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<th>Page</th>
</tr>
</thead>
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</tbody>
</table>
INDEPENDENT AUDITOR’S REPORT

Board of Trustees
San Diego Museum of Man
San Diego, California

We have audited the accompanying financial statements of the San Diego Museum of Man (a nonprofit organization), which comprise the statement of financial position 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 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 audit. We conducted our audit 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 includes 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 of 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the San Diego Museum of Man as of June 30, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.
Report on Summarized Comparative Information

We have previously audited the San Diego Museum of Man’s 2018 financial statements, and we expressed an unmodified audit opinion on those financial statements in our report dated October 9, 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.

WEST RHODE & ROBERTS
San Diego, California
October 21, 2019
## San Diego Museum of Man

### Statement of Financial Position

**June 30, 2019**

*With Summarized Financial Information for June 30, 2018*

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018 (Note 12)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>ASSETS</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>$ 203,151</td>
<td>$ 210,774</td>
</tr>
<tr>
<td>Grants and other receivables</td>
<td>340,775</td>
<td>278,096</td>
</tr>
<tr>
<td>Prepaid expenses and other assets</td>
<td>20,512</td>
<td>23,611</td>
</tr>
<tr>
<td>Investments</td>
<td>5,386,488</td>
<td>6,551,171</td>
</tr>
<tr>
<td>Property and equipment, net</td>
<td>1,640,874</td>
<td>1,762,368</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td>$ 7,591,800</td>
<td>$ 8,826,020</td>
</tr>
</tbody>
</table>

| **LIABILITIES AND NET ASSETS** |                |                |
| Liabilities:                  |                |                |
| Accounts payable              | $ 118,675      | $ 192,739      |
| Accrued expenses              | 198,015        | 217,489        |
| Deferred revenue              | 18,937         | 24,916         |
| **Total liabilities**         | 335,627        | 435,144        |

| Net assets:                   |                |                |
| Without donor restrictions    | 6,513,212      | 7,817,716      |
| With donor restrictions       | 742,961        | 573,160        |
| **Total net assets**          | 7,256,173      | 8,390,876      |
| **Total liabilities and net assets** | $ 7,591,800 | $ 8,826,020 |

*See Notes to Financial Statements.*
## SAN DIEGO MUSEUM OF MAN

### STATEMENT OF ACTIVITIES

**Year Ended June 30, 2019**

*(With Summarized Financial Information for Year Ended June 30, 2018)*

<table>
<thead>
<tr>
<th></th>
<th>2019 Without Donor Restrictions</th>
<th>2019 With Donor Restrictions</th>
<th>2018 Total (Note 12)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Operating Activities</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>SUPPORT AND REVENUE</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Admissions</td>
<td>$1,996,097</td>
<td>-</td>
<td>$2,432,995</td>
</tr>
<tr>
<td>Contributions and grants</td>
<td>226,079</td>
<td>484,399</td>
<td>995,817</td>
</tr>
<tr>
<td>Governmental grants</td>
<td>546,715</td>
<td>-</td>
<td>472,921</td>
</tr>
<tr>
<td>Facility rental income</td>
<td>91,678</td>
<td>-</td>
<td>81,115</td>
</tr>
<tr>
<td>Museum events and education</td>
<td>51,452</td>
<td>-</td>
<td>79,371</td>
</tr>
<tr>
<td>Museum store sales</td>
<td>58,052</td>
<td>-</td>
<td>71,515</td>
</tr>
<tr>
<td>In-kind contributions</td>
<td>90,531</td>
<td>-</td>
<td>54,882</td>
</tr>
<tr>
<td>Satisfaction of program restrictions</td>
<td>318,540</td>
<td>(318,540)</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total support and revenue</strong></td>
<td>$3,456,890</td>
<td>$165,859</td>
<td>$3,622,749</td>
</tr>
</tbody>
</table>

| **OPERATING EXPENSES** |                                 |                               |                      |
| **Program expenses:**  |                                 |                               |                      |
| Exhibits              | 2,655,411                       | -                             | 2,682,710            |
| Education             | 541,978                         | -                             | 604,885              |
| Curatorial            | 594,531                         | -                             | 538,739              |
| **Total program expense** | 3,791,920 | - | 3,826,334 |
| Supporting services: |                                 |                               |                      |
| General and administrative | 808,513                       | -                             | 682,448              |
| Fundraising           | 421,701                         | -                             | 429,393              |
| **Total expenses**    | 5,022,134                       | -                             | 4,938,175            |

| Operating support and revenue in excess of expenses | (1,565,244) | 165,859 | (1,399,385) | (608,097) |

