service agreements with various vendors. Future minimum payments are totaling \$160,000.

In August 2016, the Society entered into an employment agreement with the Executive Director for the period from September 1, 2016 through August 31, 2020. According to the agreement, the Executive Director's base salary is totaling \$357,658 for four years plus a cellular phone allowance \$45 per month, dental and vision insurance, and other benefits. The Society is obligated to pay severance consisting of four (4) week's salary for each year of service or part thereof from Employees initial date of employment with the Society (September 1, 2012) in the event of early termination without cause. In the case of termination for cause, the employee is not entitled to any severance payments.