



FINANCIAL STATEMENTS

JUNE 30, 2014



Leaf & Cole, LLP
Certified Public Accountants

**SAN DIEGO MUSEUM OF MAN
FINANCIAL STATEMENTS
JUNE 30, 2014**

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditor's Report	1 - 2
Statement of Financial Position	3
Statement of Activities	4 - 5
Statement of Cash Flows	6
Notes to Financial Statements	7 - 19
Supplementary Schedule of Functional Expenses	20



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

Steven W. Northcote, C.P.A.
Michael S. Schreiberman, C.P.A.
Michael J. Zizzi, C.P.A.
Julie A. Firl, C.P.A.
Nicholas M. Gines, C.P.A.

Members
American Institute of Certified Public Accountants
California Society of Certified Public Accountants

Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of San Diego Museum of Man, which comprise the statement of financial position as of June 30, 2014, and the related statements of activities 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 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of San Diego Museum of Man as of June 30, 2014, 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 San Diego Museum of Man's 2013 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 20, 2013. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2013, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary schedule of functional expenses for the year ended June 30, 2014 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The summarized comparative information for the year ended June 30, 2013 included in the supplementary schedule of functional expenses for the year ended June 30, 2014 has been derived from San Diego Museum of Man's 2013 financial statements and in our report dated November 20, 2013, we expressed our opinion that the information was fairly stated in all material respects in relation to the financial statements as a whole.

Leaf & Cole LLP

San Diego, California
April 6, 2015

**SAN DIEGO MUSEUM OF MAN
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2014
(WITH COMPARATIVE TOTALS FOR JUNE 30, 2013)**

ASSETS

	<u>2014</u>	<u>2013</u>
<u>Assets:</u> (Notes 1, 2, 3, 4 and 5)		
Cash and cash equivalents	\$ 1,053,704	\$ 650,529
Grants and contracts receivable	99,808	51,340
Inventories	3,989	8,391
Prepaid expenses and other assets	8,811	21,448
Investments	5,106,156	4,498,831
Property and equipment, net	<u>971,404</u>	<u>1,018,675</u>
TOTAL ASSETS	<u>\$ 7,243,872</u>	<u>\$ 6,249,214</u>

LIABILITIES AND NET ASSETS

<u>Liabilities:</u> (Note 1)		
Accounts payable	\$ 139,703	\$ 33,350
Accrued expenses	127,373	122,216
Deferred revenue	31,690	18,400
Total Liabilities	<u>298,766</u>	<u>173,966</u>
<u>Commitments</u> (Note 8)		
<u>Net Assets:</u> (Notes 1, 6 and 7)		
Unrestricted	6,492,541	5,877,690
Temporarily restricted	402,565	147,558
Permanently restricted	50,000	50,000
Total Net Assets	<u>6,945,106</u>	<u>6,075,248</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 7,243,872</u>	<u>\$ 6,249,214</u>

The accompanying notes are integral part of the financial statements.

**SAN DIEGO MUSEUM OF MAN
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2014
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2013)**

	Unrestricted Operations	Temporarily Restricted	Permanently Restricted	2014 Total	2013 Total
<u>Support and Revenue:</u>					
Admissions	\$ 1,615,074	\$ -	\$ -	\$ 1,615,074	\$ 1,522,458
Contributions and grants	398,998	673,308	-	1,072,306	730,944
Governmental grants	138,636	13,000	-	151,636	177,091
Membership dues	64,787	-	-	64,787	85,302
Facility rental income	99,636	-	-	99,636	73,680
In-kind contributions	401,146	-	-	401,146	63,511
Museum store sales	72,875	-	-	72,875	55,151
Education, classes and lectures	76,774	-	-	76,774	53,523
Museum events	74,095	-	-	74,095	35,407
Other income	73,943	-	-	73,943	30,769
Net assets released from restrictions	440,726	(440,726)	-	-	-
Total Support and Revenue	<u>3,456,690</u>	<u>245,582</u>	<u>-</u>	<u>3,702,272</u>	<u>2,827,836</u>
<u>Program and Supporting Services:</u>					
Program Services:					
Exhibits	1,447,562	-	-	1,447,562	1,336,315
Curatorial	389,024	-	-	389,024	341,225
Education	223,879	-	-	223,879	154,589
Museum events expense	146,394	-	-	146,394	101,865
Total Program Expenses	<u>2,206,859</u>	<u>-</u>	<u>-</u>	<u>2,206,859</u>	<u>1,933,994</u>
Supporting Services:					
General and administrative	761,756	-	-	761,756	500,010
Fundraising	250,442	-	-	250,442	188,601
Total Supporting Services	<u>1,012,198</u>	<u>-</u>	<u>-</u>	<u>1,012,198</u>	<u>688,611</u>
Total Program and Supporting Services	<u>3,219,057</u>	<u>-</u>	<u>-</u>	<u>3,219,057</u>	<u>2,622,605</u>
<u>Cost of Museum Store Sales</u>	<u>57,421</u>	<u>-</u>	<u>-</u>	<u>57,421</u>	<u>45,384</u>
Total Expenses	<u>3,276,478</u>	<u>-</u>	<u>-</u>	<u>3,276,478</u>	<u>2,667,989</u>
Change in Net Assets Before Other Income (Loss)	<u>180,212</u>	<u>245,582</u>	<u>-</u>	<u>425,794</u>	<u>159,847</u>