| **Nonoperating Activities** |                                 |                               |                      |
| Net realized and unrealized gain on investments | 70,033                      | -                             | 308,215              |
| Investment income          | 208,049                        | 3,942                         | 192,026              |
| Investment fees            | (17,342)                       | -                             | (20,763)             |
| **Total nonoperating activities** | 260,740 | 3,942 | 264,682 | 479,478 |

| Change in net assets       | (1,304,504)                    | 169,801                       | (1,134,703)          | (128,619) |
| **NET ASSETS AT BEGINNING OF YEAR** | 7,817,716 | 573,160 | 8,390,876 | 8,519,495 |
| **NET ASSETS AT END OF YEAR** | $6,513,212 | $742,961 | $7,256,173 | $8,390,876 |
SAN DIEGO MUSEUM OF MAN  
SUPPLEMENTAL SCHEDULE OF FUNCTIONAL EXPENSES  
Year Ended June 30, 2019  
(With Summarized Financial Information for the Year Ended June 30, 2018)

<table>
<thead>
<tr>
<th>Program Expenses</th>
<th>Supporting Services</th>
<th>Total 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>General and Administrative Fund-</td>
<td></td>
</tr>
<tr>
<td></td>
<td>raising Services</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Supporting Services</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td></td>
</tr>
<tr>
<td><strong>Exhibits</strong></td>
<td><strong>1,281,050</strong></td>
<td><strong>392,692</strong></td>
</tr>
<tr>
<td><strong>Curatorial Education</strong></td>
<td><strong>362,433</strong></td>
<td><strong>301,847</strong></td>
</tr>
<tr>
<td><strong>Supporting Services</strong></td>
<td><strong>$ 2,044,772</strong></td>
<td><strong>$ 694,539</strong></td>
</tr>
<tr>
<td><strong>Total Program Expenses</strong></td>
<td><strong>$ 2,396,205</strong></td>
<td><strong>$ 1,096,437</strong></td>
</tr>
<tr>
<td><strong>Payroll taxes and employee benefits</strong></td>
<td><strong>236,433</strong></td>
<td><strong>50,230</strong></td>
</tr>
<tr>
<td></td>
<td><strong>379,881</strong></td>
<td><strong>64,884</strong></td>
</tr>
<tr>
<td><strong>Total salaries and related expenses</strong></td>
<td><strong>416,314</strong></td>
<td><strong>115,114</strong></td>
</tr>
<tr>
<td><strong>Professional fees and outside services</strong></td>
<td><strong>342,376</strong></td>
<td><strong>208,707</strong></td>
</tr>
<tr>
<td></td>
<td><strong>54,473</strong></td>
<td><strong>6,518</strong></td>
</tr>
<tr>
<td></td>
<td><strong>16,213</strong></td>
<td><strong>215,225</strong></td>
</tr>
<tr>
<td><strong>Total salaries and related expenses</strong></td>
<td><strong>373,062</strong></td>
<td><strong>224,722</strong></td>
</tr>
<tr>
<td><strong>Facilities and maintenance</strong></td>
<td><strong>218,341</strong></td>
<td><strong>16,283</strong></td>
</tr>
<tr>
<td></td>
<td><strong>37,438</strong></td>
<td><strong>9,536</strong></td>
</tr>
<tr>
<td></td>
<td><strong>263,980</strong></td>
<td><strong>25,819</strong></td>
</tr>
<tr>
<td><strong>Depreciation</strong></td>
<td><strong>225,064</strong></td>
<td><strong>5,234</strong></td>
</tr>
<tr>
<td></td>
<td><strong>18,319</strong></td>
<td><strong>10,468</strong></td>
</tr>
<tr>
<td></td>
<td><strong>251,234</strong></td>
<td><strong>261,702</strong></td>
</tr>
<tr>
<td><strong>Office expense</strong></td>
<td><strong>45,863</strong></td>
<td><strong>82,054</strong></td>
</tr>
<tr>
<td></td>
<td><strong>33,350</strong></td>
<td><strong>14,129</strong></td>
</tr>
<tr>
<td></td>
<td><strong>8,265</strong></td>
<td><strong>96,183</strong></td>
</tr>
<tr>
<td><strong>Advertising and marketing</strong></td>
<td><strong>112,076</strong></td>
<td><strong>82,651</strong></td>
</tr>
<tr>
<td></td>
<td><strong>2,633</strong></td>
<td><strong>24,285</strong></td>
</tr>
<tr>
<td><strong>Total salaries and related expenses</strong></td>
<td><strong>114,709</strong></td>
<td><strong>106,936</strong></td>
</tr>
<tr>
<td><strong>Fees and other charges</strong></td>
<td><strong>84,394</strong></td>
<td><strong>2,633</strong></td>
</tr>
<tr>
<td></td>
<td><strong>303</strong></td>
<td><strong>2,633</strong></td>
</tr>
<tr>
<td><strong>Total salaries and related expenses</strong></td>
<td><strong>87,027</strong></td>
<td><strong>2,633</strong></td>
</tr>
<tr>
<td><strong>Exhibit and event costs</strong></td>
<td><strong>54,473</strong></td>
<td><strong>2,633</strong></td>
</tr>
<tr>
<td></td>
<td><strong>18,593</strong></td>
<td><strong>2,633</strong></td>
</tr>
<tr>
<td><strong>Total salaries and related expenses</strong></td>
<td><strong>73,066</strong></td>
<td><strong>2,633</strong></td>
</tr>
<tr>
<td><strong>Conferences, meetings and travel</strong></td>
<td><strong>54,473</strong></td>
<td><strong>73,066</strong></td>
</tr>
<tr>
<td></td>
<td><strong>978</strong></td>
<td><strong>89,483</strong></td>
</tr>
<tr>
<td><strong>Miscellaneous</strong></td>
<td><strong>4,340</strong></td>
<td><strong>26,138</strong></td>
</tr>
<tr>
<td></td>
<td><strong>11,270</strong></td>
<td><strong>8,145</strong></td>
</tr>
<tr>
<td><strong>Total salaries and related expenses</strong></td>
<td><strong>27,570</strong></td>
<td><strong>34,283</strong></td>
</tr>
<tr>
<td><strong>Professional development and training</strong></td>
<td><strong>6,431</strong></td>
<td><strong>26,138</strong></td>
</tr>
<tr>
<td></td>
<td><strong>11,270</strong></td>
<td><strong>8,145</strong></td>
</tr>
<tr>
<td><strong>Total salaries and related expenses</strong></td>
<td><strong>17,671</strong></td>
<td><strong>34,283</strong></td>
</tr>
<tr>
<td><strong>Museum store merchandise</strong></td>
<td><strong>14,340</strong></td>
<td><strong>22,710</strong></td>
</tr>
<tr>
<td></td>
<td><strong>1,150</strong></td>
<td><strong>8,759</strong></td>
</tr>
<tr>
<td><strong>Total salaries and related expenses</strong></td>
<td><strong>25,690</strong></td>
<td><strong>31,469</strong></td>
</tr>
<tr>
<td><strong>Total salaries and related expenses</strong></td>
<td><strong>300,071</strong></td>
<td><strong>31,469</strong></td>
</tr>
</tbody>
</table>

