

Financial Report
San Diego Museum of Man
dba



June 30, 2021

Contents

| | <u>Page</u> |
|--|-------------|
| Independent Auditor’s Report on the Financial Statements | 1 |
| Financial Statements | |
| Statement of Financial Position | 3 |
| Statement of Activities..... | 4 |
| Statement of Functional Expenses..... | 5 |
| Statement of Cash Flows..... | 6 |
| Notes to Financial Statements | 7 |



INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the San Diego Museum of Man, dba Museum of Us (a nonprofit organization), which comprise the statement of financial position as of June 30, 2021, 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, dba Museum of Us as of June 30, 2021, 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.

Board of Trustees
San Diego Museum of Man
dba Museum of Us
Page 2

Report on Summarized Comparative Information

We have previously audited the San Diego Museum of Man, dba Museum of Us' 2020 financial statements, and we expressed an unmodified audit opinion on those financial statements in our report dated December 14, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.

A handwritten signature in black ink that reads "West Rhode & Roberts". The signature is written in a cursive, flowing style.

WEST RHODE & ROBERTS

San Diego, California
January 28, 2022

**SAN DIEGO MUSEUM OF MAN
DBA MUSEUM OF US**

STATEMENT OF FINANCIAL POSITION

June 30, 2021

(With Summarized Financial Information for June 30, 2020)

| | 2021 | 2020 (Note 13) |
|---------------------------------------|--------------|-------------------|
| ASSETS | | |
| Cash and cash equivalents | \$ 656,450 | \$ 564,506 |
| Grants and other receivables | 367,837 | 56,864 |
| Prepaid expenses and other assets | 13,270 | 14,597 |
| Investments | 5,659,337 | 4,522,786 |
| Property and equipment, net | 1,294,819 | 1,465,264 |
| Total assets | \$ 7,991,713 | \$ 6,624,017 |
| LIABILITIES AND NET ASSETS | | |
| Liabilities: | | |
| Accounts payable and accrued expenses | \$ 194,394 | \$ 143,814 |
| Refundable advance | 537,124 | 628,000 |
| Deferred revenue | 6,301 | 25,175 |
| Total liabilities | 737,819 | 796,989 |
| Net assets: | | |
| Without donor restrictions | 6,300,872 | 4,896,971 |
| With donor restrictions | 953,022 | 930,057 |
| Total net assets | 7,253,894 | 5,827,028 |
| Total liabilities and net assets | \$ 7,991,713 | \$ 6,624,017 |

**SAN DIEGO MUSEUM OF MAN
DBA MUSEUM OF US**

**STATEMENT OF ACTIVITIES
Year Ended June 30, 2021
(With Summarized Financial Information for Year Ended June 30, 2020)**

| | Without Donor Restrictions | With Donor Restrictions | Total | 2020 (Note 13) |
|---|-------------------------------|----------------------------|---------------------|---------------------|
| <u>Operating Activities</u> | | | | |
| SUPPORT AND REVENUE | | | | |
| Contributions and grants | \$ 1,303,420 | \$ 255,568 | \$ 1,558,988 | \$ 763,862 |
| Governmental grants | 369,219 | - | 369,219 | 367,554 |
| Admissions and memberships | 445,240 | - | 445,240 | 998,753 |
| Other income | 293,066 | - | 293,066 | 43,876 |
| In-kind contributions | 28,662 | - | 28,662 | 76,615 |
| Museum events and rental income | 10,325 | - | 10,325 | 82,268 |
| Museum store sales | 2,204 | - | 2,204 | 26,961 |
| Satisfaction of program restrictions | 331,548 | (331,548) | - | - |
| Total support and revenue | <u>2,783,684</u> | <u>(75,980)</u> | <u>2,707,704</u> | <u>2,359,889</u> |
| OPERATING EXPENSES | | | | |
| Program expenses: | | | | |
| Exhibits | 1,277,430 | - | 1,277,430 | 2,007,329 |
| Curatorial | 391,696 | - | 391,696 | 454,460 |
| Education | 36,988 | - | 36,988 | 437,158 |
| Total program expense | <u>1,706,114</u> | <u>-</u> | <u>1,706,114</u> | <u>2,898,947</u> |
| Supporting services: | | | | |
| General and administrative | 482,956 | - | 482,956 | 661,462 |
| Fundraising | 225,732 | - | 225,732 | 313,729 |
| Total expenses | <u>2,414,802</u> | <u>-</u> | <u>2,414,802</u> | <u>3,874,138</u> |
| Operating support and revenue in excess of expenses | <u>368,882</u> | <u>(75,980)</u> | <u>292,902</u> | <u>(1,514,249)</u> |
| <u>Non-operating Activities</u> | | | | |
| Investment income | <u>1,035,019</u> | <u>98,945</u> | <u>1,133,964</u> | <u>85,104</u> |
| Total nonoperating activities | <u>1,035,019</u> | <u>98,945</u> | <u>1,133,964</u> | <u>85,104</u> |
| Change in net assets | 1,403,901 | 22,965 | 1,426,866 | (1,429,145) |
| NET ASSETS AT BEGINNING OF YEAR | <u>4,896,971</u> | <u>930,057</u> | <u>5,827,028</u> | <u>7,256,173</u> |
| NET ASSETS AT END OF YEAR | <u>\$ 6,300,872</u> | <u>\$ 953,022</u> | <u>\$ 7,253,894</u> | <u>\$ 5,827,028</u> |

