

# CORONADO HISTORICAL ASSOCIATION

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## AND CORONADO MUSEUM

### FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020



Leaf & Cole, LLP  
*Certified Public Accountants*

**CORONADO HISTORICAL ASSOCIATION, INCORPORATED**  
**FINANCIAL STATEMENTS**  
**JUNE 30, 2021 AND 2020**

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

## **Independent Auditor's Report**

To the Board of Directors  
Coronado Historical Association, Incorporated

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Coronado Historical Association, Incorporated, which comprise the statements of financial position as of June 30, 2021 and 2020, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements, in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

To the Board of Directors  
Coronado Historical Association, Incorporated

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***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Coronado Historical Association, Incorporated as of June 30, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Leaf & Cole LLP

San Diego, California  
October 28, 2021

**CORONADO HISTORICAL ASSOCIATION, INCORPORATED**  
**STATEMENTS OF FINANCIAL POSITION**  
**JUNE 30, 2021 AND 2020**

**ASSETS**

	<u>2021</u>	<u>2020</u>
<b><u>Current Assets:</u></b> (Notes 2 and 5)		
Cash and cash equivalents	\$ 155,794	\$ 102,972
Investments	87,795	-
Accounts receivable	4,327	21,615
Contributions receivable	7,000	5,600
Inventory	13,112	17,923
Prepaid expenses	40,320	37,154
Total Current Assets	<u>308,348</u>	<u>185,264</u>
<b><u>Noncurrent Assets:</u></b> (Notes 2, 4, 5 and 7)		
Deposits	18,000	18,000
Property and equipment, net	454,093	518,885
Restricted cash and investments:		
Board designated fund - quasi-endowment	863,913	679,319
Donor designated endowment fund	-	60,250
Comprehensive campaign	106,210	105,317
Total Noncurrent Assets	<u>1,442,216</u>	<u>1,381,771</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 1,750,564</u></u>	<u><u>\$ 1,567,035</u></u>

**LIABILITIES AND NET ASSETS**

<b><u>Current Liabilities:</u></b> (Notes 2, 8 and 12)		
Accounts payable and accrued expenses	\$ 22,654	\$ 5,152
Payroll and related liabilities payable	12,440	11,682
Deferred revenue	-	14,924
Current portion of notes payable	2,000	667
Total Current Liabilities	<u>37,094</u>	<u>32,425</u>
<b><u>Noncurrent Liabilities:</u></b> (Note 8)		
Notes payable, net of current portion	<u>168,000</u>	<u>14,333</u>
Total Liabilities	<u>205,094</u>	<u>46,758</u>
<b><u>Commitments and Contingency</u></b> (Notes 12 and 13)		
<b><u>Net Assets:</u></b> (Notes 2, 9, 10 and 11)		
Without Donor Restrictions:		
Undesignated	486,339	673,149
Board designated funds	87,808	-
Board designated fund - quasi-endowment fund	863,913	679,319
Total Without Donor Restrictions	<u>1,438,060</u>	<u>1,352,468</u>
With Donor Restrictions:		
Purpose restrictions	107,410	107,559
Perpetual in nature	-	60,250
Total With Donor Restrictions	<u>107,410</u>	<u>167,809</u>
Total Net Assets	<u>1,545,470</u>	<u>1,520,277</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u><u>\$ 1,750,564</u></u>	<u><u>\$ 1,567,035</u></u>

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

**CORONADO HISTORICAL ASSOCIATION, INCORPORATED**  
**STATEMENTS OF ACTIVITIES**  
**FOR THE YEARS ENDED JUNE 30, 2021 AND 2020**