(Continued)

**SAN DIEGO MUSEUM OF MAN
STATEMENT OF ACTIVITIES (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2014
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2013)**

	Unrestricted Operations	Temporarily Restricted	Permanently Restricted	2014 Total	2013 Total
<u>Other Income (Loss):</u>					
Net realized and unrealized gains on investments	503,817	8,477	-	512,294	280,849
Interest and dividend income	137,012	1,141	-	138,153	139,080
Investment fees	(14,547)	(193)	-	(14,740)	(13,433)
Depreciation	(191,643)	-	-	(191,643)	(179,840)
Loss on disposal of property and equipment	-	-	-	-	(32,676)
Total Other Income (Loss)	<u>434,639</u>	<u>9,425</u>	<u>-</u>	<u>444,064</u>	<u>193,980</u>
Change in Net Assets	614,851	255,007	-	869,858	353,827
Net Assets at Beginning of Year	<u>5,877,690</u>	<u>147,558</u>	<u>50,000</u>	<u>6,075,248</u>	<u>5,721,421</u>
NET ASSETS AT END OF YEAR	<u>\$ 6,492,541</u>	<u>\$ 402,565</u>	<u>\$ 50,000</u>	<u>6,945,106</u>	<u>\$ 6,075,248</u>

The accompanying notes are integral part of the financial statements.

**SAN DIEGO MUSEUM OF MAN
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2014
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2013)**

	<u>2014</u>	<u>2013</u>
<u>Cash Flows From Operating Activities:</u>		
Change in net assets	\$ 869,858	\$ 353,827
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	191,643	179,840
Donated property and equipment	-	(6,589)
Donated exhibit items	-	(1,700)
Net realized and unrealized gains from investments	(512,294)	(280,849)
Loss on disposal of property and equipment	-	32,676
(Increase) Decrease in:		
Grants and contracts receivable	(48,468)	(4,948)
Inventories	4,402	12,845
Prepaid expenses and other assets	12,637	(3,849)
Increase (Decrease) in:		
Accounts payable	106,353	(2,422)
Accrued expenses	5,157	20,022
Deferred revenue	13,290	3,060
Net Cash Provided by Operating Activities	<u>642,578</u>	<u>301,913</u>
<u>Cash Flows From Investing Activities:</u>		
(Purchases)/sales of investments, net	(95,031)	(77,075)
Purchase of property and equipment	(144,372)	(42,504)
Net Cash Used in Investing Activities	<u>(239,403)</u>	<u>(119,579)</u>
<u>Cash Flows From Financing Activities:</u>		
Payments on capital lease obligation	-	(44,419)
Net Cash Used in Investing Activities	<u>-</u>	<u>(44,419)</u>
Net Increase in Cash and Cash Equivalents	403,175	137,915
Cash and Cash Equivalents at Beginning of Year	<u>650,529</u>	<u>512,614</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 1,053,704</u>	<u>\$ 650,529</u>
<u>Supplemental Disclosures of Cash Flow Information:</u>		
Interest paid on capital lease included in equipment costs	<u>\$ -</u>	<u>\$ 2,578</u>

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

SAN DIEGO MUSEUM OF MAN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014
(WITH COMPARATIVE TOTALS FOR JUNE 30, 2013)

Note 1 - Organization and Significant Accounting Policies:

Organization

San Diego Museum of Man (“SDMoM”) is San Diego’s only institution dedicated to anthropology and archaeology and has distinguished itself nationally with its extensive physical and ethnographic collections, 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; Footsteps Through Time: Four Million Years of Human Evolution; Maya: Heart of Sky, Heart of Earth; and Discover Egypt. SDMoM also offers changing special exhibits featuring artifacts from their collections and around the world.