See Notes to Financial Statements.
**SAN DIEGO MUSEUM OF MAN**

**STATEMENT OF CASH FLOWS**  
*Year Ended June 30, 2019*  
*(With Summarized Financial Information for Year Ended June 30, 2018)*

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018 (Note 12)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>CASH FLOWS FROM OPERATING ACTIVITIES</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Change in net assets</td>
<td>$ (1,134,703)</td>
<td>$ (128,619)</td>
</tr>
<tr>
<td>Adjustments to reconcile change in net assets</td>
<td></td>
<td></td>
</tr>
<tr>
<td>to net cash provided by operations:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Depreciation</td>
<td>261,702</td>
<td>294,465</td>
</tr>
<tr>
<td>Net realized and unrealized gain from investments</td>
<td>(70,033)</td>
<td>(308,215)</td>
</tr>
<tr>
<td>Change in operating assets and liabilities:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Grants and contracts receivable</td>
<td>(62,679)</td>
<td>(99,743)</td>
</tr>
<tr>
<td>Prepaid expenses and other assets</td>
<td>3,099</td>
<td>(12,613)</td>
</tr>
<tr>
<td>Accounts payable</td>
<td>(74,064)</td>
<td>27,687</td>
</tr>
<tr>
<td>Accrued expenses</td>
<td>(19,474)</td>
<td>13,558</td>
</tr>
<tr>
<td>Deferred revenue</td>
<td>(5,979)</td>
<td>3,268</td>
</tr>
<tr>
<td></td>
<td>(1,102,131)</td>
<td>(210,212)</td>
</tr>
<tr>
<td><strong>CASH FLOWS FROM INVESTING ACTIVITIES</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Proceeds from investments, net</td>
<td>1,234,716</td>
<td>501,871</td>
</tr>
<tr>
<td>Purchase of property and equipment</td>
<td>(140,208)</td>
<td>(333,616)</td>
</tr>
<tr>
<td></td>
<td>1,094,508</td>
<td>168,255</td>
</tr>
<tr>
<td><strong>CHANGE IN CASH AND CASH EQUIVALENTS</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Change in cash and cash equivalents</td>
<td>(7,623)</td>
<td>(41,957)</td>
</tr>
<tr>
<td><strong>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</strong></td>
<td>210,774</td>
<td>252,731</td>
</tr>
<tr>
<td><strong>CASH AND CASH EQUIVALENTS AT END OF YEAR</strong></td>
<td>$ 203,151</td>
<td>$ 210,774</td>
</tr>
</tbody>
</table>