	2021			2020		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b><u>Support and Revenue:</u></b>						
Grants	\$ 306,131	\$ -	\$ 306,131	\$ 435,706	\$ -	\$ 435,706
Investment income (loss)	210,980	1,058	212,038	13,967	(1,218)	12,749
Membership dues	134,760	-	134,760	128,805	-	128,805
In-kind contributions	99,886	-	99,886	154,657	-	154,657
Contributions	42,890	1,920	44,810	48,038	3,770	51,808
Museum store sales	34,401	-	34,401	60,353	-	60,353
Research library fees	4,332	-	4,332	1,025	-	1,025
Rental income, net of expenses of \$62,317 and \$61,095	525	-	525	1,250	-	1,250
Other income	495	-	495	-	-	-
Education	-	-	-	16,071	-	16,071
Event income	-	-	-	13,593	-	13,593
Loss on disposal of property and equipment	(3,472)	-	(3,472)	-	-	-
Net assets released from restrictions	63,377	(63,377)	-	26,136	(26,136)	-
Total Support and Revenue	894,305	(60,399)	833,906	899,601	(23,584)	876,017
<b><u>Expenses:</u></b>						
<b>Program Services:</b>						
Museum collections and exhibits	345,313	-	345,313	351,043	-	351,043
Education and outreach	267,530	-	267,530	283,711	-	283,711
Museum store	47,272	-	47,272	77,956	-	77,956
Total Program Services	660,115	-	660,115	712,710	-	712,710
<b>Supporting Services:</b>						
Management and general	108,510	-	108,510	134,449	-	134,449
Fundraising	40,088	-	40,088	70,507	-	70,507
Total Supporting Services	148,598	-	148,598	204,956	-	204,956
Total Expenses	808,713	-	808,713	917,666	-	917,666
Change in Net Assets	85,592	(60,399)	25,193	(18,065)	(23,584)	(41,649)
Net Assets at Beginning of Year	1,352,468	167,809	1,520,277	1,370,533	191,393	1,561,926
<b>NET ASSETS AT END OF YEAR</b>	<b>\$ 1,438,060</b>	<b>\$ 107,410</b>	<b>\$ 1,545,470</b>	<b>\$ 1,352,468</b>	<b>\$ 167,809</b>	<b>\$ 1,520,277</b>

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

**CORONADO HISTORICAL ASSOCIATION, INCORPORATED**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED JUNE 30, 2021**

	Program Services				Supporting Services			
	Museum Collections and Exhibits	Education and Outreach	Museum Store	Total	Management and General	Fundraising	Total	Total
<b>Salaries and Related Expenses:</b>								
Salaries and wages	\$ 112,934	\$ 49,196	\$ 9,269	\$ 171,399	\$ 5,003	\$ 4,066	\$ 9,069	\$ 180,468
Payroll taxes and related costs	5,181	5,727	1,011	11,919	347	283	630	12,549
Employee benefits	11,755	13,256	380	25,391	100	113	213	25,604
Total Salaries and Related Expenses	<u>129,870</u>	<u>68,179</u>	<u>10,660</u>	<u>208,709</u>	<u>5,450</u>	<u>4,462</u>	<u>9,912</u>	<u>218,621</u>
<b>Nonsalary Related Expenses:</b>								
Administrative expenses	294	769	3,349	4,412	13,206	1,804	15,010	19,422
Advertising and marketing	233	1,287	-	1,520	-	-	-	1,520
Buildings and grounds	141,925	141,925	10,674	294,524	88,753	24,837	113,590	408,114
Collection	1,488	-	-	1,488	-	-	-	1,488
Cost of goods sold	-	-	17,417	17,417	-	-	-	17,417
Dues and subscriptions	1,440	-	-	1,440	-	-	-	1,440
Events	1,129	-	-	1,129	-	525	525	1,654
Exhibitions	7,538	-	-	7,538	-	-	-	7,538
Gifts, plaques and awards	110	415	-	525	-	-	-	525
Information technology	2,514	2,384	1,243	6,141	9,824	-	9,824	15,965
Insurance	6,763	-	-	6,763	4,454	-	4,454	11,217
Miscellaneous	-	-	152	152	-	-	-	152
Outside services	5,001	5,266	45	10,312	3,197	203	3,400	13,712
Professional services	-	-	-	-	27,193	-	27,193	27,193
Supplies	-	297	206	503	882	30	912	1,415
Total Nonsalary Related Expenses	<u>168,435</u>	<u>152,343</u>	<u>33,086</u>	<u>353,864</u>	<u>147,509</u>	<u>27,399</u>	<u>174,908</u>	<u>528,772</u>
Shared cost allocation	22,480	22,480	1,686	46,646	(50,581)	3,935	(46,646)	-
Depreciation	<u>24,528</u>	<u>24,528</u>	<u>1,840</u>	<u>50,896</u>	<u>6,132</u>	<u>4,292</u>	<u>10,424</u>	<u>61,320</u>
<b>Total Expenses</b>	<u>\$ 345,313</u>	<u>\$ 267,530</u>	<u>\$ 47,272</u>	<u>\$ 660,115</u>	<u>\$ 108,510</u>	<u>\$ 40,088</u>	<u>\$ 148,598</u>	<u>\$ 808,713</u>

