

CORONADO HISTORICAL ASSOCIATION

AND CORONADO MUSEUM

FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019



Leaf & Cole, LLP
Certified Public Accountants

CORONADO HISTORICAL ASSOCIATION, INCORPORATED
FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

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Leaf & Cole, LLP
Certified Public Accountants
A Partnership of Professional Corporations

Independent Auditor's Report

To the Board of Directors
Coronado Historical Association, Incorporated

Report on the Financial Statements

We have audited the accompanying financial statements of Coronado Historical Association, Incorporated, which comprise the statements of financial position as of June 30, 2020 and 2019, and the related statements of activities, functional expenses, and cash flows for the years 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 accounting principles generally accepted in the United States of America; 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. 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 entity's 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.

To the Board of Directors
Coronado Historical Association, Incorporated

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Coronado Historical Association, Incorporated as of June 30, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Leaf & Cole LLP

San Diego, California
November 11, 2020

CORONADO HISTORICAL ASSOCIATION, INCORPORATED
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2020 AND 2019

ASSETS

	<u>2020</u>	<u>2019</u>
<u>Current Assets:</u> (Notes 2 and 5)		
Cash and cash equivalents	\$ 102,972	\$ 1,230
Accounts receivable	21,615	-
Contributions receivable	5,600	6,476
Inventory	17,923	17,621
Prepaid expenses	37,154	32,493
Total Current Assets	185,264	57,820
<u>Noncurrent Assets:</u> (Notes 2, 4, 6 and 7)		
Deposits	18,000	18,000
Property and equipment, net	518,885	587,912
Restricted cash and investments:		
Board designated endowment fund	679,319	750,431
Donor designated endowment fund	60,250	61,308
Unappropriated donor designated endowment earnings	-	3,395
Capital campaign	105,317	107,819
Total Noncurrent Assets	1,381,771	1,528,865
TOTAL ASSETS	\$ 1,567,035	\$ 1,586,685

LIABILITIES AND NET ASSETS

<u>Current Liabilities:</u> (Notes 2, 8 and 12)		
Accounts payable and accrued expenses	\$ 5,152	\$ 12,697
Payroll and related liabilities payable	11,682	12,062
Deferred revenue	14,924	-
Current portion of note payable	667	-
Total Current Liabilities	32,425	24,759
<u>Noncurrent Liabilities:</u> (Note 8)		
Note payable, net of current portion	14,333	-
Total Liabilities	46,758	24,759
<u>Commitment and Contingencies</u> (Notes 11 and 12)		
<u>Net Assets:</u> (Notes 2, 9 and 10)		
Without Donor Restrictions:		
Undesignated	673,149	620,102
Board designated endowment fund	679,319	750,431
Total Without Donor Restrictions	1,352,468	1,370,533
With Donor Restrictions:		
Purpose restrictions	107,559	130,085
Perpetual in nature	60,250	61,308
Total With Donor Restrictions	167,809	191,393
Total Net Assets	1,520,277	1,561,926
TOTAL LIABILITIES AND NET ASSETS	\$ 1,567,035	\$ 1,586,685

The accompanying notes are an integral part of the financial statements.

CORONADO HISTORICAL ASSOCIATION, INCORPORATED
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

	2020			2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<u>Support and Revenue:</u>						
Grants	\$ 435,706	\$ -	\$ 435,706	\$ 386,700	\$ -	\$ 386,700
In-kind contributions	154,657		154,657	109,390		109,390
Membership dues	128,805		128,805	125,861	-	125,861
Museum store sales	60,353	-	60,353	60,783	-	60,783
Contributions	48,038	3,770	51,808	32,511	17,947	50,458
Education	16,071	-	16,071	54,243	-	54,243
Event income	13,593		13,593	100,399	-	100,399
Investment income (loss)	13,967	(1,218)	12,749	33,919	(926)	32,993
Rental income, net of expenses of \$61,095 and \$59,870	1,250	-	1,250	1,250	-	1,250
Research library fees	1,025	-	1,025	889	-	889
Loss on disposal of property and equipment	-		-	(2,725)	-	(2,725)
Net assets released from restrictions	26,136	(26,136)	-	71,778	(71,778)	-
Total Support and Revenue	<u>899,601</u>	<u>(23,584)</u>	<u>876,017</u>	<u>974,998</u>	<u>(54,757)</u>	<u>920,241</u>
<u>Expenses:</u>						
Program Services:						
Museum collections and exhibits	351,043	-	351,043	383,687	-	383,687
Education and outreach	283,711	-	283,711	411,994	-	411,994
Museum store	77,956	-	77,956	83,485	-	83,485
Total Program Services	<u>712,710</u>	<u>-</u>	<u>712,710</u>	<u>495,479</u>	<u>-</u>	<u>879,166</u>
Supporting Services:						
Management and general	134,449	-	134,449	117,216	-	117,216
Fundraising	70,507	-	70,507	217,166	-	217,166
Total Supporting Services	<u>204,956</u>	<u>-</u>	<u>204,956</u>	<u>334,382</u>	<u>-</u>	<u>334,382</u>
Total Expenses	<u>917,666</u>	<u>-</u>	<u>917,666</u>	<u>829,861</u>	<u>-</u>	<u>1,213,548</u>
Change in Net Assets	(18,065)	(23,584)	(41,649)	(238,550)	(54,757)	(293,307)
Net Assets at Beginning of Year	<u>1,370,533</u>	<u>191,393</u>	<u>1,561,926</u>	<u>1,609,083</u>	<u>246,150</u>	<u>1,855,233</u>
NET ASSETS AT END OF YEAR	<u>\$ 1,352,468</u>	<u>\$ 167,809</u>	<u>\$ 1,520,277</u>	<u>\$ 1,370,533</u>	<u>\$ 191,393</u>	<u>\$ 1,561,926</u>

The accompanying notes are an integral part of the financial statements.