Mission, Vision, and Goals

SDMoM’s mission is to inspire human connections by exploring the human experience.

Its vision is to be the place to go to learn about each other, reflect on our place in the world, and build a better community.

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.

**SAN DIEGO MUSEUM OF MAN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014
(WITH COMPARATIVE TOTALS FOR JUNE 30, 2013)**

Note 1 - Organization and Significant Accounting Policies: (Continued)

Collections, 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 170,000 visitors annually, including 45,000 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.

In 2013, SDMoM opened the fascinating exhibit *BEERology*, showcasing artifacts from SDMoM's extensive collections that reveal the ties between ancient craft brewing and agriculture, city development, writing and religion.

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 17,000 students in class tours, summer camps and outreach. An additional 35,000 children come to SDMoM through general admissions. Our calling is to educate not just children, but also adults in their quest for lifelong learning. In the past year, SDMoM offered interdisciplinary panels that meaningfully engage adult community members in discourse about contemporary issues such as: "Microfinance: Small Loans, Big Change" and "Folk Art Matters," exploring the importance of folk art and tradition in a modern world. Tower After Hours is an evening series that celebrates San Diego's vibrant cultural communities with ethnic food, music, dancing and artifacts. Responsive to current events and highly participatory, 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 on the accrual basis of accounting which is in accordance with accounting principles generally accepted in the United States of America (GAAP) and, accordingly, reflect all significant receivables, payables, and other liabilities.

Financial Statement Presentation

The financial statements present information regarding the financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets.

- Unrestricted net assets – Net assets not subject to donor imposed stipulations.

SAN DIEGO MUSEUM OF MAN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014
(WITH COMPARATIVE TOTALS FOR JUNE 30, 2013)

Note 1 - Organization and Significant Accounting Policies: (Continued)

Significant Accounting Policies (Continued)

Financial Statement Presentation (Continued)

- Temporarily restricted net assets – Net assets subject to donor imposed stipulations that will be met by actions of the SDMoM and/or the passage of time. When a donor stipulated time restriction ends or a purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.
- Permanently restricted net assets – Net assets subject to donor imposed stipulations requiring that they be maintained permanently by the SDMoM. The income from these assets is available for either general operations or specific programs as specified by the donor.

The FASB has issued reporting standards for endowments of not-for-profit organizations subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA), and enhanced disclosures for all endowment funds. The standards provide guidance on classifying the net assets associated with donor-restricted endowment funds held by organizations that are subject to an enacted version of UPMIFA, which serves as a model act for states to modernize their laws governing donor-restricted endowment funds. The standards also require additional disclosures about endowments (both donor-restricted funds and board-designated funds) to enable users of financial statements to understand the net asset classification, net asset composition, changes in net asset composition, spending policies, and related investment policies of its endowment funds.

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.

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.

SAN DIEGO MUSEUM OF MAN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014
(WITH COMPARATIVE TOTALS FOR JUNE 30, 2013)

Note 1 - Organization and Significant Accounting Policies: (Continued)

Significant Accounting Policies (Continued)

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.

SDMoM's statement 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 historical experience and management's evaluation of outstanding grants and contracts receivable. Management believes that all grants and contracts receivable were fully collectible; therefore, no allowance for doubtful accounts was recorded at June 30, 2014 and 2013.

Contributions

Contributions are recognized when the donor makes a promise to give to SDMoM that is in substance, unconditional. Donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets. 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.

Inventories

Inventories of retail store merchandise consist primarily of books, periodicals and gift items. Inventory is valued at the lower of cost (first-in, first-out) or market.