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

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

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

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



**CORONADO HISTORICAL ASSOCIATION, INCORPORATED**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED JUNE 30, 2021 AND 2020**

	<u>2020</u>	<u>2020</u>
<b><u>Cash Flows From Operating Activities:</u></b>		
Change in net assets	\$ 25,193	\$ (41,649)
<b>Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:</b>		
Depreciation	61,320	63,527
Net realized and unrealized (gains) losses on investments	(185,966)	8,042
Loss on disposal of property and equipment	3,472	-
<b>(Increase) Decrease in:</b>		
Accounts receivable	17,288	(21,615)
Contributions receivable, net	(1,400)	876
Inventory	4,811	(302)
Prepaid expenses	(3,166)	839
<b>Increase (Decrease) in:</b>		
Accounts payable and accrued expenses	17,502	(7,545)
Payroll and related liabilities payable	758	(380)
Deferred revenue	(14,924)	14,924
Net Cash (Used in) Provided by Operating Activities	<u>(75,112)</u>	<u>16,717</u>
<b><u>Cash Flows From Investing Activities:</u></b>		
Investment (purchases) and sales, net	(61,872)	-
Restricted cash and investments (purchases) and sales, net	34,806	70,025
Net Cash (Used in) Provided by Investing Activities	<u>(27,066)</u>	<u>70,025</u>
<b><u>Cash Flows From Financing Activities:</u></b>		
Proceeds from notes payable	155,000	15,000
Net Cash Provided by Financing Activities	<u>155,000</u>	<u>15,000</u>
Net Increase in Cash and Cash Equivalents	52,822	101,742
Cash and Cash Equivalents at Beginning of Year	<u>102,972</u>	<u>1,230</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b><u>\$ 155,794</u></b>	<b><u>\$ 102,972</u></b>

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

**CORONADO HISTORICAL ASSOCIATION, INCORPORATED**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2021 AND 2020**

**Note 1 - Organization:**

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

**Mission**

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

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

**Historic Collections and Exhibits**

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

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

**Education and Outreach**

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

**CORONADO HISTORICAL ASSOCIATION, INCORPORATED**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2021 AND 2020**

**Note 2 - Significant Accounting Policies:**

**Accounting Method**

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

**Financial Statement Presentation**

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes thereon are classified and reported as follows:

- Net Assets Without Donor Restrictions - Net assets available for use in general operations, and not subject to donor (or certain grantor) restrictions. The governing board has designated, from net assets without donor restrictions, a board-designated endowment.
- Net Assets With Donor Restrictions - Net assets subject to donor (or certain grantor) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires—that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

**Estimates**

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

**Fair Value Measurements**

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

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

**CORONADO HISTORICAL ASSOCIATION, INCORPORATED**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2021 AND 2020**

**Note 2 - Significant Accounting Policies: (Continued)**

**Fair Value Measurements**

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

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

**Allowance for Doubtful Accounts**

Bad debts are recognized on the allowance method, based on management's evaluation of outstanding accounts receivable and pledges receivable. Management believes that all accounts receivable and contributions receivable are fully collectible; therefore, no allowance for doubtful accounts receivable and contributions receivable was recorded at June 30, 2021 and 2020.