CORONADO HISTORICAL ASSOCIATION, INCORPORATED
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2020

	Program Services				Supporting Services					
	Museum		Education and Outreach	Museum Store	Total	Management and General		Fundraising	Total	Total
	Collections and Exhibits									
Salaries and Related Expenses:										
Salaries and wages	\$ 81,861	\$ 80,254	\$ 3,681	\$ 165,796	\$ 40,590	\$ 11,914	\$ 52,504	\$ 218,300		
Payroll taxes and related costs	10,448	7,616	359	18,423	622	-	622	19,045		
Employee benefits	7,509	4,087	300	11,896	200	100	300	12,196		
Total Salaries and Related Expenses	<u>99,818</u>	<u>91,957</u>	<u>4,340</u>	<u>196,115</u>	<u>41,412</u>	<u>12,014</u>	<u>53,426</u>	<u>249,541</u>		
Nonsalary Related Expenses:										
Administrative expenses	2,421	742	5,358	8,521	12,888	2,799	15,687	24,208		
Advertising and marketing	1,144	4,301	12	5,457	-	-	-	5,457		
Buildings and grounds	167,522	125,480	11,715	304,717	90,699	25,096	115,795	420,512		
Collection	1,458	-	-	1,458	-	-	-	1,458		
Cost of goods sold	-	-	32,884	32,884	-	-	-	32,884		
Dues and subscriptions	2,530	-	175	2,705	-	-	-	2,705		
Events	1,711	1,344	-	3,055	-	13,366	13,366	16,421		
Exhibitions	9,034	-	-	9,034	-	-	-	9,034		
Gifts, plaques and awards	52	1,586	-	1,638	-	80	80	1,718		
Information technology	4,291	7,814	1,601	13,706	9,480	2,376	11,856	25,562		
Insurance	4,051	-	-	4,051	5,682	-	5,682	9,733		
Meetings and conferences	70	359	-	429	-	-	-	429		
Miscellaneous	-	-	4,571	4,571	-	700	700	5,271		
Outside services	1,900	630	11,114	13,644	5,556	5,000	10,556	24,200		
Professional services	-	-	-	-	18,648	-	18,648	18,648		
Supplies	434	1,110	2,545	4,089	1,553	582	2,135	6,224		
Travel	-	134	-	134	-	-	-	134		
Total Nonsalary Related Expenses	<u>196,618</u>	<u>143,500</u>	<u>69,975</u>	<u>410,093</u>	<u>144,506</u>	<u>49,999</u>	<u>194,505</u>	<u>604,598</u>		
Shared cost allocation	26,020	26,020	1,735	53,775	(57,822)	4,047	(53,775)	-		
Depreciation	28,587	22,234	1,906	52,727	6,353	4,447	10,800	63,527		
Total Expenses	<u>\$ 351,043</u>	<u>\$ 283,711</u>	<u>\$ 77,956</u>	<u>\$ 712,710</u>	<u>\$ 134,449</u>	<u>\$ 70,507</u>	<u>\$ 204,956</u>	<u>\$ 917,666</u>		

The accompanying notes are an integral part of the financial statements.