**SAN DIEGO MUSEUM OF MAN
DBA MUSEUM OF US
SUPPLEMENTAL SCHEDULE OF FUNCTIONAL EXPENSES
Year Ended June 30, 2021
(With Summarized Financial Information for the Year Ended June 30, 2020)**

| | Program Expenses | | | | Supporting Services | | | Total | 2020 (Note 13) |
|--|---------------------|-------------------|------------------|------------------------------|----------------------------------|-------------------|---------------------------------|---------------------|---------------------|
| | Exhibits | Curatorial | Education | Total Program Expenses | General and Administrative | Fund- raising | Total Supporting Services | | |
| Salaries and wages | \$ 685,356 | \$ 187,243 | \$ 15,604 | \$ 888,203 | \$ 231,705 | \$ 167,343 | \$ 399,048 | \$ 1,287,251 | \$ 2,281,514 |
| Payroll taxes and employee benefits | 142,956 | 39,056 | 3,255 | 185,267 | 48,331 | 34,905 | 83,236 | 268,503 | 439,846 |
| Total salaries and related expenses | 828,312 | 226,299 | 18,859 | 1,073,470 | 280,036 | 202,248 | 482,284 | 1,555,754 | 2,721,360 |
| Professional fees and outside services | 74,979 | 72,511 | 8,758 | 156,248 | 93,253 | 9,054 | 102,307 | 258,555 | 234,834 |
| Facilities and maintenance | 128,975 | 31,975 | 2,864 | 163,814 | 21,383 | 5,069 | 26,452 | 190,266 | 189,487 |
| Depreciation | 146,582 | 11,931 | 5,113 | 163,626 | 3,409 | 3,409 | 6,818 | 170,444 | 189,232 |
| Office expense | 46,348 | 39,626 | 497 | 86,471 | 48,912 | 4,595 | 53,507 | 139,978 | 201,730 |
| Fees and other charges | 28,442 | - | 897 | 29,339 | - | 897 | 897 | 30,236 | 63,966 |
| In-Kind | - | - | - | - | 28,662 | - | 28,662 | 28,662 | 76,615 |
| Miscellaneous | 4,588 | 4,633 | - | 9,221 | 2,623 | - | 2,623 | 11,844 | 27,259 |
| Exhibit and event costs | 10,662 | - | - | 10,662 | - | - | - | 10,662 | 43,933 |
| Advertising and marketing | 8,000 | - | - | 8,000 | 40 | 250 | 290 | 8,290 | 61,314 |
| Professional development and training | - | 2,897 | - | 2,897 | 2,778 | - | 2,778 | 5,675 | 19,763 |
| Conferences, meetings and travel | - | 1,824 | - | 1,824 | 1,860 | 210 | 2,070 | 3,894 | 32,214 |
| Museum store merchandise | 542 | - | - | 542 | - | - | - | 542 | 12,431 |
| Total | <u>\$ 1,277,430</u> | <u>\$ 391,696</u> | <u>\$ 36,988</u> | <u>\$ 1,706,114</u> | <u>\$ 482,956</u> | <u>\$ 225,732</u> | <u>\$ 708,688</u> | <u>\$ 2,414,802</u> | <u>\$ 3,874,138</u> |