**Inventory**

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

**Capitalization and Depreciation**

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

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

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

Depreciation totaled \$61,320 and \$63,527 for the years ended June 30, 2021 and 2020, respectively.

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

**CORONADO HISTORICAL ASSOCIATION, INCORPORATED**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2021 AND 2020**

**Note 2 - Significant Accounting Policies: (Continued)**

**Collections**

In conformity with the practice followed by many museums and historical organizations, art and historic objects purchased by or donated to CHA are not capitalized in the statement of financial position. CHA's collection is made up of artifacts, photographs, records, and remembrances of Coronado's past that are held for exhibition and various other program activities. Each of the items is cataloged, preserved, and cared for, and activities verifying their existence and assessing their condition are performed continuously. The collection is maintained under the care of professional staff and is held for research, education, and public exhibition in furtherance of public service, rather than for financial gain. As a matter of policy, proceeds from the sale of collection items are used for the direct care of the collection or to acquire other items for the collection. Direct care of collections is defined by CHA as costs that prolong the life and usefulness of the collection, costs providing benefits that enhance the quality and protection of the collection, and costs that make a physical impact on collection objects, increasing or restoring their cultural or scientific value. Routine and ongoing expenditures are not considered direct care of collections.

CHA does not include either the cost or the value of its collection in the statement of financial position, nor does it recognize gifts of collection items as revenues in the statement of activities. Purchased collection items are recorded as decreases in net assets without donor restrictions in the year in which the items are acquired, or in net assets with donor restrictions if the net assets used to purchase the items are restricted by the donor. Contributed collection items are excluded from the financial statements. Proceeds from deaccessions or insurance recoveries are reflected as increases in the appropriate net asset classes, as determined by the item's Deed of Gift.

**Compensated Absences**

Accumulated unpaid vacation totaling \$9,720 and \$8,782 at June 30, 2021 and 2020, respectively, is accrued when incurred, and included in payroll and related liabilities payable.

**Revenue Recognition**

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

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

**CORONADO HISTORICAL ASSOCIATION, INCORPORATED**  
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**Note 2 - Significant Accounting Policies: (Continued)**

**Revenue Recognition (Continued)**

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

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

**Donated Materials and Services**

CHA utilizes the services of many volunteers throughout the year. This contribution of services by the volunteers is not recognized in the financial statements, unless the services received (a) create or enhance nonfinancial assets, or (b) require specialized skills which are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. The donated services for the years ended June 30, 2021 and 2020 did not meet the requirements above; therefore, no amounts were recognized in the financial statements.

CHA received donated supplies and materials which have been recorded at fair value, and totaled \$2,812 and \$269 for the years ended June 30, 2021 and 2020, respectively.

CHA leases property at below-market rates. The in-kind rent totaled \$97,074 and \$103,295 for the years ended June 30, 2021 and 2020, respectively (Note 11). In addition, the lessor reduced the rent and utility costs by 50% for the months of April, May, and June of 2020, for a total in-kind contribution of \$51,093. These amounts have been recorded as contribution revenue, and as buildings and grounds expense.

**Functional Allocation of Expenses**

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

**Income Taxes**

CHA is a public charity, and is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and Section 23701(d) of the California Revenue and Taxation Code, except on net income derived from unrelated business activities. CHA's unrelated business activity did not generate taxable income, and no tax liability has been recorded at June 30, 2021 and 2020. CHA believes that it has appropriate support for any tax positions taken, and, as such, does not have any uncertain tax positions that are material to the financial statements. CHA is not a private foundation.