CORONADO HISTORICAL ASSOCIATION, INCORPORATED
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2019

	Program Services				Supporting Services					
	Museum		Education and Outreach	Museum Store	Total	Management and General		Fundraising	Total	Total
	Collections and Exhibits									
Salaries and Related Expenses:										
Salaries and wages	\$ 82,855	\$ 122,608	\$ 26,596	\$ 232,059	\$ 29,837	\$ 64,260	\$ 94,097	\$ 326,156		
Payroll taxes and related costs	6,992	10,346	2,244	19,582	2,518	5,422	7,940	27,522		
Employee benefits	3,245	4,802	1,041	9,088	1,168	2,517	3,685	12,773		
Total Salaries and Related Expenses	<u>93,092</u>	<u>137,756</u>	<u>29,881</u>	<u>260,729</u>	<u>33,523</u>	<u>72,199</u>	<u>105,722</u>	<u>366,451</u>		
Nonsalary Related Expenses:										
Administrative expenses	789	6,178	3,257	10,224	20,466	14,636	35,102	45,326		
Advertising and marketing	525	7,743	-	8,268	-	1,970	1,970	10,238		
Buildings and grounds	540	-	-	540	413,347	-	413,347	413,887		
Collection	4,675	-	-	4,675	-	-	-	4,675		
Cost of goods sold	-	-	30,506	30,506	-	4,670	4,670	35,176		
Dues and subscriptions	770	2,325	-	3,095	-	-	-	3,095		
Events	10	20,400	-	20,410	-	60,289	60,289	80,699		
Exhibitions	12,107	5,689	-	17,796	-	-	-	17,796		
Gifts, plaques and awards	88	899	-	987	110	1,608	1,718	2,705		
Information technology	4,304	5,676	1,598	11,578	11,488	7,081	18,569	30,147		
Insurance	2,443	1,092	-	3,535	14,690	-	14,690	18,225		
Meetings and conferences	-	385	45	430	46	90	136	566		
Miscellaneous	1,675	-	-	1,675	-	-	-	1,675		
Outside services	1,002	8,566	187	9,755	18,663	10,000	28,663	38,418		
Professional services	2,320	568	-	2,888	52,720	3,975	56,695	59,583		
Supplies	672	14,078	839	15,589	3,022	579	3,601	19,190		
Travel	1,085	291	-	1,376	1	-	1	1,377		
Total Nonsalary Related Expenses	<u>33,005</u>	<u>73,890</u>	<u>36,432</u>	<u>143,327</u>	<u>534,553</u>	<u>104,898</u>	<u>639,451</u>	<u>782,778</u>		
Shared cost allocation	228,646	177,836	15,243	421,725	(457,292)	35,567	(421,725)	-		
Depreciation	28,944	22,512	1,929	53,385	6,432	4,502	10,934	64,319		
Total Expenses	<u>\$ 383,687</u>	<u>\$ 411,994</u>	<u>\$ 83,485</u>	<u>\$ 879,166</u>	<u>\$ 117,216</u>	<u>\$ 217,166</u>	<u>\$ 334,382</u>	<u>\$ 1,213,548</u>		

The accompanying notes are an integral part of the financial statements.

CORONADO HISTORICAL ASSOCIATION, INCORPORATED
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
<u>Cash Flows From Operating Activities:</u>		
Change in net assets	\$ (41,649)	\$ (293,307)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	63,527	64,319
Net realized and unrealized losses (gains) on investments	8,042	(7,881)
Loss on disposal of property and equipment	-	2,725
(Increase) Decrease in:		
Accounts receivable	(21,615)	1,445
Contributions receivable, net	876	(6,476)
Inventory	(302)	7,634
Prepaid expenses	839	(25,571)
Increase (Decrease) in:		
Accounts payable and accrued expenses	(7,545)	(42,152)
Payroll and related liabilities payable	(380)	1,574
Deferred revenue	14,924	-
Net Cash Provided by (Used in) Operating Activities	<u>16,717</u>	<u>(297,690)</u>
<u>Cash Flows From Investing Activities:</u>		
Restricted cash and investments (purchases) and sales, net	70,025	234,617
Purchase of property and equipment	-	(12,653)
Net Cash Provided by Investing Activities	<u>70,025</u>	<u>221,964</u>
<u>Cash Flows From Financing Activities:</u>		
Loan proceeds	15,000	-
Net Cash Provided by Financing Activities	<u>15,000</u>	<u>-</u>
Net Increase (Decrease) in Cash and Cash Equivalents	101,742	(75,726)
Cash and Cash Equivalents at Beginning of Year	<u>1,230</u>	<u>76,956</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 102,972</u>	<u>\$ 1,230</u>

The accompanying notes are an integral part of the financial statements.

CORONADO HISTORICAL ASSOCIATION, INCORPORATED
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

Note 1 - Organization:

Coronado Historical Association, Incorporated (“CHA”), a non-profit 501(c)(3) charitable organization, was founded in 1969 to help people understand and appreciate Coronado’s unique history, art, architecture, and historical resources. CHA continually works towards these goals and brings the history of Coronado to the community. We carefully preserve everything from 1880s newspapers to vintage garments, and over 20,000 photographs. In our galleries, we bring Coronado’s history to life through fascinating permanent exhibits and changing displays.

Mission

CHA’s mission is to advance learning and stewardship in all by serving as Coronado’s primary center for community history.

The following is a brief description of CHA’s programs:

Historic Collections and Exhibits

Coronado Historical Association offers the public an opportunity to learn about the history, people, and culture that make Coronado special, and for that purpose, it develops educational exhibits and programs. CHA’s building houses three exhibition galleries, a lecture hall/classroom, a public research center, museum collections storage vault, Museum Store, and Tent City Restaurant.

CHA has an extensive collection of local history objects and archives, including paintings, photographs, military items, textiles, and early Coronado documents. The collection is maintained under the care of the Curator of Collections and Executive Director/Curator, and is held for research, education, and public exhibition in furtherance of public service. As a matter of policy, proceeds from the sale of collection items are used for direct care of the collection, or to acquire other items for the collection. CHA does not include either the cost or the value of its collection in the statements of financial position, nor does it recognize gifts of collection items as revenues in the statements of activities.