See Notes to Financial Statements.
Note 1. Organization and Significant Accounting Policies

Organization and Activities

The San Diego Museum of Man (SDMoM) is San Diego’s only institution dedicated to anthropology and archeology and has distinguished itself nationally with its extensive physical and ethnographic cultural resources, publications and research, educational programs, and exhibits that in accordance with its mission, “inspire human connections by exploring the human experience.” SDMoM is located in Balboa Park in the historic 1915 California Building with its iconic California Tower. SDMoM features five permanent exhibitions, including Ancient Egypt; Kumeyaay: Native Californians; Maya: Heart of Sky, Heart of Earth; Discover Egypt; and the historic California Tower. Other exhibits include BEERology; Race: Are We So Different?; Monsters!; and Cannibals: Myth or Reality; Living with Animals; and PostSecret.

SDMoM strives to carry out its core values:

- **Adventurous**: We try new things, push boundaries, and are fearless.
- **Passionate**: We love what we do and share our enthusiasm with others.
- **Engaging**: We inspire our visitors to actively participate in the museum and we have fun doing it.
- **Disciplined**: We strategically evaluate everything we do for alignment with our mission, vision, and values.
- **Open**: We create an inclusive environment and welcome respectful discourse.
- **Accountable**: We all share equal responsibility for SDMoM’s success.

Cultural Resources, Direction and Exhibitions – SDMoM’s collections total over 400,000 ethnographic, biological, and archaeological objects, nearly 50,000 photographic images, and 33,000 scientific publications. In addition, SDMoM serves approximately 200,000 visitors annually, including 55,000 children and adolescents. SDMoM’s goal is to play a unique role in the community by serving as part town hall, part center for cross-cultural exchange, and part participatory museum.

Education – Our extensive standards-based education programs connect students to the history of humanity and the beauty of diversity through anthropology. Each year, SDMoM serves over 18,000 students in class tours, summer camps and outreach. An additional 37,000 children and adolescents come to SDMoM through general admissions. Our calling is to educate not just children, but also adults in their quest for lifelong learning. SDMoM signature education efforts include student tours and adult workshops exploring the content of our “Race: Are We So Different?” exhibit. These compelling public programs attract a wide range of audiences, increase admissions revenues and deeply impact the community as a whole.

Significant Accounting Policies

Method of Accounting – The financial statements of SDMoM have been prepared utilizing the accrual basis of accounting.

Basis of Presentation – The financial statements of the SDMoM have been prepared in accordance with U.S. generally accepted accounting principles (“US GAAP”), which require the SDMoM to report information regarding its financial position and activities according to the following net asset classifications:

- **Net assets without donor restrictions**: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of SDMoM’s management and the board of directors.

- **Net assets with donor restrictions**: Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the SDMoM or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity.
Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities.

**Measure of Operations** – The statements of activities reports all changes in net assets, including changes in net assets from operating and nonoperating activities. Operating activities consist of those items attributable to the SDMoM’s ongoing programs. Nonoperating activities are limited to resources that generate return from long-term investments and other activities considered to be of a more unusual or nonrecurring nature.

**Risks and Uncertainties** – SDMoM 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.

**Revenue Recognition** – Contributions are recognized as revenue when they are unconditionally pledged or when all conditions have been met.

SDMoM reports contributions as restricted if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, with restriction revenues are reclassified to without restriction revenues and reported in the statement of activities as revenues released from restrictions. Contributions with donor restrictions requiring the principal gift to be held in perpetuity are reported as with restriction in perpetuity.

Contributions of service are recognized if the services received (a) create or enhance non-financial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. SDMoM reports such contributions at their estimated fair value when received.

**Government Grants** – The policy of SDMoM is to recognize the revenue to the extent of eligible costs incurred, up to the maximum subcontract or grant amount.

**Admissions and Education** – SDMoM records revenue when goods or services are provided.

**Memberships** – SDMoM recognizes revenue at the time of renewal.

**Exhibition Costs** – Exhibition costs related to rotating exhibits are included in prepaid expense and are expensed over the term of the exhibition, while exhibition costs related to permanent exhibitions are included in fixed assets and depreciated over the useful life of the exhibition. Other general exhibition costs that do not fall into these categories are expensed when incurred.