**SAN DIEGO MUSEUM OF MAN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014
(WITH COMPARATIVE TOTALS FOR JUNE 30, 2013)**

Note 1 - Organization and Significant Accounting Policies: (Continued)

Significant Accounting Policies (Continued)

Capitalization and Depreciation

SDMoM capitalizes all expenditures in excess of \$5,000 for property and equipment at cost, while donations of property and equipment are recorded at their 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:

Human evolution exhibit	15 years
Leasehold improvements	20-40 years
Furniture and fixtures	5 - 40 years
Vehicles	7 years

Depreciation expense is included in other income (loss) in the statement of activities. Program and supporting services allocations consisted of the following for the years ended June 30:

	<u>2014</u>	<u>2013</u>
Program Services:		
Exhibits	\$ 155,231	\$ 145,670
Curatorial	13,415	12,589
Education	5,749	5,395
Museum events expense	5,749	5,395
Total Program Services	<u>180,144</u>	<u>160,049</u>
Supporting Services:		
General and administrative	3,833	3,597
Fundraising	3,833	3,597
Total Supporting Services	<u>7,666</u>	<u>7,194</u>
Cost of Museum Store Sales	<u>3,833</u>	<u>3,597</u>
Total Depreciation Expense	<u>\$ 191,643</u>	<u>\$ 179,840</u>

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 credited or charged to earnings.

Compensated Absences

Accumulated unpaid vacation and other employee benefit amounts totaling \$47,577 and \$22,421 at June 30, 2014 and 2013, respectively, are accrued when incurred and included in accrued expenses.

SAN DIEGO MUSEUM OF MAN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014
(WITH COMPARATIVE TOTALS FOR JUNE 30, 2013)

Note 1 - Organization and Significant Accounting Policies: (Continued)

Significant Accounting Policies (Continued)

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 \$31,690 and \$18,400 at June 30, 2014 and 2013, respectively.

Donated Services, Materials and Equipment

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 years ended June 30, 2014 and 2013 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 legal services which have been recorded at fair value and totaled \$401,146 and \$55,222 for the years ended June 30, 2014 and 2013, respectively.

SDMoM received equipment and exhibit items which have been recorded at fair value and totaled \$-0- and \$8,289 for the years ended June 30, 2014 and 2013, respectively. These items have been included in property and equipment and prepaid expenses and other assets.

SDMoM donated approximately 757 and 679 guest passes and memberships with a value of approximately \$12,560 and \$19,120 to the community for the years ended June 30, 2014 and 2013, respectively.

Collections

In conformity with the practice followed by many museums, collection objects purchased by or donated to SDMoM are not capitalized in the statement of financial position. SDMoM's collections 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. Physical anthropology is represented with skeletal collections of ancient and modern bone diseases and casts documenting human evolution. Each of the items is cataloged, 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 temporarily or permanently restricted net assets 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.

SAN DIEGO MUSEUM OF MAN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014
(WITH COMPARATIVE TOTALS FOR JUNE 30, 2013)

Note 1 - Organization and Significant Accounting Policies: (Continued)

Significant Accounting Policies (Continued)

Allocation of Expenses

SDMoM 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 SDMoM's management.

Income Taxes

SDMoM 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. SDMoM's unrelated business activity did not generate taxable income and no tax liability has been recorded at June 30, 2014 and 2013. SDMoM 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. SDMoM is not a private foundation.

SDMoM's Return of Organization Exempt from Income Tax and Exempt Organization Business Income Tax Returns for Tax for the years ended June 30, 2014, 2013, 2012 and 2011 are subject to examination by Internal Revenue Service and State taxing authorities, generally three to four years after the returns were filed.

Concentration of Credit Risk

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

Cash and Cash Equivalents

For purposes of the statement of cash flows, SDMoM considers all highly liquid investment instruments purchased with a maturity of three months or less to be cash equivalents.

Comparative Totals for June 30, 2013

The financial statements included certain prior year summarized comparative information in total but not by net asset class. This summarized information is for comparative purposes only, and accordingly, such information should be read in conjunction with SDMoM's financial statements for the year ended June 30, 2013, from which the summarized comparative information was derived.

Subsequent Events

In preparing these financial statements, SDMoM has evaluated events and transactions for potential recognition or disclosure through April 6, 2015, the date the financial statements were available to be issued.