Education and Outreach

In support of its mission, CHA has a special focus on educational programs and outreach. In addition to a year-round schedule of public lectures and other thought-provoking programs for adults and youth, such as a Preservation Symposium every spring (co-presented with other leading Coronado organizations), CHA presents core curriculum aligned in-classroom programming in partnership with the Coronado Unified School District. CHA also promotes appreciation of historic landscapes through the annual Coronado Historic Home Tour. Additionally, CHA awards the Going the Extra Mile (GEM) award to one property owner whose thoughtful efforts to preserve and restore, rather than replace, existing homes turns potential teardowns into local architectural GEMS. CHA’s volunteer Docents lead historic walking tours around Coronado. The tours are offered four days a week. The tour explores downtown Coronado, Ocean Blvd, Star Park, the Hotel del Coronado, and other points of interest. CHA’s commitment to education extends to training future professionals through robust high school, college, and graduate internship programs. CHA partners with Coronado High School and local universities to create opportunities for students to get hands-on experience conducting oral histories, developing exhibits, and cataloging collections. A key outreach tool is CHA’s “History Matters,” which is published in partnership with the *Coronado Eagle and Journal*. We also utilize other publications such as the *Heritage Bulletin* eNewsletter, and contribute scholarly informational articles in local journals and magazines.

CORONADO HISTORICAL ASSOCIATION, INCORPORATED
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

Note 2 - Significant Accounting Policies:

Accounting Method

The financial statements of CHA have been prepared on the accrual basis of accounting, which is in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP), and, accordingly, reflect all significant receivables, payables, and other liabilities.

Financial Statement Presentation

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 thereon 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. The governing board has designated, from net assets without donor restrictions, a board-designated endowment.
- 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. Donor-imposed restrictions 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.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Fair Value Measurements

Fair value accounting standards define fair value, establish a framework for measuring fair value, outline a fair value hierarchy based on inputs used to measure fair value, and enhance disclosure requirements for fair value measurements. The fair value hierarchy distinguishes between market participant assumptions based on market data obtained from sources independent of the reporting entity (observable inputs that are classified within Level 1 or 2 of the hierarchy), and the reporting entity's own assumptions about market participant assumptions (unobservable inputs classified within Level 3 of the hierarchy).

- Level 1 inputs are quoted prices in active markets for identical investments that the investment manager has the ability to access at the measurement date.
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the investment, either directly or indirectly.
- Level 3 inputs are unobservable inputs for the investment.

CORONADO HISTORICAL ASSOCIATION, INCORPORATED
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

Note 2 - Significant Accounting Policies: (Continued)

Fair Value Measurements

CHA's statements of financial position includes the following financial instruments that are required to be measured at fair value on a recurring basis:

- Investments in mutual funds are considered Level 1 assets, and are reported at fair value based on quoted prices in active markets for identical assets at the measurement date.

Allowance for Doubtful Accounts

Bad debts are recognized on the allowance method, based on management's evaluation of outstanding accounts receivable and pledges receivable. Management believes that all accounts receivable and contributions receivable are fully collectible; therefore, no allowance for doubtful accounts receivable and contributions receivable was recorded at June 30, 2020 and 2019.

Inventory

Inventory of retail store merchandise consist primarily of books, periodicals, and other gift items. Inventory is valued at the lower of average cost (first-in, first-out) or net realizable value.

Capitalization and Depreciation

CHA capitalizes all expenditures in excess of \$1,500 for property and equipment at cost, while donations of property and equipment are recorded at their estimated fair values. Such donations are reported as 'support without donor restrictions,' unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use, and contributions of cash that must be used to acquire property and equipment, are reported as 'support with donor restrictions.' Absent donor stipulations regarding how those donated assets must be maintained, CHA reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. CHA reclassifies net assets with donor restrictions to 'net assets without donor restrictions' at that time.

Property and equipment are depreciated using the straight-line method over the estimated useful asset lives as follows:

Leasehold improvements	7 - 30 years
Office furniture and equipment	3 - 7 years
Exhibit equipment and furniture	5 years

Depreciation totaled \$63,527 and \$64,319 for the years ended June 30, 2020 and 2019, respectively.

Maintenance and repairs are charged to operations as incurred. Upon sale or disposition of property or equipment, the asset account is reduced by the cost, and the accumulated depreciation account is reduced by the depreciation taken prior to the sale. Any resultant gain or loss is then recorded as income or expense.

CORONADO HISTORICAL ASSOCIATION, INCORPORATED
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

Note 2 - Significant Accounting Policies: (Continued)

Collections

In conformity with the practice followed by many museums and historical organizations, art and historic objects purchased by or donated to CHA are not capitalized in the statement of financial position. CHA's collection is made up of artifacts, photographs, records, and remembrances of Coronado's past that are held for exhibition and various other program activities. Each of the items is cataloged, preserved, and cared for, and activities verifying their existence and assessing their condition are performed continuously. The collection is maintained under the care of professional staff and is held for research, education, and public exhibition in furtherance of public service, rather than for financial gain. As a matter of policy, proceeds from the sale of collection items are used for the direct care of the collection or to acquire other items for the collection. CHA does not include either the cost or the value of its collection in the statement of financial position, nor does it recognize gifts of collection items as revenues in the statement of activities. Purchased collection items are recorded as decreases in net assets without donor restrictions in the year in which the items are acquired, or in net assets with donor restrictions if the net assets used to purchase the items are restricted by the donor. Contributed collection items are excluded from the financial statements. Proceeds from deaccessions or insurance recoveries are reflected as increases in the appropriate net asset classes, as determined by the item's Deed of Gift.