**Cash and Cash Equivalents** – SDMoM considers all cash accounts that are not subject to withdrawal restrictions or penalties and money market funds with an original maturity date of less than 90 days to be cash equivalents.

**Grants and Other Receivables** – All receivables are reviewed for collectability and reserves for uncollectible amounts are recorded based on the estimated collectability. Accounts are written off against the allowance for doubtful accounts when deemed uncollectible. Management has determined that an allowance of $10,000 is needed for the year ended June 30, 2019.

**Investments** – Investments in marketable securities with readily determinable fair values are reported at fair values. Net realized and unrealized gains or losses are reflected as increases or decreases in unrestricted net assets, unless the use is restricted by the donor.
San Diego Museum of Man

Notes to Financial Statements

Physical Facilities – The City of San Diego (the City) owns the building in Balboa Park occupied by SDMoM under an agreement that permits SDMoM’s use of the structure free of charge. SDMoM occupies the building under a 25-year lease agreement with the City expiring in 2037, which permits the SDMoM’s use of the structure at no charge. Under the terms of the lease, the City is responsible for the maintenance of the exterior of the building.

In accordance with accounting principles generally accepted in the United States of America (U.S. GAAP), the original value of the building is to be reflected in SDMoM’s financial statements. However, if the building had been reported at its fair market value at the date the agreement with the City originally commenced, it would have been fully depreciated in prior years. Therefore, it is not reflected in the accompanying statement of financial position.

The agreement with the City also provides for SDMoM’s free use of the land in Balboa Park on which the structure is situated. No amounts have been reflected in the financial statements for use of the land, as no objective basis is available to measure its value.

Inventory – SDMoM’s museum store inventory which consists principally of books, periodicals, and gift items is stated at lower of cost (FIFO) or market.

Property and Equipment – SDMoM capitalizes all expenditures in excess of $5,000 for property and equipment at cost, while donations of property and equipment are recorded at the estimated fair values. Such donations are reported as unrestricted support 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 restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, SDMoM reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. SDMoM reclassifies temporarily restricted net assets to unrestricted net assets at that time. Property and equipment are depreciated using the straight-line method over the estimated useful asset lives as follows:

<table>
<thead>
<tr>
<th>Asset Type</th>
<th>Useful Life</th>
</tr>
</thead>
<tbody>
<tr>
<td>Exhibits</td>
<td>15 years</td>
</tr>
<tr>
<td>Leasehold improvements</td>
<td>20 to 40 years</td>
</tr>
<tr>
<td>Furniture, fixtures, and equipment</td>
<td>3 to 40 years</td>
</tr>
<tr>
<td>Vehicles</td>
<td>7 years</td>
</tr>
</tbody>
</table>

Depreciation expense totaled $261,702 for the year ended June 30, 2019.

Maintenance, repairs and minor renewals are charged to operations as incurred. Upon sale or disposition of property, the asset account is relieved of the cost and the accumulated depreciation account is charged with depreciation taken prior to the sale of any resultant gain or loss is credit or charged to earnings.

Deferred Revenue – Income received in advance for facility rentals and special events are deferred and recognized in the period in which the facility rental or event occurs. Deferred facility rental income and museum event income totaled $18,937 at June 30, 2019.

Donated Services and Materials – SDMoM 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 by volunteers for the year ended June 30, 2019, did not meet the requirements above, therefore, no amounts were recognized in the financial statements for volunteer time.

SDMoM received donated materials, catering, advertising, and professional fees which have been recorded at fair value and totaled $90,531 for the year ended June 30, 2019.
SDMoM donated approximately 894 guest passes and memberships with a value of approximately $14,712 to the community for the year ended June 30, 2019. Additionally, the Museum participated in a Community Access Program through the Balboa Park Cultural Partnership which provided 11,309 free park-wide Explorer admissions passes to low income individuals and families. SDMoM is also committed to providing free admission to all San Diego residents on Free Tuesdays, a monthly program which offered complimentary entrance to nearly 28,000 visitors in the fiscal year ended June 30, 2019.

**Cultural Resources** – SDMoM's cultural resources total over 400,000 ethnographic, biological and archeological objects, nearly 50,000 photographic images, and 33,000 scientific publications. The primary ethnographic collections include textiles, pottery, bead work, jewelry, ceramics, carvings, weapons and costumes primarily from the Western Hemisphere with strengths in California, the Southwest, Mexico and western South America. Each of the items is catalogued, preserved and cared for, and activities verifying their existence and assessing their condition are performed continuously. Purchased collection items are recorded as decreases in unrestricted net assets in the year in which the items are acquired, or in with restrictions net assets if the 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.