**SAN DIEGO MUSEUM OF MAN
DBA MUSEUM OF US**

**STATEMENT OF CASH FLOWS
Year Ended June 30, 2021**

(With Summarized Financial Information for Year Ended June 30, 2020)

| | 2021 | 2020 (Note 13) |
|--|--------------|-------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Change in net assets | \$ 1,426,866 | \$ (1,429,145) |
| Adjustments to reconcile change in net assets to net cash provided by operations: | | |
| Depreciation | 170,444 | 189,232 |
| Net realized and unrealized (gain) loss from investments | (1,044,197) | 48,370 |
| Change in operating assets and liabilities: | | |
| Grants and other receivable | (310,973) | 283,911 |
| Prepaid expenses and other assets | 1,327 | 5,915 |
| Accounts payable | 31,961 | (109,305) |
| Accrued expenses | 18,619 | (63,571) |
| Refundable advance | (90,876) | 628,000 |
| Deferred revenue | (18,874) | 6,238 |
| Net cash used in operating activities | 184,297 | (440,355) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Proceeds from investments, net | (84,599) | 885,100 |
| Purchase of property and equipment | - | (13,622) |
| Net cash provided by investing activities | (84,599) | 871,478 |
| Change in cash and cash equivalents | 99,698 | 431,123 |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR | 634,274 | 203,151 |
| CASH AND CASH EQUIVALENTS AT END OF YEAR | \$ 733,972 | \$ 634,274 |
| CASH AND CASH EQUIVALENTS CONSIST OF: | | |
| Cash and cash equivalents | \$ 656,450 | \$ 564,506 |
| Cash and cash equivalents included in investments | 77,522 | 69,768 |
| | \$ 733,972 | \$ 634,274 |

Note 1. Organization and Significant Accounting Policies

Organization and Activities

The Museum of Us (the Museum), formerly known as the San Diego Museum of Man, sits on the ancestral homelands of the Kumeyaay nation, in San Diego's Balboa Park, and was founded in 1915, as part of the city's Panama-California Exposition. At its founding, it was the epitome of an early 20th century anthropology museum; a place defined by its ethnographic collections and their encyclopedic display. In January 2012, its Board of Directors adopted a three-year strategic plan for change that identified a new mission: "Inspiring human connections by exploring the human experience." The institutional objective for the Museum of Us is to be San Diego's dynamic place to go to learn from each other, reflect on our place in the world, and build a better community. We are a place for the diverse stories that define us, especially those stories that have long been overlooked or silenced by dominant cultural narratives.

On August 2, 2020, the San Diego Museum of Man announced its change of name to Museum of Us. Presently its new name is a registered "Doing Business As" until a full legal change is executed. The name change represents a public commitment to equity, access, and our decolonizing/anti-racism work.

Exhibits – The Museum's new strategy is front and center in its latest exhibit offerings, including "Living With Animals," a colorful and fun exploration of the human-animal bond, "PostSecret," a fascinating exploration of how secrets are the currency of human intimacy, and "Cannibals: Myth and Reality" a thought provoking exploration of cultural "othering."

Community engagement through educational and public programs – Signature offerings include student and adult tours and 90 minute workshops complementing the "Race: Are We So Different?" exhibit. During FY20 these programs served 3,585 individuals – a lower number than typically served due to COVID and the seismic retrofit of the California Tower.

Cultural Resources – The Department of Cultural Resources is tasked with caring for more than 150,000 documented ethnographic materials, more than 500,000 archaeological cultural resources, and over 100,000 photographic images; and, for stewarding them within a decolonized paradigm. To that end, the Museum passed policies in 2017 and 2018 that require documented consent from descendant communities to hold human remains or any Indigenous belongings at the Museum. These policies commit the Museum to repatriating any Indigenous item for which the Museum does not have such consent. Since 2017 we've been working with our Kumeyaay partners in meaningful ways to incorporate community voice in broad-based decisions about cultural resources, exhibits, and programs. This work has received critical financial support from the Institute of Museum and Library Services (IMLS), starting in 2017 and again in 2020.