Compensated Absences

Accumulated unpaid vacation totaling \$8,782 and \$9,209 at June 30, 2020 and 2019, respectively, is accrued when incurred, and included in payroll and related liabilities payable.

Revenue Recognition

Grants and contributions are recognized when the donor makes a promise to give to CHA that is in substance, unconditional. Grants and contributions that are restricted by the donor are reported as increases in 'net assets without donor restrictions' if the restrictions expire in the fiscal year in which the grants and contributions are recognized. All other donor-restricted grants and 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 to be received in future periods are discounted at an appropriate discount rate. Amortization of discounts is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions.

CHA offers memberships that typically last for a term of one year. CHA divides fees from these memberships between contributions and exchange transactions, and recognizes revenue for the contribution upon sale. The exchange portion is also recognized upon sale, since fees are non-refundable and used to fund CHA's mission and access programs.

Museum store sales are recognized as revenue when the sale transaction occurs.

CHA recognizes revenue from education program fees, event income, rental income, and research library fees upon sale or date of service, as applicable.

CORONADO HISTORICAL ASSOCIATION, INCORPORATED
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

Note 2 - Significant Accounting Policies: (Continued)

Donated Materials and Services

CHA utilizes the services of many volunteers throughout the year. This contribution of services by the volunteers is not recognized in the financial statements, unless the services received (a) create or enhance nonfinancial assets, or (b) require specialized skills which are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. The donated services for the years ended June 30, 2020 and 2019 did not meet the requirements above; therefore, no amounts were recognized in the financial statements.

CHA received donated supplies and materials which have been recorded at fair value, and totaled \$269 and \$-0- for the years ended June 30, 2020 and 2019, respectively.

CHA leases property at below-market rates. The in-kind rent totaled \$103,295 and \$109,390 for the years ended June 30, 2020 and 2019, respectively (Note 11). In addition, the lessor reduced the rent and utility costs by 50% for the months of April, May, and June of 2020 for a total in-kind contribution of \$51,093. These amounts have been recorded as contribution revenue, and as buildings and grounds expense.

Functional Allocation of Expenses

The statements of functional expenses present expenses by function and natural classification. CHA allocates its expenses on a functional basis among its various programs and supporting services. Expenditures which can be identified with a specific program or support services are allocated directly, according to their natural expenditure classification. Costs that are common to several functions are allocated among the program and supporting services on the basis of time records, space utilized, and estimates made by CHA's management.

Income Taxes

CHA is a public charity, and is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and Section 23701(d) of the California Revenue and Taxation Code, except on net income derived from unrelated business activities. CHA's unrelated business activity did not generate taxable income, and no tax liability has been recorded at June 30, 2020 and 2019. CHA believes that it has appropriate support for any tax positions taken, and, as such, does not have any uncertain tax positions that are material to the financial statements. CHA is not a private foundation.

CHA's Return of Organization Exempt from Income Tax and Exempt Organization Business Income Tax Returns for Tax for the years ended June 30, 2020, 2019, 2018 and 2017 are subject to examination by Internal Revenue Service and State taxing authorities, generally three to four years after the returns were filed.

CORONADO HISTORICAL ASSOCIATION, INCORPORATED
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

Note 2 - Significant Accounting Policies: (Continued)

Risks and Uncertainties

CHA invests in various types of investment securities which are exposed to various risks, such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near-term, and such changes could materially affect the amounts reported in the statement of financial position.

CHA maintains its cash in bank accounts and brokerage accounts which, at times, may exceed federally insured limits. CHA has not experienced any losses in such accounts. CHA believes it is not exposed to any significant credit risk on cash and cash equivalents.

Cash and Cash Equivalents

For purposes of the statements of cash flows, CHA considers all highly liquid investment instruments purchased with a maturity of three months or less to be cash equivalents. Cash and cash equivalents that are donor-restricted endowment or board-designated endowment funds are held for long-term purposes, and are not included in cash and cash equivalents.

Accounting Pronouncements Adopted

In May 2014, the Financial Accounting Standards Board (FASB) issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*. ASU 2014-09 outlines a single, comprehensive model for companies to use in accounting for revenue arising from contracts with customers. The core principle of the revenue model is that revenue is recognized when a customer obtains control of a good or service. The change in accounting principle was adopted on the retrospective basis, which resulted in no change to revenue previously reported and also had no effect on the revenue reported for the year ended June 30, 2020.

In November 2016, the FASB issued ASU 2016-18, *Statement of Cash Flows (Topic 230)*. ASU 2016-18 requires that a statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as 'restricted cash' or 'restricted cash equivalents.' The adoption of ASU 2016-18 for the year ended June 30, 2020 required a restatement of cash and cash equivalents for June 30, 2019 and 2018.

Subsequent Events

In preparing these financial statements, CHA has evaluated subsequent events for potential recognition or disclosure through November 11, 2020, the date the financial statements were available to be issued, and concluded that there were no events or transactions that needed to be disclosed except as disclosed in Note 13.

Reclassification

CHA has reclassified certain prior year information to conform with the current-year presentation.