**SAN DIEGO MUSEUM OF MAN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014
(WITH COMPARATIVE TOTALS FOR JUNE 30, 2013)**

Note 2 - Fair Value Measurements:

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

	2014			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance as of June 30, 2014
Mutual funds:				
Growth funds	\$ 1,249,011	\$ -	\$ -	\$ 1,249,011
Fixed income funds	2,010,730	-	-	2,010,730
Value funds	1,465,204	-	-	1,465,204
Real estate funds	273,169	-	-	273,169
Emerging markets	108,042	-	-	108,042
	\$ 5,106,156	\$ -	\$ -	\$ 5,106,156

	2013			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance as of June 30, 2013
Mutual funds:				
Growth funds	\$ 2,391,606	\$ -	\$ -	\$ 2,391,606
Fixed income funds	1,249,897	-	-	1,249,897
Value funds	571,942	-	-	571,942
Real estate funds	285,386	-	-	285,386
	\$ 4,498,831	\$ -	\$ -	\$ 4,498,831

Note 3 - Grants and Contracts Receivable:

Grants and contracts receivable consist of the following at June 30:

	2014	2013
City of San Diego	55,205	29,272
Other	35,163	13,169
The San Diego Foundation	9,440	8,899
Total Grants and Contracts Receivable	\$ 99,808	\$ 51,340

**SAN DIEGO MUSEUM OF MAN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014
(WITH COMPARATIVE TOTALS FOR JUNE 30, 2013)**

Note 4 - Investments:

Investments consist of the following at June 30:

	<u>2014</u>	<u>2013</u>
Mutual funds	\$ <u>5,106,156</u>	\$ <u>4,498,831</u>

The following schedule summarizes the investment return for the years ended June 30:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total 2014</u>	<u>Total 2013</u>
Interest and dividend income	\$ 137,012	\$ 1,141	\$ 138,153	\$ 139,080
Realized and unrealized gains on investments	503,817	8,477	512,294	280,849
Investment fees	(14,547)	(193)	(14,740)	(13,433)
Net Investment Income	<u>\$ 626,282</u>	<u>\$ 9,425</u>	<u>\$ 635,707</u>	<u>\$ 406,496</u>

Note 5 - Property and Equipment:

Property and equipment consist of the following at June 30:

	<u>2014</u>	<u>2013</u>
Human evolution exhibit	\$ 1,994,455	\$ 1,994,455
Leasehold improvements	1,140,900	1,082,106
Furniture and fixtures	519,238	519,238
Construction in progress	100,673	15,095
Vehicles	6,895	6,895
Subtotal	<u>3,762,161</u>	<u>3,617,789</u>
Less: Accumulated depreciation	<u>(2,790,757)</u>	<u>(2,599,114)</u>
Property and Equipment, Net	<u>\$ 971,404</u>	<u>\$ 1,018,675</u>

Note 6 - Temporarily Restricted Net Assets:

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

	<u>2014</u>	<u>2013</u>
Curatorial	\$ 282,920	\$ 48,283
Other	15,389	29,184
Education programs	47,648	28,908
Exhibits	25,000	19,000
Collections	12,146	12,146
Unappropriated endowment earnings	19,462	10,037
Total Temporarily Restricted Net Assets	<u>\$ 402,565</u>	<u>\$ 147,558</u>

**SAN DIEGO MUSEUM OF MAN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014
(WITH COMPARATIVE TOTALS FOR JUNE 30, 2013)**

Note 6 - Temporarily Restricted Net Assets: (Continued)

Net assets in the amount of \$440,726 were released from donor restrictions for the year ended June 30, 2014, by incurring expenses satisfying the purpose or time restrictions specified by donors as follows:

Curatorial	\$ 76,101
Exhibits	21,768
Education programs	181,948
Other	142,366
Building improvements	5,292
Museum events	13,251
Total Temporarily Restricted Net Assets Released from Restriction	<u>\$ 440,726</u>

Note 7 - Endowment Net Assets:

SDMoM's endowment consists of a fund established for a general purpose. 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.

The Board of Directors of SDMoM has interpreted the enacted version of 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 (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 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. In accordance with UPMIFA, SDMoM considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the fund
2. The purposes of SDMoM and the donor-restricted endowment fund
3. General economic conditions
4. The possible effect of inflation and deflation
5. The expected total return from income and the appreciation of investments
6. Other resources of SDMoM
7. The investment policies of SDMoM.

From time to time, the fair value of the assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires SDMoM to retain as a fund of perpetual duration. There were no such deficiencies as of June 30, 2014 and 2013.

