



# Sonnenberg & Company, CPAs

A Professional Corporation

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Leonard C. Sonnenberg, CPA

## La Jolla Historical Society Audited Financial Statements June 30, 2022

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## INDEPENDENT AUDITOR'S REPORT

Board of Directors and Members  
La Jolla Historical Society

### Opinion

We have audited the financial statements of La Jolla Historical Society, which comprise the statement of financial position as of June 30, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of La Jolla Historical Society as of June 30, 2022, and the changes in net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of La Jolla Historical Society and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about La Jolla Historical Society's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

### Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users made on the basis of these financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 La Jolla Historical Society 's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about La Jolla Historical Society 's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

### Report on Summarized Comparative Information

We have previously audited La Jolla Historical Society's 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated June 30, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2021 is consistent, in all material respects, with the audited financial statements from which it has been derived.

October 14, 2022

  
Sonnenberg & Company, CPAs

**La Jolla Historical Society**  
**Statement of Financial Position**  
**June 30, 2022**  
(With Comparative Information for June 30, 2021)

	<u>2022</u>	<u>2021</u>
<b>ASSETS</b>		
Cash	\$ 208,411	\$ 377,255
Investments	337,943	429,890
Contributions Receivable	50,099	12,109
Prepaid Expenses	4,870	1,995
Deposits	591	2,955
Property and Equipment, Net	4,222,389	4,246,352
<b>TOTAL ASSETS</b>	<b>\$ 4,824,303</b>	<b>\$ 5,070,556</b>
 <b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES</b>		
Accounts Payable	\$ 429	\$ 6,795
Accrued Vacation	7,830	4,236
Deferred Revenue	32,362	538,810
<b>TOTAL LIABILITIES</b>	<b>40,621</b>	<b>549,841</b>
 <b>NET ASSETS</b>		
Without Donor Restrictions	4,728,983	4,427,505
With Donor Restrictions	54,699	93,210
<b>TOTAL NET ASSETS</b>	<b>4,783,682</b>	<b>4,520,715</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 4,824,303</b>	<b>\$ 5,070,556</b>

See Auditor's Report and Notes to Financial Statements

**La Jolla Historical Society**  
**Statement of Activities**  
**For the Year Ended June 30, 2022**  
(With Comparative Information for the Year Ended June 30, 2021)

	2022			2021
	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total	Total
<b>SUPPORT AND REVENUE</b>				
Contributions	\$ 149,901	\$ -	\$ 149,901	\$ 210,122
Grant Income - PPP	-	-	-	42,485
Grant Income - Others	65,951	19,743	85,694	136,159
Membership Dues	49,531	-	49,531	50,578
Program Income - Exhibits	54,093	-	54,093	68,005
Program Income - Events and Others	1,473,918	-	1,473,918	51,153
Net Investment Return	(53,445)	-	(53,445)	83,615
Net Assets Released from Restrictions	58,254	(58,254)	-	-
<b>TOTAL SUPPORT AND REVENUE</b>	<b>1,798,203</b>	<b>(38,511)</b>	<b>1,759,692</b>	<b>642,117</b>
<b>EXPENSES</b>				
Program Services	1,351,206	-	1,351,206	537,219
Supporting Activities				
Management and General	123,218	-	123,218	100,779
Fundraising	22,301	-	22,301	17,888
<b>TOTAL EXPENSES</b>	<b>1,496,725</b>	<b>-</b>	<b>1,496,725</b>	<b>655,886</b>
<b>CHANGE IN NET ASSETS</b>	<b>\$ 301,478</b>	<b>\$ (38,511)</b>	<b>\$ 262,967</b>	<b>\$ (13,769)</b>
Net Assets at Beginning of Year	\$ 4,427,505	\$ 93,210	\$ 4,520,715	\$ 4,534,484
Net Assets at End of Year	\$ 4,728,983	\$ 54,699	\$ 4,783,682	\$ 4,520,715

See Auditor's Report and Notes to Financial Statements

**La Jolla Historical Society**  
**Statement of Functional Expenses**  
**For the Year Ended June 30, 2022**  
(With Comparative Information for the Year Ended June 30, 2021)