Significant Accounting Policies

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

Basis of Presentation – The financial statements of the Museum have been prepared in accordance with U.S. generally accepted accounting principles ("US GAAP"), which require the Museum 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 the Museum'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 Museum or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

SAN DIEGO MUSEUM OF MAN, DBA MUSEUM OF US
NOTES TO FINANCIAL STATEMENTS

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 Museum’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 – The Museum 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 – Contributions are recognized as revenue when they are unconditionally pledged or when all conditions have been met.

The Museum 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 donor restricted endowments. The income and net gains earned from such assets is generally restricted to the purpose designated by the donor.

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. The Museum reports such contributions at their estimated fair value when received. During the year ended June 30, 2021, \$28,662 contributions of services were recorded.

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

Admissions and Education – The Museum records revenue when goods or services are provided.

Memberships – Membership fees are recognized as revenue ratably over the membership period. Amounts received for subsequent year’s fees are recorded as deferred membership revenue in the statement of financial position.

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 – The Museum 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, 2021.

SAN DIEGO MUSEUM OF MAN, DBA MUSEUM OF US
NOTES TO FINANCIAL STATEMENTS

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.

Physical Facilities – The City of San Diego (the City) owns the building in Balboa Park occupied by the Museum under an agreement that permits the Museum's use of the structure free of charge. The Museum occupies the building under a 25-year lease agreement with the City expiring in 2037, which permits the Museum'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 the Museum'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 the Museum'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 – The Museum's store inventory which consists principally of books, periodicals, and gift items is stated at lower of cost (FIFO) or market.

Property and Equipment – The Museum 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 without donor restrictions 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 with donor restrictions support. Absent donor stipulations regarding how long those donated assets must be maintained, the Museum reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Museum reclassifies temporarily restricted net assets with donor restrictions to net assets without donor restrictions at that time.

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

| | |
|------------------------------------|----------------|
| Exhibits | 15 years |
| Leasehold improvements | 20 to 40 years |
| Furniture, fixtures, and equipment | 3 to 40 years |
| Vehicles | 7 years |

Depreciation expense totaled \$170,444 for the year ended June 30, 2021.

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 \$6,300. Deferred income also includes \$110,844 related to the Shuttered Venue Operators Grant (SVOG) that was established by the Economic Aid to Hard-Hit Small Businesses, Nonprofits, and Venues Act (December 27, 2020), and amended by the American Rescue Plan Act of 2021.

Refundable Advance – The Museum received a second PPP loan in the amount of \$537,124 in February 2021 under the Paycheck Protection Program (PPP). The PPP was established as part of the Coronavirus Aid, Relief and Economic Security Act (CARES Act). The loan is forgivable if it is used for qualifying expenses as described in the CARES Act. The Museum believes the PPP loan qualifies for forgiveness and has elected to account for the PPP loan under FASB ASC 958-605. Under this model, the Museum has recorded a refundable advance and will record revenue when the PPP loan is forgiven. In April 2020, the Museum received \$628,000 under the PPP program that was forgiven during the year and is recorded as a contribution on the Statement of Activities for the year ended June 30, 2021.

Donated Services and Materials – The Museum 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, 2021, did not meet the requirements above, therefore, no amounts were recognized in the financial statements for volunteer time.

The Museum received donated materials, catering, advertising, and professional fees which have been recorded at fair value and totaled \$28,662 for the year ended June 30, 2021.

Cultural Resources – The Department of Cultural Resources is tasked with caring for more than 150,000 documented ethnographic materials, more than 500,000 archaeological cultural resources, and over 100,000 photographic images. 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 Museum 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 programs or supporting service. Depreciation is allocated on a square footage basis.

Income Taxes – The Museum 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. The Museum 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.

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. The Museum 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. The Museum'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.