**SAN DIEGO MUSEUM OF MAN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014
(WITH COMPARATIVE TOTALS FOR JUNE 30, 2013)**

Note 7 - Endowment Net Assets: (Continued)

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

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

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

In making its annual determination, the Board will take into consideration the following factors:

1. Specific donor intent
2. The preservation of the fund
3. The purpose of the fund
4. General economic conditions
5. Possible effect of inflation or deflation
6. Expected total return from income and appreciation of investments
7. SDMoM's other resources
8. SDMoM's investment policy

No withdrawals can be made:

1. In excess of 7% of the fair market value of the fund
2. If the fair value of the investments falls below the value of the original principal value at the time of receipt of the donation

SAN DIEGO MUSEUM OF MAN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014
(WITH COMPARATIVE TOTALS FOR JUNE 30, 2013)

Note 7 - Endowment Net Assets: (Continued)

Endowment composition by type of fund and changes in endowment net assets as of and for the years ended June 30:

	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment Net Assets at June 30, 2012	\$ 3,900	\$ 50,000	\$ 53,900
Investment Return:			
Investment income	946	-	946
Net realized and unrealized appreciation	5,191	-	5,191
Total Investment Return	<u>6,137</u>	<u>-</u>	<u>6,137</u>
Endowment Net Assets at June 30, 2013	10,037	50,000	60,037
Investment Return:			
Investment income	948	-	948
Net realized and unrealized appreciation	8,477	-	8,477
Total Investment Return	<u>9,425</u>	<u>-</u>	<u>9,425</u>
Endowment Net Assets at June 30, 2014	<u>\$ 19,462</u>	<u>\$ 50,000</u>	<u>\$ 69,462</u>

In addition, total assets with a fair value of \$270,022 and \$245,184 at June 30, 2014 and 2013, respectively, 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 \$11,298 and \$9,887 for the years ended June 30, 2014 and 2013, respectively, which are included in contributions and grants in the statement of activities.

Note 8 - Commitments:

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 who have completed two years of service. Under terms of the Plan, SDMoM will contribute an amount equal to 5% of eligible employees' gross pay. Contributions to the Plan totaled \$18,186 and \$24,838 for the years ended June 30, 2014 and 2013, respectively. During the year ended June 30, 2014, SDMoM eliminated the employer match portion of the plan. In lieu of the employer match, employees now receive a 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. Contributions to the Deferred Compensation Plan totaled \$15,000 for the year ended June 30, 2014.

SAN DIEGO MUSEUM OF MAN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014
(WITH COMPARATIVE TOTALS FOR JUNE 30, 2013)

Note 8 - Commitments: (Continued)

Agreement With the City of San Diego

The building and land where SDMoM is located are owned by the City of San Diego (the “City”) and leased to SDMoM, and therefore are not assets of SDMoM and are not reflected in the accompanying financial statements. Additions and renovations to the original building are assets of SDMoM and are reflected as leasehold improvements in the accompanying financial statements. SDMoM operates the museum under a 25-year lease with the City ending on June 29, 2037, with an option to renew for an additional 25 years. As part of this agreement, SDMoM is to make the premises available to the public, without charge, one day per month. Under the agreement, in place of cash rent for the use of the premises, the consideration to the City from SDMoM will be the continuous operation, development and maintenance of the premises.

Purchase Commitments

Subsequent to year-end, SDMoM entered into an agreement to begin the construction phase of the tower reconstruction project. The construction phase has a guaranteed maximum price of \$374,674 and is expected to be completed in January 2015.

In March 2014, SDMoM entered into an agreement to begin the second phase of architectural work on its tower reconstruction project. Total project fees for this phase are estimated at \$120,000. As of June 30, 2014, expenses totaling approximately \$70,000 had been incurred.

In October 2013, SDMoM entered into a purchase agreement for \$105,000. The agreement required an initial deposit of \$10,500, which was paid in November 2013, with the balance of \$94,500 payable in three equal annual installments beginning in July 2015.

Other Commitment

In January 2014, SDMoM entered into an exhibition loan agreement for \$150,000 plus conservation costs, transportation costs, and any other costs related to the exhibit as deemed necessary. Installments on the loan are to be received by SDMoM in four equal installments. The first installment of \$38,750 was due and received in April 2014, with the remaining annual installments to be received beginning in September 2014.

