



# Sonnenberg & Company, CPAs

A Professional Corporation

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Leonard C. Sonnenberg, CPA

## La Jolla Historical Society Audited Financial Statements June 30, 2019

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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 as of June 30, 2019, 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, 2019, 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, 2018 financial statements, and we expressed an unmodified opinion on those financial statements in our report dated October 8, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.



October 7, 2019

Sonnenberg & Company, CPAs

**La Jolla Historical Society**  
**Statement of Financial Position**  
**June 30, 2019**  
(With Comparative Totals for June 30, 2018)

	2019	2018
<b>ASSETS</b>		
Cash	\$ 162,742	\$ 236,811
Investments	329,476	326,923
Contribution Receivable	21,737	22,408
Pledges Receivable	1,850	5,164
Other Receivables, Net of Uncollectible of \$10,000	22,090	11,702
Other Assets	7,028	7,396
Property and Equipment, Net	4,344,749	4,284,199
Website (Net of Amortization)	3,350	8,372
<b>TOTAL ASSETS</b>	<b>\$ 4,893,022</b>	<b>\$ 4,902,975</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES</b>		
Accounts Payable	\$ 13,645	\$ 13,510
Accrued Payroll and Accrued Vacation	2,737	2,717
Deferred Revenue - Membership Dues	11,522	12,523
Deferred Revenue - Prepaid Event Income	15,625	38,350
Sales Tax Payable	57	82
<b>TOTAL LIABILITIES</b>	43,586	67,182
<b>NET ASSETS</b>		
Without Donor Restrictions	4,806,226	4,760,383
With Donor Restrictions	43,210	75,410
<b>TOTAL NET ASSETS</b>	4,849,436	4,835,793
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 4,893,022</b>	<b>\$ 4,902,975</b>

See Auditor's Report and Notes to Financial Statements

**La Jolla Historical Society**  
**Statement of Activities**  
**For the Year Ended June 30, 2019**  
(With Comparative Totals for the Year Ended June 30, 2018)

	2019			2018
	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total	Total
<b>SUPPORT AND REVENUE</b>				
Support				
Contributions	\$ 231,973	\$ -	\$ 231,973	\$ 237,326
Grant Income	1,900	-	1,900	16,000
Membership	53,496	-	53,496	48,900
Events	934,754	-	934,754	795,167
Interest and Dividends	11,725	-	11,725	11,008
Realized Gains/(Losses)	3,047	-	3,047	15,098
Unrealized Gains and (Losses), net of Invest. Fee \$4,496	(219)	-	(219)	(11,282)
Other Income	455	-	455	1,000
Net Assets Released from Restrictions	32,200	(32,200)	-	-
Total Support	1,269,331	(32,200)	1,237,131	1,112,877
<b>TOTAL SUPPORT AND REVENUE</b>	<b>1,269,331</b>	<b>(32,200)</b>	<b>1,237,131</b>	<b>1,112,877</b>
<b>EXPENSES</b>				
Program Services	1,098,148	-	1,098,148	981,177
Supporting Activities				
Management and General	104,839	-	104,839	87,387
Fundraising	20,502	-	20,502	19,827
<b>TOTAL EXPENSES</b>	<b>1,223,488</b>	<b>-</b>	<b>1,223,488</b>	<b>1,088,391</b>
<b>OTHER CHANGES</b>				
Bad Debt Recovery		-	-	15,000
<b>CHANGE IN NET ASSETS</b>	<b>\$ 45,843</b>	<b>\$ (32,200)</b>	<b>\$ 13,643</b>	<b>\$ 39,486</b>
Net Assets at Beginning of Fiscal Year	\$ 4,760,383	\$ 75,410	\$ 4,835,793	\$ 4,796,307
Net Assets at End of Fiscal Year	\$ 4,806,226	\$ 43,210	\$ 4,849,436	\$ 4,835,793

**La Jolla Historical Society**  
**Statement of Functional Expenses**  
**For the Year Ended June 30, 2019**  
(With Comparative Totals for the Year Ended June 30, 2018)