	2022			2021	
	Program Services	Management and General	Fundraising	Total	Total
<b>Personnel Expenses:</b>					
Salaries and Wages	\$ 173,949	\$ 46,386	\$ 11,597	\$ 231,932	\$ 199,380
Payroll Taxes	14,842	3,958	989	19,789	17,302
Employee Benefits	24,562	6,550	1,637	32,749	15,130
Workers Compensation Insurance	1,576	420	105	2,101	2,110
<b>Total Personnel Expenses</b>	<u>214,928</u>	<u>57,314</u>	<u>14,329</u>	<u>286,571</u>	<u>233,922</u>
<b>Non-Personnel Expenses:</b>					
Credit Card Processing and Bank Fees	6,317	1,684	421	8,422	1,230
Depreciation	21,332	5,689	1,422	28,443	49,198
Development and Marketing	5,692	-	-	5,692	7,804
Dues and Subscriptions	1,807	-	-	1,807	857
Equipment Lease	6,009	1,502	-	7,511	9,290
Exhibitions	114,514	-	-	114,514	47,142
Insurance	-	16,545	-	16,545	16,482
License and Filing Fee	-	2,557	-	2,557	2,300
Miscellaneous	59	16	4	79	1,886
Newsletter/Magazines	10,759	-	-	10,759	8,728
Occupancy (storage, utilities, phone, landscape)	38,905	10,375	2,594	51,873	34,755
Payroll Service	3,485	929	232	4,646	3,360
Postage and Delivery	1,285	343	86	1,713	1,830
Printing and Reproduction	1,036	276	69	1,381	1,786
Professional Fees	5,609	21,600	3,000	30,209	31,356
Program Expense	19,998	-	-	19,998	2,823
Repairs and Maintenance	12,867	3,217	-	16,084	24,275
Security	2,376	594	-	2,970	1,795
Events Expenses	882,064	-	-	882,064	174,235
Supplies	1,364	364	91	1,818	832
Travel	802	214	53	1,069	-
<b>Total Non-Personnel Expenses</b>	<u>1,136,278</u>	<u>65,904</u>	<u>7,972</u>	<u>1,210,154</u>	<u>421,964</u>
<b>Total Functional Expenses for June 30, 2022</b>	<u>\$ 1,351,206</u>	<u>\$ 123,218</u>	<u>\$ 22,301</u>	<u>\$ 1,496,725</u>	
<b>Total Functional Expenses for June 30, 2021</b>	<u>\$ 537,218</u>	<u>\$ 100,779</u>	<u>\$ 17,889</u>		<u>\$ 655,886</u>

See Auditor's Report and Notes to Financial Statements

**La Jolla Historical Society**  
**Statement of Cash Flow**  
**For the Year Ended June 30, 2022**  
(With Comparative Information for the Year Ended June 30, 2021)

	2022	2021
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in Net Assets	\$ 262,967	\$ (13,769)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities		
Depreciation	28,443	49,198
Unrealized (Gains)/Loss	88,039	(71,910)
Accumulative Depreciation	11,398	-
 (Increase) / Decrease in Assets:		
Contributions Receivable	(37,990)	(10,259)
Prepaid Expenses	(2,875)	58,942
Deposits	2,364	(830)
 Increase / (Decrease) in Liabilities:		
Accounts Payable	(6,366)	5,416
Accrued Vacation	3,594	836
Deferred Revenue	(506,448)	(53,600)
Net Cash (Used in) Operating Activities	(156,874)	(35,976)
 <b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Proceeds from Sale of Investments	103,212	147,882
Purchase of Investments	(101,611)	(151,695)
Reinvestment of Interest and Dividends	(13,571)	(8,797)
Net Cash (Used in) Investing Activities	(11,970)	(12,610)
 Net (Decrease) in Cash	 (168,844)	 (48,586)
 Cash at the Beginning of the Year	 377,255	 425,841
 Cash at the End of the Year	 \$ 208,411	 \$ 377,255

See Auditor's Report and Notes to Financial Statements

**La Jolla Historical Society**  
**Notes to Financial Statements**  
**Year Ended June 30, 2022**

**Note 1.      Organization**

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. The Society is supported by contributions, membership dues, and program fees.

**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 generally accepted accounting principles in the United States of America.

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

*Net Assets Without Donor Restrictions* - Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

*Net Assets With Donor Restrictions* - Net assets subject to donor (or certain grantor) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

The Society reports contributions restricted by donors as increase in net assets without donor restriction if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increase in net assets with donor restrictions, depending on the nature of the restrictions.

Cash and Cash Equivalents

Cash consists primarily of cash in the bank. Cash equivalents represent money market funds or short-term investments with original maturities of three months or less from the date of purchase, except for those amounts that are held in the investment portfolio which are invested for long-term purpose. There were no cash equivalents as of June 30, 2022.