CORONADO HISTORICAL ASSOCIATION, INCORPORATED
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

Note 3 - Liquidity and Availability:

CHA regularly monitors the availability of resources required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. CHA considers investment income without donor restrictions, appropriated earnings from donor-restricted and board-designated endowments, contributions without donor restrictions, and contributions with donor restrictions for use in current programs which are ongoing, major, and central to its annual operations to be available to meet cash needs for general expenditures. For purposes of analyzing resources available to meet general expenditures over a 12-month period, CHA considers all expenditures related to its ongoing activities, as well as the conduct of services undertaken to support those activities, to be general expenditures.

The table below presents financial assets available for general expenditures within one year at June 30:

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 102,972	\$ 1,230
Accounts receivable	21,615	-
Contributions receivable	5,600	6,476
Appropriation of board-designated endowment and endowment earnings	<u>34,000</u>	<u>40,000</u>
Financial assets available to meet general expenditures within one year	<u>\$ 164,187</u>	<u>\$ 47,706</u>

In addition to financial assets available to meet general expenditures over the next 12 months, CHA operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures.

CHA's governing board has designated a portion of its unrestricted resources for endowment purposes. These funds are invested for long-term appreciation and current income, but remain available and may be spent at the discretion of the Board of Directors. Appropriations of board-designated endowment fund earnings are made in accordance with the spending policy, as described in Note 10.

Endowment funds consist of donor-restricted endowments. Income from donor-restricted endowments is restricted for specific purposes, with the exception of the amounts available for general use. Appropriations of endowment fund earnings are made in accordance with the spending policy, as described in Note 10. The portion of the donor-restricted endowment funds required to be held in perpetuity are not available for general expenditure.

CORONADO HISTORICAL ASSOCIATION, INCORPORATED
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

Note 4 - Fair Value Measurements:

The following table summarizes assets measured at fair value by classification within the fair value hierarchy at June 30:

	2020			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at June 30, 2020
Mutual funds	\$ 738,899	\$ -	\$ -	\$ 738,899
	2019			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at June 30, 2019
Mutual funds	\$ 812,705	\$ -	\$ -	\$ 812,705

Note 5 - Contributions Receivable:

Contributions receivable totaling \$5,600 and \$6,476 at June 30, 2020 and 2019, respectively, are due in less than one year.

Note 6 - Property and Equipment:

Property and equipment consist of the following at June 30:

	2020	2019
Leasehold improvements	\$ 1,380,202	\$ 1,380,202
Office furniture and equipment	74,357	74,357
Exhibit equipment and furniture	28,057	28,057
Subtotal	1,482,616	1,482,616
Less: Accumulated depreciation	(963,731)	(900,204)
Property and Equipment, Net	\$ 518,885	\$ 582,412

Note 7 - Restricted Cash and Investments:

Restricted cash and investments consist of the following at June 30:

	2020	2019
Mutual funds	\$ 738,899	\$ 812,705
Cash	670	2,429
Money market funds	105,317	107,819
Total Restricted Cash and Investments	\$ 844,886	\$ 922,953

CORONADO HISTORICAL ASSOCIATION, INCORPORATED
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

Note 7 - Restricted Cash and Investments: (Continued)

The following schedule summarizes the investment income (loss) for the years ended June 30:

	2020		
	Without Donor Restrictions	With Donor Restrictions	Total
Interest and dividends	\$ 19,364	\$ 1,427	\$ 20,791
Net realized and unrealized gains (losses)	(5,397)	(2,645)	(8,042)
Total Investment Income (Loss)	\$ 13,967	\$ (1,218)	\$ 12,749
	2019		
	Without Donor Restrictions	With Donor Restrictions	Total
Interest and dividends	\$ 23,066	\$ 2,046	\$ 25,112
Net realized and unrealized gains (losses)	10,853	(2,972)	7,881
Total Investment Income (Loss)	\$ 33,919	\$ (926)	\$ 32,993

Note 8 - Note Payable:

Note payable consists of the following at June 30:

	2020	2019
The note payable which was originated on May 1, 2020 is held by the City of Coronado (the "City") under the Life Business Loan Program, in the original amount of \$15,000. On June 16, 2020, the City authorized an additional \$5,000, which was advanced on July 2, 2020. The loan is noninterest-bearing. Payments of principal are due monthly in the amount of \$333, beginning on May 1, 2021, until the loan is paid in full. The loan is unsecured.	\$ 15,000	\$ -
Less: Current portion	(667)	-
Note Payable, Net, Noncurrent	\$ 14,333	\$ -

The future principal payments on the note payable (including the \$5,000 advanced in July 2020) are as follows:

Years Ended June 30	
2021	\$ 667
2022	4,000
2023	4,000
2024	4,000
2025	4,000
2026	3,333
Total	\$ 20,000

CORONADO HISTORICAL ASSOCIATION, INCORPORATED
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

Note 9 - Net Assets With Donor Restrictions:

Net assets with donor restrictions represent contributions received or receivable by CHA, which are limited in their use by the donor-imposed restrictions. Net assets with donor restrictions are available for the following purposes at June 30:

	<u>2020</u>	<u>2019</u>
Subject to Expenditure for Specified Purpose:		
Capital campaign	\$ 104,290	\$ 104,290
Education	1,869	4,015
Exhibit	1,400	-
Lecture Hall remodeling	-	11,244
Oral history	-	7,141
Unappropriated donor-designated endowment earnings	-	3,395
Total Subject to Expenditure for Specified Purpose	107,559	130,085
Perpetual in Nature:		
Endowment (Note 10)	60,250	61,308
Total Net Assets with Donor Restrictions	\$ 167,809	\$ 191,393