CHA's Return of Organization Exempt from Income Tax and Exempt Organization Business Income Tax Returns for Tax for the years ended June 30, 2021, 2020, 2019, and 2018 are subject to examination by Internal Revenue Service and State taxing authorities, generally three to four years after the returns were filed.

**CORONADO HISTORICAL ASSOCIATION, INCORPORATED**  
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**Note 2 - Significant Accounting Policies: (Continued)**

**Risks and Uncertainties**

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

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

**Cash and Cash Equivalents**

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

**Accounting Pronouncements Adopted**

In March 2019, the FASB issued ASU 2019-03, *Not-for-Profit Entities – Updating the Definition of Collections*. This standard addresses the use of deaccessioned funds not only for the acquisition of new collection items, but also for direct care of the collection. This standard is applied on a prospective basis. The adoption had no effect on the 2021 financial statements.

**Subsequent Events**

In preparing these financial statements, CHA has evaluated subsequent events for potential recognition or disclosure through October 28, 2021, the date the financial statements were available to be issued, and concluded that there were no events or transactions that needed to be disclosed except as disclosed in Note 14.

**CORONADO HISTORICAL ASSOCIATION, INCORPORATED**  
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**JUNE 30, 2021 AND 2020**

**Note 3 - Liquidity and Availability:**

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

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

	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 155,794	\$ 102,972
Accounts receivable	4,327	21,615
Contributions receivable	7,000	5,600
Appropriation of board-designated quasi-endowment and earnings	<u>43,000</u>	<u>34,000</u>
Financial assets available to meet general expenditures within one year	<u>\$ 210,959</u>	<u>\$ 164,187</u>

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

CHA's governing board has designated a portion of its unrestricted resources for endowment purposes. These funds are invested for long-term appreciation and current income, but remain available and may be spent at the discretion of the Board of Directors. Appropriations of board-designated quasi-endowment fund earnings are made in accordance with the spending policy, as described in Note 11.

Endowment funds consist of donor-restricted endowments. Income from donor-restricted endowments is restricted for specific purposes, with the exception of the amounts available for general use. Appropriations of endowment fund earnings are made in accordance with the spending policy, as described in Note 11. The portion of the donor-restricted endowment funds required to be held in perpetuity are not available for general expenditure.



**CORONADO HISTORICAL ASSOCIATION, INCORPORATED**  
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**Note 4 - Fair Value Measurements:**

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

	2021			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at June 30, 2021
Mutual funds	\$ 951,707	\$ -	\$ -	\$ 951,707

  

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

**Note 5 - Investments:**

Investments consist of the following at June 30:

Mutual funds	\$ 951,707	\$ 738,899
Total Investments	<u>\$ 951,707</u>	<u>\$ 738,899</u>

Investments are classified in the statements of financial position as follows on June 30:

	2021	2020
Current assets - Investments	\$ 87,795	\$ -
Noncurrent assets - Investments	863,912	738,899
Total Investments	<u>\$ 951,707</u>	<u>\$ 738,899</u>

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

	2021	2020
Mutual Funds	\$ 863,912	\$ 738,899
Cash	106,211	105,917
Total Restricted Cash and Investments	<u>\$ 970,123</u>	<u>\$ 844,886</u>

**CORONADO HISTORICAL ASSOCIATION, INCORPORATED**  
**NOTES TO FINANCIAL STATEMENTS**  
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**Note 5 - Investments: (Continued)**

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

	2021		
	Without Donor Restrictions	With Donor Restrictions	Total
Interest and dividends	\$ 27,442	\$ -	\$ 27,442
Net realized and unrealized gains	184,908	1,058	185,966
Investment fees	(1,370)	-	(1,370)
Total Investment Income	<u>\$ 184,480</u>	<u>\$ 1,058</u>	<u>\$ 212,038</u>

  

	2020		
	Without Donor Restrictions	With Donor Restrictions	Total
Interest and dividends	\$ 19,364	\$ 1,427	\$ 20,791
Net realized and unrealized gains (losses)	(5,397)	(2,645)	(8,042)
Total Investment Income (Loss)	<u>\$ 13,967</u>	<u>\$ (1,218)</u>	<u>\$ 12,749</u>

**Note 6 - Contributions Receivable:**

Contributions receivable totaling \$7,000 and \$5,600 at June 30, 2021 and 2020, respectively, are due in less than one year.