**Functional Allocation of Expenses** – The statement of functional expenses presents expense by function and natural classification. Expenses directly attributable to a specific functional area of the SDMoM are reported as expenses of those functional areas. A portion of costs that benefit multiple functional areas (indirect costs) have been allocated across programs and supporting services based on the full-time employee equivalents of a program or supporting service. Depreciation is allocated based on a square footage basis.

**Income Taxes** – SDMoM is exempt from federal income tax pursuant to Section 501(c)(3) of the Internal Revenue Code and is also exempt from state income tax. The Financial Accounting Standards Board (FASB) issued Accounting Standards Codification No. 740-10, *Accounting for Uncertainties in Income Taxes*, which sets a minimum threshold for financial statement recognition of the benefit of a tax position taken or expected to be taken in a tax return. SDMoM has reviewed its positions for all open tax years and has determined that it has no uncertain tax positions requiring accrual or disclosure.

**Use of Estimates** – The preparation of financial statements, in conformity with U.S. GAAP, 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 support, revenue, and expenses during the reporting period. Actual results could differ from those estimates.

**New Accounting Pronouncement** – In August 2016, the Financial Accounting Standards Board (FASB) issued ASU 2016-14, *Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities*. This ASU amends the current nonprofit reporting model and enhances nonprofit organizations required disclosures. The ASU 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. The SDMoM has adjusted the presentation of these statements accordingly. The ASU has been applied retrospectively to all periods presented.

**Subsequent Events** – Subsequent events are events or transactions that occur after the statement of financial position date but before financial statements are available to be issued. SDMoM recognizes in the financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at that date, including the estimates inherent in the process of preparing financial statements. SDMoM’s financial statements do not recognize subsequent events that provide evidence about conditions that did not exist at the date of the statement of financial position, but arose after that date and before the financial statements are available to be issued.

SDMoM has evaluated subsequent events through October 21, 2019, which is the date the financial statements are available for issuance, and concluded that there were no events or transactions that needed to be disclosed.
Note 2. Liquidity and Availability of Resources

The SDMoM’s financial assets available for general expenditure, that is without donor restrictions limiting their use within one year of the statement of position date, are as follows:

Financial Assets

<table>
<thead>
<tr>
<th>Asset</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and cash equivalents</td>
<td>$203,151</td>
</tr>
<tr>
<td>Grants and other receivables</td>
<td>340,775</td>
</tr>
<tr>
<td>Investments</td>
<td>5,386,488</td>
</tr>
<tr>
<td>Total financial assets available</td>
<td>5,930,414</td>
</tr>
</tbody>
</table>

Less amounts unavailable for general expenditures within one year, due to:

| Restricted by donors with purpose restrictions | (306,246) |
| Restricted by donors in perpetuity            | (436,715) |
| Total amounts unavailable for general         | (742,961) |
| expenditures within one year                  |           |
| Total financial assets available to management for general expenditure within one year | $5,187,453 |

The SDMoM maintains policies of structuring its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

Note 3. Concentration of Credit Risk

Financial instruments, which potentially subject SDMoM to credit risk, consist primarily of cash and investments.

Cash – SDMoM maintains its cash in bank accounts, which at times may exceed federally insured limits. SDMoM has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk related to cash.

Investments – SDMoM invests in various investments including mutual funds and money market accounts. Investment securities are exposed to various risks, such as interest rate, credit, and overall market volatility. Due to the level of risk associated with certain investments, it is reasonably possible that changes in the values of investments could occur in the near term and that such changes could materially affect amounts reported on the financial statements.

Note 4. Fair Value Measurements

Due to the short-term nature of cash equivalents, receivables, prepaid expense, accounts payable and deferred revenue, fair value approximates carrying value. In accordance with Financial Accounting Standards Board Codification No. 820 (FASB ASC 820), fair value is defined as the price that SDMoM would receive upon selling an asset or transferring a liability in an orderly transaction to an independent buyer in the principal or most advantageous market of the asset.

FASB ASC 820 establishes a three-tier hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs and to establish the classification of fair value measurements for disclosure purposes. Inputs refer broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability developed based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity’s own assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best
information available. The standard describes three-tier hierarchy of inputs that may be used to measure fair value as follows:

**Level 1**: Quoted prices (unadjusted) of identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.

**Level 2**: Significant other observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, and other inputs that are observable or can be corroborated by observable market data.

**Level 3**: Significant unobservable inputs that reflect SDMoM’s own assumptions about the assumptions that market participants would use in pricing an asset or liability.