**SAN DIEGO MUSEUM OF MAN
SUPPLEMENTARY SCHEDULE OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2014
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2013)**

	Program Expenses					Supporting Services			Cost of Museum Store Sales	2014 Total	2013 Total
	Exhibits	Curatorial	Education	Museum Events Expense	Total Program Expenses	General and administrative	Fundraising	Total Supporting Services			
Salaries and Related Expenses:											
Salaries and wages	\$ 523,154	\$ 268,800	\$ 145,530	\$ 81,457	\$ 1,018,941	\$ 249,756	\$ 174,959	\$ 424,715	\$ 10,226	\$ 1,453,882	\$ 1,222,128
Payroll taxes and related costs	60,777	31,450	16,316	9,039	117,582	26,118	19,401	45,519	1,205	164,306	171,044
Employee benefits	53,689	20,649	7,681	7,973	89,992	24,070	13,115	37,185	1,048	128,225	131,789
Total Salaries and Related Expenses	<u>637,620</u>	<u>320,899</u>	<u>169,527</u>	<u>98,469</u>	<u>1,226,515</u>	<u>299,944</u>	<u>207,475</u>	<u>507,419</u>	<u>12,479</u>	<u>1,746,413</u>	<u>1,524,961</u>
Nonsalary Related Expenses:											
Advertising and marketing	15,695	40	-	-	15,735	-	-	-	-	15,735	5,153
Conference and meetings	719	-	32	716	1,467	2,146	2,412	4,558	-	6,025	4,123
Dues and subscriptions	-	-	-	-	-	24,392	-	24,392	-	24,392	32,226
Equipment costs	5,198	7,170	1,186	187	13,741	5,648	7,082	12,730	62	26,533	29,707
Equipment rental and repair	19,566	6,428	584	1,461	28,039	17,405	438	17,843	146	46,028	44,387
Fees and other charges	30,740	-	-	-	30,740	24,596	-	24,596	1,609	56,945	39,443
Insurance	-	7,004	-	-	7,004	18,957	-	18,957	-	25,961	25,889
Janitorial	17,187	903	82	205	18,377	123	62	185	21	18,583	18,268
In-Kind	111,878	-	-	8,232	120,110	280,036	1,000	281,036	-	401,146	55,222
Miscellaneous	3,839	4,671	-	-	8,510	8,300	1,093	9,393	-	17,903	8,868
Exhibit and event costs	442,872	-	12,752	19,615	475,239	-	18,103	18,103	-	493,342	539,142
Museum store merchandise	-	-	-	-	-	-	-	-	41,643	41,643	30,338
Outside services	13,230	-	1,000	5,815	20,045	2,000	1,578	3,578	-	23,623	57,482
Printing and postage	38,027	21	596	3,070	41,714	6,148	2,241	8,389	-	50,103	50,792
Professional development and training	801	-	-	1,254	2,055	15,761	-	15,761	-	17,816	8,359
Professional fees	11,779	7,207	29,274	1,262	49,522	31,518	3,524	35,042	421	84,985	46,297
Supplies	26,346	11,160	914	710	39,130	8,928	1,576	10,504	387	50,021	38,869
Telephone	4,501	1,607	964	482	7,554	2,411	964	3,375	161	11,090	10,713
Travel	2,678	285	5,002	-	7,965	10,494	1,419	11,913	-	19,878	8,526
Utilities	64,886	21,629	1,966	4,916	93,397	2,949	1,475	4,424	492	98,313	89,224
Total Nonsalary Related Expenses	<u>809,942</u>	<u>68,125</u>	<u>54,352</u>	<u>47,925</u>	<u>980,344</u>	<u>461,812</u>	<u>42,967</u>	<u>504,779</u>	<u>44,942</u>	<u>1,530,065</u>	<u>1,143,028</u>
TOTAL EXPENSES	<u>\$ 1,447,562</u>	<u>\$ 389,024</u>	<u>\$ 223,879</u>	<u>\$ 146,394</u>	<u>\$ 2,206,859</u>	<u>\$ 761,756</u>	<u>\$ 250,442</u>	<u>\$ 1,012,198</u>	<u>\$ 57,421</u>	<u>\$ 3,276,478</u>	<u>\$ 2,667,989</u>