**Note 7 - Property and Equipment:**

Property and equipment consist of the following at June 30:

	<u>2021</u>	<u>2020</u>
Leasehold improvements	\$ 1,375,469	\$ 1,380,202
Office furniture and equipment	66,946	74,357
Exhibit equipment and furniture	28,057	28,057
Subtotal	<u>1,470,472</u>	<u>1,482,616</u>
Less: Accumulated depreciation	<u>(1,016,379)</u>	<u>(963,731)</u>
Property and Equipment, Net	<u>\$ 454,093</u>	<u>\$ 518,885</u>

**CORONADO HISTORICAL ASSOCIATION, INCORPORATED**  
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**Note 8 - Notes Payable:**

Notes payable consists of the following at June 30:

	<u>2021</u>	<u>2020</u>
The note payable which was originated on May 1, 2020 is held by the City of Coronado (the "City") under the Life Business Loan Program, in the original amount of \$15,000. On June 16, 2020, the City authorized an additional \$5,000, which was advanced on July 2, 2020. The loan is noninterest-bearing. Principal payments are due monthly in the amount of \$333, beginning on January 1, 2022, until the loan is paid in full. The loan is unsecured.	\$ 20,000	\$ 15,000
The loan payable, which was originated on August 28, 2020, is held by the U.S. Small Business Administration in the original amount of \$150,000. Interest is accrued at 2.75% per annum. Monthly principal and interest payments of \$641 are due beginning August 28, 2022. The loan is due August 28, 2050. Secured by property and equipment. Accrued interest totaled \$3,438 and \$-0- at June 30, 2021 and 2020, respectively and is included in accounts payable and accrued expenses.		
Total Notes Payable	<u>150,000</u> 170,000	<u>-</u> 15,000
Less: Current portion	<u>(2,000)</u>	<u>(667)</u>
Notes Payable, Net, Noncurrent	\$ <u>168,000</u>	\$ <u>14,333</u>

The future principal payments on the note payables are as follows:

<u>Years Ended</u> <u>June 30</u>	
2022	\$ 2,000
2023	6,980
2024	7,695
2025	7,798
2026	7,904
Thereafter	<u>137,623</u>
Total	\$ <u>170,000</u>

**CORONADO HISTORICAL ASSOCIATION, INCORPORATED**  
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**Note 9 – Board-Designated Funds:**

CHA's Board of Directors have designated a portion of its resources without donor restriction for the following purpose at December 31:

	<u>2021</u>	<u>2020</u>
<b>Board-Designated for Specified Purpose:</b>		
CHA mission support	\$ 87,808	\$ -
Total Board-Designated – Purpose/Use	<u>87,808</u>	<u>-</u>
<b>Board-Designated Endowment</b>		
Board-Designated fund – quasi-endowment fund (Note 11)	<u>863,913</u>	<u>679,319</u>
Total Net Assets with Donor Restrictions	<u>\$ 951,721</u>	<u>\$ 679,319</u>

**Note 10 - Net Assets With Donor Restrictions:**

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

	<u>2021</u>	<u>2020</u>
<b>Subject to Expenditure for Specified Purpose:</b>		
Comprehensive campaign	\$ 106,210	\$ 104,290
Exhibit	1,200	1,400
Education	<u>-</u>	<u>1,869</u>
Total Subject to Expenditure for Specified Purpose	<u>107,410</u>	<u>107,559</u>
<b>Perpetual in Nature:</b>		
Endowment (Note 11)	<u>-</u>	<u>60,250</u>
Total Net Assets with Donor Restrictions	<u>\$ 107,410</u>	<u>\$ 167,809</u>