	2019			2018	
	Program Services	Management and General	Fundraising	Total	Total
<b>Personnel Expenses:</b>					
Salaries and Wages	\$ 139,886	\$ 37,303	\$ 9,326	\$ 186,515	\$ 166,636
Payroll Taxes	12,264	3,270	818	16,352	14,295
Employee Benefits	4,950	1,320	330	6,600	1,882
Workers Compensation Insurance	1,803	481	120	2,404	2,980
<b>Total Personnel Expenses</b>	<u>158,903</u>	<u>42,374</u>	<u>10,594</u>	<u>211,871</u>	<u>185,793</u>
<b>Non-Personnel Expenses:</b>					
Bad Debt	-	10,000	-	10,000	-
Credit Card Processing and Bank Fees	3,848	1,026	257	5,130	4,866
Depreciation and Amortization	37,205	9,921	2,480	49,606	53,818
Development	2,990	-	2,500	5,490	11,535
Dues and Subscriptions	2,457	-	-	2,457	1,343
Equipment Lease	6,623	1,656	-	8,279	7,974
Exhibitions	57,742	-	-	57,742	56,561
Insurance	11,700	3,120	780	15,600	15,953
License and Filing Fee	312	78	-	390	451
Marketing	6,308	-	332	6,640	3,031
Miscellaneous	589	157	39	785	2,052
Newsletter/Magazines	14,279	-	752	15,031	13,644
Occupancy (storage, utilities, phone, landscape)	27,890	7,437	1,859	37,187	31,411
Payroll Service	1,766	471	118	2,355	1,850
Postage and Delivery	1,238	330	83	1,651	1,587
Printing and Reproduction	3,690	984	246	4,920	139
Professional Fees	12,784	24,588	129	37,501	41,962
Repairs and Maintenance	3,256	814	-	4,070	11,648
Security	2,188	547	-	2,735	2,241
Events Expenses	737,373	-	-	737,373	636,599
Supplies	3,233	862	216	4,310	1,503
Travel	1,774	473	118	2,365	2,430
<b>Total Non-Personnel Expenses</b>	<u>939,244</u>	<u>62,465</u>	<u>9,908</u>	<u>1,011,617</u>	<u>902,598</u>
<b>Total Functional Expenses for FY19</b>	<u>\$ 1,098,148</u>	<u>\$ 104,839</u>	<u>\$ 20,502</u>	<u>\$ 1,223,488</u>	
<b>Total Functional Expenses for FY18</b>	<u>\$ 981,177</u>	<u>\$ 87,387</u>	<u>\$ 19,827</u>		<u>\$ 1,088,391</u>

See Auditor's Report and Notes to Financial Statements

**La Jolla Historical Society**  
**Statement of Cash Flow**  
**For the Year Ended June 30, 2019**  
(With Comparative Totals for the Year Ended June 30, 2018)

	2019	2018
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in Net Assets	\$ 13,643	\$ 39,486
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities		
Depreciation and Amortization	49,606	56,047
(Increase) / Decrease in Assets:		
Pledges Receivables	3,314	(3,314)
Contribution Receivable	671	3,434
Other Receivables	(10,388)	26,710
Other Assets	368	22,578
Increase / (Decrease) in Liabilities:		
Accounts Payable	135	10,396
Accrued Payroll and Accrued Vacation	20	(7,201)
Sales Tax Payable	(25)	(16)
Deferred Revenue - Prepaid Event Income	(22,725)	24,950
Deferred Revenue - Membership Dues	(1,001)	(55)
Net Cash Provided (Used) by Operating Activities	33,618	173,015
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Construction in Progress	(98,261)	(62,769)
Sale of Investments	112,878	87,057
Purchase of Investments	(110,579)	(90,715)
Reinvestment of Interest and Dividends	(11,725)	(11,008)
Net Cash Provided (Used) by Investing Activities	(107,687)	(77,435)
Net Increase(Decrease) in Cash	(74,069)	95,580
Cash at the Beginning of the Year	236,811	141,231
Cash at the End of the Year	\$ 162,742	\$ 236,811

See Auditor's Report and Notes to Financial Statements

**La Jolla Historical Society**  
**Notes to Financial Statements**  
**Year Ended June 30, 2019**

**Note 1.      Organization**

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.

**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.

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. These result from revenues generated by receiving unrestricted contribution, and providing services less expenses incurred in providing program-related services and performing administrative functions.

*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. Donor-imposed are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

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. There were no cash equivalents in the year ended June 30, 2019.



**La Jolla Historical Society**  
**Notes to Financial Statements**  
**Year Ended June 30, 2019**

**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

The Society records investment purchases at cost, or if donated, at fair on the date of donation. Therefore, investments are reported at their fair values in the statements of financial position. Net investment return/(loss) is reported in the statements 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

Revenue is recognized when earned. Program service fees and payments under cost-reimbursable contracts 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.

Allowance for Doubtful Accounts

Contribution receivable are reimbursements from governmental for the services provided fully collectible; therefore, no allowance for uncollectible accounts was recorded as of June 30, 2019. Other receivables are services provided to customers. The allowance related to other receivables of \$10,000 was recorded on June 30, 2019.

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.