Assets and liabilities measured at fair value on a recurring basis are summarized below:

<table>
<thead>
<tr>
<th>Fair Value Measurements at June 30, 2019, Using:</th>
<th>Quoted Prices in Active Markets for Identical Assets (Level 1)</th>
<th>Significant Other Observable Inputs (Level 2)</th>
<th>Significant Unobservable Inputs (Level 3)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Investments</td>
<td>$5,386,488</td>
<td>$5,386,488</td>
<td>- $ -</td>
</tr>
</tbody>
</table>

The fair value of a financial instrument is 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 is best determined based upon quoted market prices. SDMoM has investments which are based upon quoted market prices at June 30, 2019.

The management of SDMoM is responsible for making the fair value measurements and disclosures in the financial statements. As part of fulfilling this responsibility, the management of SDMoM has established an accounting and financial reporting process for determining the fair value measurements and disclosures, which identifies and adequately supports the valuation methods and assumptions used and ensures that the presentation of the fair value measurement is in accordance with U.S. GAAP.

**Note 5. Investments**

Investments at fair value as of June 30, 2019, consists of fixed income funds totaling $5,386,488.

**Note 6. Grants and Other Receivables**

Receivables at June 30, 2019, consist of the following:

- Grants receivable: $105,480
- Other: $76,766
- Pledge receivables: $25,250
- Institute of Museum and Library Services: $117,152
- City of San Diego: $26,127

Total: $350,775

Less allowance for doubtful accounts: $10,000

Total: $340,775
Note 7. Property and Equipment

Property and equipment at June 30, 2019, consist of the following:

<table>
<thead>
<tr>
<th>Asset Type</th>
<th>Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>Leasehold improvements</td>
<td>$1,211,531</td>
</tr>
<tr>
<td>Exhibits</td>
<td>775,077</td>
</tr>
<tr>
<td>Furniture, fixtures, and equipment</td>
<td>790,162</td>
</tr>
<tr>
<td>California Tower</td>
<td>762,402</td>
</tr>
<tr>
<td>Construction in progress</td>
<td>216,573</td>
</tr>
<tr>
<td>Vehicles</td>
<td>15,507</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$3,771,252</strong></td>
</tr>
<tr>
<td>Less accumulated depreciation</td>
<td>2,130,378</td>
</tr>
<tr>
<td><strong>Net Total</strong></td>
<td><strong>$1,640,874</strong></td>
</tr>
</tbody>
</table>

Note 8. Net Assets With Donor Restrictions

Net assets with donor restrictions represent contributions and other inflows received by the SDMoM, which are limited in their use by the donor-imposed stipulations. Net assets with donor restrictions at June 30, 2019 are available for the following purposes:

<table>
<thead>
<tr>
<th>Asset Type</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Exhibits</td>
<td>$161,128</td>
</tr>
<tr>
<td>Collections</td>
<td>83,030</td>
</tr>
<tr>
<td>Education programs</td>
<td>45,475</td>
</tr>
<tr>
<td>Security</td>
<td>16,613</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$306,246</strong></td>
</tr>
</tbody>
</table>

Endowments, subject to the SDMoM’s spending policy and appropriations, the income from which is expendable for:

<table>
<thead>
<tr>
<th>Asset Type</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>California Tower</td>
<td>$386,715</td>
</tr>
<tr>
<td>General operations</td>
<td>50,000</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$436,715</strong></td>
</tr>
</tbody>
</table>

Total net assets with donor restrictions at June 30, 2019 is $742,961.

Note 9. Net Assets Released from Restriction

Temporarily restricted net assets released from restriction at June 30, 2019, consist of the following:

<table>
<thead>
<tr>
<th>Asset Type</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Education programs</td>
<td>$148,618</td>
</tr>
<tr>
<td>Security</td>
<td>125,550</td>
</tr>
<tr>
<td>Collections</td>
<td>25,884</td>
</tr>
<tr>
<td>California Tower</td>
<td>10,103</td>
</tr>
<tr>
<td>Other</td>
<td>8,385</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$318,540</strong></td>
</tr>
</tbody>
</table>
Note 10. Endowment

SDMoM follows the standards codified in FASB ASC 958-205-65, *Endowments of Not-for-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act, and Enhanced Disclosures for All Endowment Funds*, which provides guidance on the net asset classification of donor-restricted endowment funds for a not-for-profit organization that is subject to an enacted version of the 2006 Uniform Prudent Management of Institutional Funds Act (UPMIFA).

**Interpretation of Relevant Law** – SDMoM has interpreted the 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, SDMoM classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) 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 permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by SDMoM in a manner consistent with the standard of prudence prescribed by UPMIFA.