Net assets released from donor restrictions by incurring expenses satisfying the restricted purpose, or by the occurrence of the passage of time or other events specified by the donors, are as follows for the years ended June 30:

	<u>2020</u>	<u>2019</u>
Purpose Restrictions Fulfilled:		
Lecture Hall remodeling	\$ 11,244	\$ -
Oral history	7,141	34
Education	4,516	1,235
Appropriated endowment earnings	3,235	62,000
Research library	-	7,409
Collection	-	1,100
Total Net Assets Release From Restrictions	\$ 26,136	\$ 71,778

Note 10 - Endowment Net Assets:

CHA's endowment consists of an individual fund. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence of donor-imposed restrictions.

CHA has interpreted the enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds, absent explicit donor stipulations to the contrary. As a result of this interpretation, CHA classifies donor-restricted net assets of a perpetual nature as (1) the original value of gifts donated to the permanent endowment; (2) the original value of subsequent gifts donated to the permanent endowment; (3) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in 'donor-restricted net assets of a perpetual nature' is classified as 'donor-restricted net assets with time restrictions,' until those amounts are appropriated for expenditure by CHA in a manner consistent with the standard of prudence prescribed by UPMIFA.

CORONADO HISTORICAL ASSOCIATION, INCORPORATED
NOTES TO FINANCIAL STATEMENTS
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Note 10 - Endowment Net Assets: (Continued)

In accordance with UPMIFA, CHA considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purposes of CHA and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of CHA
- The investment policies of CHA

CHA considers a fund to be underwater if the fair value of the fund is less than the sum of (a) the original value of initial and subsequent gift amounts donated to the fund, and (b) any accumulations to the fund that are required to be maintained in perpetuity in accordance with the direction of the applicable donor gift instrument. CHA has interpreted UPMIFA to permit spending from underwater funds in accordance with the prudent measures required under the law. CHA has underwater endowment funds totaling \$1,058 and \$-0- at June 30, 2020 and 2019, respectively.

CHA has adopted investment and spending policies for endowment funds that:

- Protect the invested assets
- Preserve spending capacity of the fund income
- Maintain a diversified portfolio of assets that meet investment return objectives, while keeping risk at a moderate level
- Comply with applicable laws

CHA's endowment funds are invested in a diversified portfolio of mutual funds that are structured to satisfy its long-term rate-of-return objectives. CHA 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).

CHA's endowment funds are invested in a diversified portfolio of equity and debt securities, which is structured for long-term total return. CHA's spending policy is to spend 5%.

Endowment composition by type of fund at June 30:

	2020			Total
	Without Donor Restrictions	With Donor Restrictions - Time	With Donor Restrictions - Perpetual	
Donor-designated endowment fund	\$ -	\$ -	\$ 60,250	\$ 60,250
Board-designated endowment fund	679,319	-	-	679,319
Total Endowment Net Assets	\$ 679,319	\$ -	\$ 60,250	\$ 739,569

CORONADO HISTORICAL ASSOCIATION, INCORPORATED
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

Note 10 - Endowment Net Assets: (Continued)

	2019			Total
	Without Donor Restrictions	With Donor Restrictions - Time	With Donor Restrictions - Perpetual	
Donor-designated endowment fund	\$ -	\$ 3,395	\$ 61,308	\$ 64,703
Board-designated endowment fund	750,431	-	-	750,431
Total Endowment Net Assets	\$ 750,431	\$ 3,395	\$ 61,308	\$ 815,134

Endowment composition changes in endowment net assets for the years ended June 30:

	Without Donor Restrictions	With Donor Restrictions - Time	With Donor Restrictions - Perpetual	Total
Endowment Net Assets at June 30, 2018	\$ 935,480	66,321	61,308	1,063,109
Contributions	2,387	-	-	2,387
Investment income (loss)	33,859	(926)	-	32,933
Net assets released	(221,295)	(62,000)	-	(283,395)
Endowment Net Assets at June 30, 2019	750,431	3,395	61,308	815,134
Contributions	-	-	-	-
Investment income (loss)	13,888	(160)	(1,058)	12,670
Net assets released	(85,000)	(3,235)	-	(88,235)
Endowment Net Assets at June 30, 2020	\$ 679,319	\$ -	\$ 60,250	\$ 739,569

Note 11 - Lease Commitment, Building Purchase Option, & Gift:

In December 2017, CHA executed a lease amendment (the “Lease Amendment”) amending its lease of the Coronado Bank and Commerce building (the “Building”), and the real property on which the Building is situated (the “Land”), from a limited liability company (the “Landlord”) which is wholly owned by Don and Leslie Budinger. The base rent paid by CHA totaled \$271,764 (net of reduced rent for April, May, and June totaling \$39,262) and \$304,928 for the years ended June 30, 2020 and 2019, respectively.