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

<b>Purpose Restrictions Accomplished:</b>		
Education	\$ 1,869	\$ 4,516
Exhibit	200	-
Lecture Hall remodeling	-	11,244
Oral History	-	7,141
Appropriated endowment earnings	<u>-</u>	<u>3235</u>
Total Net Assets Released from Restrictions	<u>2,069</u>	<u>26,136</u>
<b>Endowment Net Assets Released</b>	<u>61,308</u>	<u>-</u>
	<u>\$ 63,377</u>	<u>\$ 26,136</u>

During fiscal year 2021 the Board of Directors reviewed their investment policy and determined that the original donation was for the support of CHA's mission and was not intended by the donor to be an endowment fund. The Board resolved to change the funds to a Board-Designated fund.

**CORONADO HISTORICAL ASSOCIATION, INCORPORATED**  
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**Note 11 - Board Designated Quasi-Endowment and Endowment Net Assets:**

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

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

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

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

CHA considers a fund to be underwater if the fair value of the fund is less than the sum of (a) the original value of initial and subsequent gift amounts donated to the fund, and (b) any accumulations to the fund that are required to be maintained in perpetuity in accordance with the direction of the applicable donor gift instrument. CHA has interpreted UPMIFA to permit spending from underwater funds in accordance with the prudent measures required under the law. CHA has underwater endowment funds totaling \$-0- and \$1,058 at June 30, 2021 and 2020, respectively.

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

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

CHA's endowment funds are invested in a diversified portfolio of mutual funds that are structured to satisfy its long-term rate-of-return objectives. CHA relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends).

**CORONADO HISTORICAL ASSOCIATION, INCORPORATED**  
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**Note 11 - Board Designated Quasi-Endowment and Endowment Net Assets: (Continued)**

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

Endowment composition by type of fund at June 30:

	2021			
	Without Donor Restrictions	With Donor Restrictions - Purpose	With Donor Restrictions - Perpetual	Total
Board-designated quasi-endowment fund	\$ 863,913	\$ -	\$ -	\$ 863,913
Total Endowment Net Assets	<u>\$ 863,913</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 863,913</u>
	2020			
	Without Donor Restrictions	With Donor Restrictions - Purpose	With Donor Restrictions - Perpetual	Total
Donor-designated endowment fund	\$ -	\$ -	\$ 60,250	\$ 60,250
Board-designated quasi-endowment fund	679,319	-	-	679,319
Total Endowment Net Assets	<u>\$ 679,319</u>	<u>\$ -</u>	<u>\$ 60,250</u>	<u>\$ 739,569</u>

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

	Without Donor Restrictions	With Donor Restrictions - Purpose	With Donor Restrictions - Perpetual	Total
Endowment Net Assets at June 30, 2019	\$ 750,431	3,395	61,308	815,134
Investment income (loss)	13,888	(160)	(1,058)	12,670
Net assets released	<u>(85,000)</u>	<u>(3,235)</u>	<u>-</u>	<u>(88,235)</u>
Endowment Net Assets at June 30, 2020	679,319	-	60,250	739,569
Investment income (loss)	184,594	-	1,058	185,652
Net assets released	<u>-</u>	<u>-</u>	<u>(61,308)</u>	<u>(61,308)</u>
Endowment Net Assets at June 30, 2021	<u>\$ 863,913</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 863,913</u>

**CORONADO HISTORICAL ASSOCIATION, INCORPORATED**  
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**Note 12 - Commitments:**

**Lease Commitment, Building Purchase Option, & Gift**

In December 2017, CHA executed a lease amendment (the "Lease Amendment") amending its lease of the Coronado Bank and Commerce building (the "Building"), and the real property on which the Building is situated (the "Land"), from a limited liability company (the "Landlord") which is wholly owned by Don and Leslie Budinger. The base rent paid by CHA totaled \$317,244 and \$271,764 (net of reduced rent for April, May, and June totaling \$39,262) for the years ended June 30, 2021 and 2020, respectively.