**SAN DIEGO MUSEUM OF MAN, DBA MUSEUM OF US
NOTES TO FINANCIAL STATEMENTS**

The Museum has evaluated subsequent events through January 28, 2022, which is the date the financial statements are available for issuance, and concluded that the following event required disclosure:

The Museum received the Shuttered Venue Operators Grant (SVOG) award and funding in the amount of \$236,101 in July 2021. The SVOG program was established by the Economic Aid to Hard-Hit Small Businesses, Nonprofits, and Venues Act (December 27, 2020), and amended by the American Rescue Plan Act of 2021.

Note 2. Liquidity and Availability of Resources

The Museum'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 | |
| Cash and cash equivalents | \$ 656,450 |
| Grants and other receivables | 367,837 |
| Investments | <u>5,659,337</u> |
| Total financial assets available within one year | <u>6,683,624</u> |
| Less amounts unavailable for general expenditures within one year, due to: | |
| Restricted by donors with purpose restrictions | (414,626) |
| Restricted by donors in perpetuity | <u>(538,396)</u> |
| Total amounts unavailable for general expenditures within one year | <u>(953,022)</u> |
| Total financial assets available to management for general expenditure within one year | <u>\$ 5,730,602</u> |

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

Note 3. 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 the Museum 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.

**SAN DIEGO MUSEUM OF MAN, DBA MUSEUM OF US
NOTES TO FINANCIAL STATEMENTS**

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 the Museum'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:

| | <u>Fair Value Measurements at June 30, 2021, Using:</u> | | | |
|-------------|---|---|--|--|
| | <u>Total</u> | <u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u> | <u>Significant Other Observable Inputs (Level 2)</u> | <u>Significant Unobservable Inputs (Level 3)</u> |
| Assets | | | | |
| Investments | <u>\$ 5,659,337</u> | <u>\$ 5,659,337</u> | <u>\$ -</u> | <u>\$ -</u> |

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. The Museum has investments which are based upon quoted market prices at June 30, 2021.

The management of the Museum is responsible for making the fair value measurements and disclosures in the financial statements. As part of fulfilling this responsibility, the management of the Museum 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 4. Investments

Investments at fair value as of June 30, 2021, consists of the following:

| | |
|-----------------------|---------------------|
| Equity funds | \$ 3,355,868 |
| Bond funds | 2,082,783 |
| Exchange traded funds | 143,163 |
| Money market funds | 77,523 |
| | <u>\$ 5,659,337</u> |

The Museum's investment activities for the year ended June 30, 2021 resulted in interest and dividend income of \$104,590, net realized and unrealized gains of \$1,044,197 and management fees of \$14,823.

Note 5. Grants and Other Receivables

Grants and other receivables at June 30, 2021, consist of the following:

| | |
|--|-------------------|
| Employee Retention Tax Credit Receivable | \$ 241,368 |
| IMLS and NAGPRA grant receivable | 61,141 |
| City of San Diego | 51,720 |
| Other | 23,608 |
| | <u>377,837</u> |
| Less allowance for doubtful accounts | 10,000 |
| | <u>\$ 367,837</u> |

SAN DIEGO MUSEUM OF MAN, DBA MUSEUM OF US
NOTES TO FINANCIAL STATEMENTS

Note 6. Property and Equipment

Property and equipment at June 30, 2021, consist of the following:

| | |
|------------------------------------|---------------------|
| Leasehold improvements | \$ 1,329,534 |
| Furniture, fixtures, and equipment | 902,353 |
| Exhibits | 775,077 |
| California Tower | 762,402 |
| Vehicles | 15,507 |
| | <u>3,784,873</u> |
| Less accumulated depreciation | <u>(2,490,054)</u> |
| | <u>\$ 1,294,819</u> |

Note 7. Net Assets With Donor Restrictions

Net assets with donor restrictions represent contributions and other inflows received by the Museum, which are limited in their use by the donor-imposed stipulations. Net assets with donor restrictions at June 30, 2021 are available for the following purposes:

| | |
|--------------------|-------------------|
| Exhibits | \$ 318,525 |
| Collections | 75,060 |
| Education programs | 21,041 |
| | <u>\$ 414,626</u> |

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

| | |
|--------------------|-------------------|
| California Tower | \$ 488,396 |
| General operations | 50,000 |
| | <u>\$ 538,396</u> |

Total net assets with donor restrictions at June 30, 2021 is \$953,022.