The Lease Amendment extends the term of CHA’s lease of the Building and the Land from January 1, 2020 through December 31, 2029, at the fixed annual base rent previously agreed upon by CHA and the Landlord, including increases in the base rent at the rate of 2% per year, and requires CHA to continue to pay its pro rata share of operating expenses in addition to the base rent each month. The method of calculating CHA’s base rent was not changed by the Lease Amendment, but several minor changes were made to the timing and payment of operating expenses, to reflect changes previously adopted by the Landlord and CHA which had never been formalized.

CORONADO HISTORICAL ASSOCIATION, INCORPORATED
NOTES TO FINANCIAL STATEMENTS
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Note 11 - Lease Commitment, Building Purchase Option, & Gift: (Continued)

The following is a schedule of future minimum payments of base rent required under the Lease Amendment during CHA’s upcoming fiscal years:

Years Ended June 30	Base Rent
2021	317,244
2022	323,592
2023	330,066
2024	336,672
2025	343,410
Thereafter	1,631,418
Total	\$ 3,282,402

It is important to note that an independent appraisal obtained by CHA in 2017 (the “Appraisal”) shows that the rent agreed to be paid by CHA under the Lease Amendment is less than the current market rate. Therefore, the Lease Amendment also represents a gift to CHA from the Budingers to the extent of the difference between the agreed rent and the current market rate. The in-kind rent recognized due to below-market rates totaled \$103,295 and \$109,390 for the years ended June 30, 2020 and 2019, respectively. In addition, the Budingers reduced CHA’s rent and utilities for the months of April, May, and June of 2020 a total of \$51,093, which has also been recorded as an in-kind contribution.

The rent paid by CHA is also partially offset by rental income received by CHA, from subleases of portions of the building to tenants under sublease agreements. Rental income from those subleases totaled \$61,095 and \$59,870 for the years ended June 30, 2020 and 2019, respectively, and has been recorded as a reduction in rent expense. CHA bills a pro rata share of operating expense to certain tenants each month.

The Lease Amendment also provides for CHA to hold an option (the “Option”) to cause the Landlord to transfer title of the Building and the Land to CHA at any time on or after January 1, 2019, by payment to the Landlord of a cash amount shown on a schedule attached as Exhibit B to the Lease Amendment. In the event the Option is exercised, the Lease Amendment requires CHA to lease back to the seller a portion of the office space in the Building which is now used by Don Budinger, as described in the Lease Amendment.

It is contemplated by both the Budingers and CHA that the Budingers will cause the Landlord to complete the gifting of the Building and the Land to CHA by 2029. However, if circumstances should arise which would make it desirable for CHA to accelerate completion of the Budingers’ gift, the Lease Amendment ensures that CHA has a path to receive title to the Building and the Land through the exercise of the Option.

CORONADO HISTORICAL ASSOCIATION, INCORPORATED
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

Note 11 - Lease Commitment, Building Purchase Option, & Gift: (Continued)

Using the values shown in the 2017 Appraisal, the exercise of the Option will cause the amount of the gift bestowed by the Budingers on CHA to range from a gift of at least \$5,000,000 (if title is transferred by the exercise of the Option in 2019) to at least \$7,450,000 (if title is transferred by exercise of the Option in 2029). However, if the gift is accelerated by CHA’s exercise of the Option, the exact amount of the gift will likely be larger, as it will be the difference between the value of the Building and the Land at that time of exercise of the Option (which will likely be higher than shown in the 2017 Appraisal) and the payment required to be made by CHA to the Landlord, as shown on the following schedule which is attached as Exhibit B to the Lease Amendment:

<u>Year of Exercise of the Option</u>	<u>Payment by CHA</u>
2021	2,250,000
2022	2,000,000
2023	1,750,000
2024	1,500,000
2025	1,250,000
2026	1,000,000
2027	750,000
2028	500,000
2029	250,000
2030	50,000

Note 12 – Contingencies:

Payroll Protection Program Loan

In May 2020, CHA received a loan totaling \$47,750 from the U.S. Small Business Administration, under the CARES Act Paycheck Protection Program (“PPP”). The loan is forgivable to the extent that CHA meets the terms and conditions of the PPP. Any portion of the loan that is not forgiven bears interest at .98%, and is due in April 2022. CHA has recognized the \$32,826 as revenue for the year ended June 30, 2020, since they believe they have satisfied the terms and conditions of forgiveness of the PPP. The remaining \$14,924 has been included in deferred revenue at June 30, 2020, and CHA expects to satisfy the terms and conditions of forgiveness of this part of the PPP during the year ended June 30, 2021.

Coronavirus Pandemic Contingency

On March 11, 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a pandemic. On March 19, 2020, the Governor of California declared a health emergency and issued an order to close all nonessential businesses. CHA was required to close the museum and museum store, and cease in-person operations. The potential impacts to CHA include disruptions or restrictions on employees’ ability to work, suspension of in-person programs, and closure of the museum and museum store. Changes to the operating environment may also be impacted, and may have an impact on operating costs. The future effects of these issues are unknown.

CORONADO HISTORICAL ASSOCIATION, INCORPORATED
NOTES TO FINANCIAL STATEMENTS
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Note 13 – Subsequent Event:

In July, CHA received a loan totaling \$150,000 from the U.S. Small Business Administration (“SBA”). The loan is payable in monthly installments of \$641, including interest at 2.75%, and is due in 30 years from the date of the promissory note. The loan is collateralized by the assets of CHA.