**La Jolla Historical Society**  
**Notes to Financial Statements**  
**Year Ended June 30, 2022**

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

Investments

Investment purchases are recorded at cost, or if donated, at fair value on the date of donation. Thereafter, investments are reported at their fair values in the statement of financial position. Net investment return/(loss) is reported in the statement of activities and consists of interest and dividend income, realized and unrealized capital gains and losses, less external and direct internal investment expenses.

Revenue and Revenue Recognition

Program revenue is recognized when earned. Program service fees received in advance are deferred to the applicable period in which the related services are performed or expenditures are incurred, respectively.

Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met. All donor -restricted contributions are reported as increases in net assets with donor restrictions depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

Contributions receivable are unconditional promises to make future gifts. The Society recognizes a receivable and contribution revenue at the time the promise is made by the donor if it is verifiable, measurable, and probable of collection. Conditional promises to give, which depend on the occurrence of specified future events, are recognized when the conditions are met.

Contribution receivables are provided fully collectible; therefore, no allowance for uncollectible accounts was recorded as of June 30, 2022.

Fair Value Measurements

Investments are reported at fair value in the Society's financial statements. Fair value represents the price that would be received upon the sale of an asset or paid upon the transfer of a liability in an orderly transaction between market participants as of the measurement date.

Generally Accepted Accounting Principles (GAAP) establishes a fair value hierarchy that prioritizes inputs used to measure fair value into three levels:

Level 1 - quoted prices (unadjusted) in active markets for identical investments that the investment manager has the ability to access at the measurement date.

**La Jolla Historical Society**  
**Notes to Financial Statements**  
**Year Ended June 30, 2022**

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

Fair Value Measurements (continued)

Level 2 - observable prices that are based on inputs not quoted in active markets but corroborated by market data.

Level 3 - unobservable inputs that are used when little or no market data is available.

The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs. In determining fair value, the Society utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible.

Donated Goods and Services

The estimated fair value of donated goods and services is recorded in the financial statements. The donated goods are recorded at fair value at the date of donation. Donated services are recognized as contributions when services (a) create or enhance non-financial assets, or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Society. Volunteers provide services throughout the year that are not recognized as contributions in the financial statements since the recognition criteria were not met. No significant contributions of such goods and services were received during the year ended June 30, 2022.

Accrued Vacation

Accumulated unpaid employee vacation benefit are recognized as liability of the Society. As of June 30, 2022, the liability for accrued vacation is \$7,830. The Society's policy is to record sick leave as an operating expense when taken, since such benefits do not vest nor can the probability of payment be reasonably estimated.

Collections

Collection items acquired either through purchase or donation are not capitalized. Purchases of collection items are recorded as decreases in net assets without donor restrictions if purchased with unrestricted assets and as decreases in net assets with donor restrictions 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.

**La Jolla Historical Society**  
**Notes to Financial Statements**  
**Year Ended June 30, 2022**

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

Functional Allocation of Expenses

Costs of providing program and supporting services activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The expenses that are allocated include occupancy and depreciation, which are allocated on a square footage basis, as well as salaries and wages, benefits, payroll taxes, professional services, office expenses, insurance, and other, which are allocated on the basis estimated of time and efforts.

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 of contingencies 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.

Reclassifications

Certain reclassifications of amount previously reported have been made to the accompanying financial statements to maintain consistency between periods presented. The reclassifications had no impact on previously reported net assets.

Income Tax Status

The Society is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code and Section 23701(d) of the California State Revenue and Taxation Code. The Society qualifies for the charitable contribution deduction under IRC Sections 170(b)(1)(A)(vi) and (viii). The Society is annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS. In addition, it is subject to income tax on net income that is derived from business activities that are unrelated to its exempt purposes. Management has determined that The Society is not subject to unrelated business income tax and have not filed an Exempt Organization Business Income Tax Return (Form 990-T) with the IRS for the year ended June 30, 2022. Management has evaluated its tax positions and related income tax contingencies and does not believe that any material uncertain tax positions exist.

**La Jolla Historical Society**  
**Notes to Financial Statements**  
**Year Ended June 30, 2022**

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

Summarized Comparative Information

The summarized comparative information reported 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 generally accepted accounting principles in the United States of America. Accordingly, such information should be read in conjunction with the Society's financial statements for the year ended June 30, 2021, from which the summarized information was derived.

**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 its investments at Merrill Lynch. The Society's management deems its funds not to be at significant risk.