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

<u>Years Ended</u> <u>June 30</u>	<u>Base Rent</u>
2022	323,592
2023	330,066
2024	336,672
2025	343,410
2026	350,280
Thereafter	<u>1,281,138</u>
Total	\$ <u>2,965,158</u>

It is important to note that an independent appraisal obtained by CHA in 2017 (the "Appraisal") shows that the rent agreed to be paid by CHA under the Lease Amendment is less than the current market rate. Therefore, the Lease Amendment also represents a gift to CHA from the Budingers to the extent of the difference between the agreed rent and the current market rate. The in-kind rent recognized due to below-market rates totaled \$97,074 and \$103,295 for the years ended June 30, 2021 and 2020, respectively. In addition, the Budingers reduced CHA's rent and utilities for the months of April, May, and June of 2020 a total of \$51,093, which has also been recorded as an in-kind contribution.

The rent paid by CHA is also partially offset by rental income received by CHA, from subleases of portions of the building to tenants under sublease agreements. Rental income from those subleases totaled \$62,317 and \$61,095 for the years ended June 30, 2021 and 2020, respectively, and has been recorded as a reduction in rent expense. CHA bills a pro rata share of operating expense to certain tenants each month.

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

**CORONADO HISTORICAL ASSOCIATION, INCORPORATED**  
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**Note 12 - Commitments: (Continued)**

**Lease Commitment, Building Purchase Option, & Gift (Continued)**

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

Using the values shown in the 2017 Appraisal, the exercise of the Option will cause the amount of the gift bestowed by the Budingers on CHA to range from a gift of at least \$5,000,000 (if title is transferred by the exercise of the Option in 2019) to at least \$7,450,000 (if title is transferred by exercise of the Option in 2029). The following schedule of payments required to be made by CHA to the Landlord is attached as Exhibit B to the Lease Amendment:

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

**Retirement Plan**

CHA has a retirement benefit plan (the "Plan") for eligible employees. The Plan allows for employee contributions up to the maximum amount allowed by the Internal Revenue Code. CHA may make discretionary matching and nonelective contributions if an eligible employee contributes to the Plan. CHA's contributions totaled \$10,000 and \$-0- for the years ended June 30, 2021 and 2020, respectively.

**Note 13 - Contingency:**

**Coronavirus Pandemic Contingency**

The COVID-19 pandemic, whose effects first became known in January 2020, is having a broad and negative impact on commerce and financial markets around the world. The United States and global markets experienced significant declines in value resulting from uncertainty caused by the pandemic. CHA is closely monitoring its investment portfolio and its liquidity and is actively working to minimize the impact of these declines. The extent of the impact of COVID-19 on CHA's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak and its impacts on CHA's donors, employees, and vendors, all of which at present cannot be determined. Accordingly, the extent to which COVID-19 may impact CHA's financial position and changes in net assets and cash flows is uncertain and the accompanying financial statements include no adjustments relating to the effects of this pandemic.



**CORONADO HISTORICAL ASSOCIATION, INCORPORATED**  
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**Note 14 - Subsequent Event:**

In October 2021, CHA exercised the option to take title of the Building (Note 12). In order to transfer the title, CHA obtained a tax-exempt loan in the amount of \$1,600,000 with interest at 2.90% and a \$495,000 taxable loan with interest at 3.75%. Both loans mature October 2051. The tax-exempt loan includes a restriction that the space occupied by CHA as of November 1, 2021, must only be used for tax exempt, 501(c)(3) purposes for the life of the loan.