**La Jolla Historical Society**  
**Notes to Financial Statements**  
**Year Ended June 30, 2019**

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

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.

Accrued Vacation

Employees of the Society are entitled to accrued vacation depending on the length of service and other factors. As of June 30, 2019, the liability for accrued vacation is \$2,737. 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.

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. All of the Society's investments are Level 1 inputs.

Functional Allocation of Expenses

Costs of 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 detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Management and general expenses and fund-raising expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction the Society.

**La Jolla Historical Society**  
**Notes to Financial Statements**  
**Year Ended June 30, 2019**

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

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.

Adoption of New Accounting Pronouncement

The Society adopted the Financial Accounting Standards Board's Accounting Standards Update (ASU) No. 2016-14 - Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities. This update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return between not-for-profit entities. The changes required by the update have been applied retrospectively to all periods presented. A key change required by ASU 2016-14 are the net asset classes used in these financial statements. The Society has implemented ASU 2016-14 and has adjusted the presentation in these financial statements accordingly. Amounts previously reported as unrestricted net assets are now reported as net assets without donor restrictions and amounts previously reported as temporarily restricted net assets and permanently restricted net assets, if applicable, are now reported as net assets with donor restrictions.

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 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 evaluated its tax positions and related income tax contingencies. Management does not believe that any material uncertain tax positions exist. The Society's tax returns are subject to examination by Federal taxing authorities for a period of three years from the date they are filed and a period of four years for California taxing authorities.

**La Jolla Historical Society**  
**Notes to Financial Statements**  
**Year Ended June 30, 2019**

**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, 2018, from which the summarized information was derived.

Management's Review

The Society has evaluated subsequent events through October 7, 2019, 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 its investments at Merrill Lynch. The Society's management deems its funds not to be at significant risk.

**Note 4. Investments:**

Investments at June 30, 2019 are comprised of the following:

	Fair Value	Cost Basis
	<hr/>	<hr/>
Cash and Money Funds	\$ 20,103	\$ 20,103
Mutual Funds	309,373	285,367
Total	<hr/> \$ 329,476 <hr/>	<hr/> \$305,470 <hr/>

**La Jolla Historical Society**  
**Notes to Financial Statements**  
**Year Ended June 30, 2019**

**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, 2019.

	<u>Amount</u>
Interest and dividend income	\$ 11,725
Realized Gains (Losses)	3,047
Unrealized Gains and (Losses), net of Invest. Fee \$4,496	(219)
Total Investment Income	<u>\$ 14,553</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 net assets without donor restrictions if the restrictions expire in the year which the pledges are recognized. All other donor-restricted pledges 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.

**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**  
**Year Ended June 30, 2019**

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

At June 30, 2019 Property and Equipment consisted of:

	Balance July 1, 2018	Additions	Deletions/ Adj	Balance June 30, 2019
Non-depreciable PP&E				
Land	\$2,970,600	\$ -	\$ -	\$ 2,970,600
Construction in Progress	62,769	98,261	(161,030)	-
Total Non-depreciable PP&E	3,033,369	98,261	(161,030)	2,970,600
Depreciable PP&E				
Buildings and Structures	1,424,594	-	-	1,424,594
Furniture and Equipment	122,193	-	-	122,193
Landscape Structures	-	161,030	-	161,030
Total Depreciable PP&E	1,546,787	161,030	-	1,707,817
Less Accumulated Depreciation	(295,956)	(44,584)	6,873	(333,667)
Net Depreciable PP&E	1,250,831	116,446	6,873	1,374,150
PPE, Net	\$4,284,199	\$ 214,707	\$ (154,157)	\$ 4,344,749

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

Net assets with donor restrictions are restricted for the following purposes or periods:

Subject to Expenditure for Specified Purpose:	
Survey Fund	\$ 21,250
Oral History	21,774
Archive Collection	186
Total Net Assets with Donor Restrictions	\$ 43,210

**La Jolla Historical Society**  
**Notes to Financial Statements**  
**Year Ended June 30, 2019**

**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, 2019.

**Note 9.      Government Grants**

In the year ended June 30, 2019, the Society received \$80,939 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.     Liquidity and Availability**

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

	Amount
Cash	\$ 162,742
Investments	329,476
Receivables	45,677
Total	\$ 537,895

**Note 11.     Functionalized Expenses**

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses required allocation on a reasonable basis that is consistently applied. The expense 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.

**La Jolla Historical Society**  
**Notes to Financial Statements**  
**Year Ended June 30, 2019**

**Note 12.      Commitments and Contingencies:**

The Society entered into service agreements with various vendors. Future minimum payments are totaling \$80,000.

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.