Note 8. Net Assets Released from Restriction

Temporarily restricted net assets released from restriction at June 30, 2021, consist of the following:

| | |
|-------------------------|-------------------|
| Decolonizing initiative | \$ 100,000 |
| Exhibits | 79,831 |
| Education programs | 71,717 |
| Membership | 60,000 |
| Capital improvements | 20,000 |
| | <u>\$ 331,548</u> |

Note 9. Endowment

Endowment Funds –The net assets associated with the endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions. The Museum's endowment funds consist of only donor-restricted endowment funds.

Interpretation of Relevant Law – The State of California enacted the Uniform Prudent Management of Institutional Funds Act (“UPMIFA”) in 2008. The Board of Directors of the Museum has interpreted the UPMIFA as requiring the long-term preservation of the original gift of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Museum classifies with donor restricted net assets as (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. Unless otherwise stipulated by the donor, the Museum classifies its donor-restricted fund net assets with donor restrictions held in perpetuity, using the original value of the gift when it was donated to the permanent endowment. Accumulated earnings to the permanent endowment are classified as net assets with donor restricted that are program or time restricted in accordance with UPMIFA.

Endowment Investment and Spending Policies – The Museum 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 the Museum must hold in perpetuity.

To satisfy its long-term rate-of-return objectives, the Museum 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).

The Museum’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, the Museum’s other resources, and the Museum’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 Museum’s donor restricted endowment funds during the year ending June 30, 2021:

| | |
|---|-------------------|
| Endowment net assets, beginning of year | <u>\$ 439,451</u> |
| Investment return: | |
| Investment income | <u>98,945</u> |
| Endowment net assets, end of year | <u>\$ 538,396</u> |

In addition, total assets with a fair value of \$84,011 at June 30, 2021, are held and invested by the San Diego Foundation. The Museum has no ownership rights over the principal but receives distributions semi-annually from the earnings on these assets. The Museum received distributions totaling \$10,442 for the year ended June 30, 2021, which are included in contributions and grants in the statement of activities.

Note 10. Retirement Plan

The Museum 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, the Museum contributed an amount equal to 6 percent of eligible employees’ gross pay. During the year ended June 30, 2021, The Museum contributed \$59,065 to the Plan.

SAN DIEGO MUSEUM OF MAN, DBA MUSEUM OF US
NOTES TO FINANCIAL STATEMENTS

During the year ended June 30, 2014, the Museum established a Deferred Compensation Plan under Section 457(b) of the Internal Revenue Code for the CEO. \$50,000 in contributions were committed to the Deferred Compensation Plan for the year ended June 30, 2021.

Note 11. Commitments

Line of Credit – The Museum has as line of credit for \$1,000,000 expiring on termination by either party. As of June 30, 2021, there was no amount outstanding on either line.

Operating Leases – The Museum leases various equipment and facilities under operating leases. For the year ended June 30, 2021, rent expense totaled \$10,454.

At June 30, 2021, the total minimum lease commitments under such operating leases are:

| | |
|------|------------------|
| 2022 | \$ 9,086 |
| 2023 | 9,086 |
| 2024 | 7,512 |
| 2025 | 7,512 |
| 2026 | 1,252 |
| | <u>\$ 34,448</u> |

Note 12. Risks and Uncertainties

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

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

Investments – The Museum 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.

COVID-19 Risks – In 2020, the COVID-19 virus was declared a global pandemic. Business continuity, including supply chains and consumer demand across a broad range of industries and countries could be severely impacted for months or beyond as governments and their citizens take significant and unprecedented measures to mitigate the consequences of the pandemic. The ultimate disruption which may be caused by the pandemic is uncertain; however, it has not resulted in a material adverse impact on the Museum’s financial position, operations, and cash flows, such disruptions or restrictions may occur in the future. Possible effects may include but are not limited to disruptions or restrictions on our employee’s ability to work, decline in value of assets held, including property and equipment and marketable securities and changes to the current regulatory environment. Management is actively working to mitigate the impact of these and other unforeseen potential disruptions to operations.

Note 13. June 30, 2020 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 the Museum’s financial statements for the year ended June 30, 2020, from which the summarized information was derived.