**Endowment Investment and Spending Policies** – SDMoM has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that SDMoM must hold in perpetuity.

To satisfy its long-term rate-of-return objectives, SDMoM invests its endowment funds in a diversified portfolio of mutual funds and 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).

SDMoM’s long-term goal is to target for distribution each year 5 percent of the fair market value of the fund as of June 30 of the preceding year. The actual distribution rate will be determined at the annual Board meeting in July of each year.

The Board will take into consideration the following factors when making its annual determination: specific donor intent, the preservation of the fund, the purpose of the fund, general economic conditions, possible effect of inflation or deflation, expected total return from income and appreciation of investments, SDMoM’s other resources, and SDMoM’s investment policy.

No withdrawals can be made in excess of 7 percent of the fair market value of the fund or if the fair value of the investments falls below the value of the original principal value at the time of receipt of the donation.
The following table represents the changes in the SDMoM’s endowment funds during the year ending June 30, 2019:

<table>
<thead>
<tr>
<th>Changes in Endowment Net Assets</th>
<th>Without Donor Restrictions</th>
<th>With Donor Restrictions</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Endowment net assets, beginning of year</td>
<td>$</td>
<td>$432,773</td>
<td>$432,773</td>
</tr>
<tr>
<td>Investment return:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investment income</td>
<td>-</td>
<td>3,942</td>
<td>3,942</td>
</tr>
<tr>
<td>Endowment net assets, end of year</td>
<td>$</td>
<td>$436,715</td>
<td>$436,715</td>
</tr>
</tbody>
</table>

In addition, total assets with a fair value of $237,288 at June 30, 2019, are held and invested by the San Diego Foundation. SDMoM has no ownership rights over the principal, but receives distributions semi-annually from the earnings on these assets. SDMoM received distributions totaling $11,110 for the year ended June 30, 2019, which are included in contributions and grants in the statement of activities.

**Note 11. Retirement Plan**

SDMoM adopted a Money Purchase Pension Plan (the Plan) under Section 403(b) of the Internal Revenue Code for all employees 21 years of age and older. Under terms of the Plan, SDMoM contributed an amount equal to 5 percent of eligible employees’ gross pay. During the year ended June 30, 2014, SDMoM eliminated the employer match portion of the Plan. In lieu of the employer match, eligible employees now receive a 5 percent raise after two years of service.

During the year ended June 30, 2014, SDMoM established a Deferred Compensation Plan under Section 457(b) of the Internal Revenue Code for the CEO. There were no contributions committed to the Deferred Compensation Plan for the year ended June 30, 2019.

**Note 12. June 30, 2018 Financial Information**

The financial statements include certain prior year summarized comparative information in total, but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with SDMoM’s financial statements for the year ended June 30, 2018, from which the summarized information was derived.

Certain reclassifications have been made to the summarized 2018 financial information to conform to the classifications adopted for the 2019 financial statement amounts. These reclassifications had no effect on the change in net assets.
Note 13. Significant Projects

**Ongoing Disruption to Business Operations** – Beginning in February 2019, the California Tower—one of the Museum’s primary sources of revenue—has been closed to the public while the City of San Diego seismically retrofits it. It will remain closed for up to seven additional months. This has created a construction zone around the Museum and required the organization to close some of its exhibits and significantly lower its ticket price. As a result, overall admissions revenues have decreased due to the project. The Museum also has been forced to temporarily limit its other offerings, such as educational tours and events, during the course of construction. This has further impacted revenue. The Museum also needed to hire additional staff to manage this project, causing expenses to temporarily increase.

While the City’s seismic retrofit project will continue to have a significant impact on the financial performance of the Museum in fiscal year ending June 30, 2020, the Museum has been strategically growing its reserves for years in anticipation of this project, which is necessary for the safety of the public and the staff. As a result, the Museum is well-positioned to continue to weather the financial hit from the project.

Separately, the Museum also expended significant resources preparing for another large-scale City project designed to add parking and return Balboa Park to its original pedestrian-only status. This project required the Museum to safeguard an entire storage room of cultural resources that were subject to vibrations during the planned construction. Although the project never came to fruition for reasons outside the Museum’s control, the Museum had to prepare for the project so far in advance that, by the time it was on notice that the project would not proceed, the Museum had already commenced the work.

**Investing in the future** – The operating deficit this fiscal year was also a product of long-overdue strategic investments in the future of the Museum. Specifically, a team of expert consultants from architects to experience planners to philanthropic consultants, along with a wide variety of subcontractors, were brought in to help us reimagine the visitor experience from beginning to end, and develop the infrastructure necessary to bring a new vision to fruition in the years ahead.