**Note 4. Fair Value Measurements:**

The following table summarizes investments by major category in the fair value hierarchy as of June 30, 2022:

	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Cash and Money Funds	\$ 14,553	\$ 14,553	\$ -	\$ -
Mutual Funds	323,390	323,390	-	-
<b>Total</b>	<b>\$ 337,943</b>	<b>\$ 337,943</b>	<b>\$ -</b>	<b>\$ -</b>

Mutual funds are classified as Level 1 of the hierarchy because their fair values are based on quoted prices for identical securities.

**La Jolla Historical Society  
Notes to Financial Statements  
Year Ended June 30, 2022**

**Note 4. Fair Value Measurements: (continued)**

The following schedule summarizes the investment return in its classification in the statement of activities for the year ended June 30, 2022.

	Amount
Interest and dividends	\$ 13,571
Realized Gains	21,023
Unrealized Loss, net of Invest. Fees	(88,039)
Total Investment Income	\$ (53,445)

**Note 5. Property and Equipment:**

Property and equipment are recorded 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 depreciated over 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) is 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.

At June 30, 2022 property and equipment consisted of:

Land	\$ 2,970,600
Buildings and Structures	1,424,592
Furniture and Equipment	122,193
Landscape Structures	161,030
Less Accumulated Depreciation	(456,026)
Total	\$ 4,222,389

**Note 6. 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, 2022.

**La Jolla Historical Society**  
**Notes to Financial Statements**  
**Year Ended June 30, 2022**

**Note 7. Net Assets with Donor Restrictions**

As of June 30, 2022, net assets with donor restrictions are for the following purposes or periods:

	<u>Beginning Bal</u>	<u>Additions</u>	<u>Released</u>	<u>Ending Bal</u>
Survey Fund	\$ 21,250	\$ -	\$ -	\$ 21,250
Oral History	21,774	-	-	21,774
Summer Camp Program	-	19,743	(8,254)	11,489
Exhibit Fund	50,000	-	(50,000)	-
Archive Collection	186	-	-	186
<b>Total Net Assets w/ Donor Restrictions</b>	<b>\$ <u>93,210</u></b>	<b>\$ <u>19,743</u></b>	<b>\$ <u>(58,254)</u></b>	<b>\$ <u>54,699</u></b>

**Note 8. Liquidity and Availability**

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following:

Financial Assets at Year End	
Cash	\$ 208,411
Investments	337,943
Contributions Receivable	50,099
Total Financial Assets	<u>596,453</u>
Funds Subject to Donor Imposed Restrictions	(54,699)
Financial Assets Available to Meet	
General Expenditure Within One Year	<u>\$ 541,754</u>

As part of Society's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. The Society invests cash in excess of daily requirements in money market funds, mutual funds, and equity securities.

**La Jolla Historical Society**  
**Notes to Financial Statements**  
**Year Ended June 30, 2022**

**Note 9. Deferred Revenue:**

The following schedule summarizes deferred revenue for the year ended June 30, 2022.

Deferred Revenue, Beginning of the year	\$	538,810
Revenue Recognized that was included in Deferred Received at the beg. of year		(537,035)
Increase in Deferred Revenue Due to Cash Received during the Year		30,587
Deferred Revenue, End of Year	\$	32,362

**Note 10. Commitments, Leases, and Contingencies:**

The Society entered into a 60-month capital copier lease agreement starting December 2019 and service agreements with various vendors. Future minimum payments totaled \$23,260 as of June 30, 2022.

Year End 6/30	Contractors	Copier	Total
2023 \$	6,875	\$ 6,780	\$ 13,655
2024	-	6,780	6,780
2025	-	2,825	2,825
Total	\$ 6,875	\$ 16,385	\$ 23,260

**Note 11. Subsequent Events**

Management has evaluated subsequent events through October 14, 2022, the date the financial statements were available to be issued. Management is not aware of any subsequent events that would require adjustment to, or disclosures in, the financial statements.

The COVID-19 outbreak in the United States has caused business disruption through mandated and voluntary closings of businesses and shelter in place orders, including California, where the Society is located. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration of the closings and shelter in place orders. It is reasonably possible that this matter will negatively impact the Society. However, the financial impact and duration cannot be reasonably estimated at this time. Accordingly, the extent to which COVID-19 may impact the Society's financial position, results of operations and cash flows is uncertain and the accompanying financial statements include no adjustments relating to the effects of this pandemic.