

CORONADO HISTORICAL ASSOCIATION

AND CORONADO MUSEUM

FINANCIAL STATEMENTS

JUNE 30, 2024 AND 2023



Leaf & Cole, LLP
Certified Public Accountants

CORONADO HISTORICAL ASSOCIATION, INCORPORATED
FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

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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

Opinion

We have audited the accompanying financial statements of Coronado Historical Association, Incorporated (a nonprofit organization), which comprise the statements of financial position as of June 30, 2024 and 2023, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

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, 2024 and 2023, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Coronado Historical Association, Incorporated, and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Coronado Historical Association, Incorporated's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Coronado Historical Association, Incorporated's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Coronado Historical Association, Incorporated's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Leaf & Cole LLP

San Diego, California
February 2, 2025

CORONADO HISTORICAL ASSOCIATION, INCORPORATED
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2024 AND 2023

ASSETS	<u>2024</u>	<u>2023</u>
<u>Current Assets:</u> (Notes 2 and 6)		
Cash and cash equivalents	\$ 133,772	\$ 181,472
Accounts receivable	10,686	12,174
Contributions receivable	8,006	8,350
Inventory	8,014	11,509
Prepaid expenses	12,997	15,006
Total Current Assets	173,475	228,511
<u>Noncurrent Assets:</u> (Notes 2, 4, 5, 7, 8 and 11)		
Right of use asset - operating lease, net	26,460	12,740
Property and equipment, net	6,699,911	6,859,034
Restricted cash and investments:		
Donor restricted funds	35,150	-
Board designated funds	1,416,297	1,357,630
Total Restricted cash and investments:	1,451,447	1,357,630
Total Noncurrent Assets	8,177,818	8,229,404
TOTAL ASSETS	\$ 8,351,293	\$ 8,457,915
LIABILITIES AND NET ASSETS		
<u>Current Liabilities:</u> (Notes 2, 8 and 11)		
Accounts payable and accrued expenses	\$ 22,340	\$ 12,386
Payroll and related liabilities payable	8,805	8,633
Deferred revenue	37,295	40,420
Deposit	25,400	-
Operating lease liability, current	5,461	5,881
Current portion of notes payable	56,992	36,410
Total Current Liabilities	156,293	103,730
<u>Noncurrent Liabilities:</u> (Notes 8 and 11)		
Operating lease liability, net of current portion	20,999	6,577
Notes payable, net of current portion	2,402,293	2,453,487
Total Noncurrent Liabilities	2,423,292	2,460,064
Total Liabilities	2,579,585	2,563,794
<u>Commitments</u> (Note 11)		
<u>Net Assets:</u> (Notes 2, 9 and 10)		
Without Donor Restrictions:		
Undesignated	4,320,261	4,536,491
Board designated funds	1,416,297	1,357,630
Total Without Donor Restrictions	5,736,558	5,894,121
With Donor Restrictions:	35,150	-
Total Net Assets	5,771,708	5,894,121
TOTAL LIABILITIES AND NET ASSETS	\$ 8,351,293	\$ 8,457,915

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

CORONADO HISTORICAL ASSOCIATION, INCORPORATED
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2024 AND 2023

	2024			2023		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<u>Support and Revenue:</u>						
Membership dues	\$ 179,090	\$ -	\$ 179,090	\$ 177,815	\$ -	\$ 177,815
Contributions	112,017	35,150	147,167	96,394	-	96,394
Grants	104,820	-	104,820	120,467	-	120,467
Education	96,992	-	96,992	67,887	-	67,887
Investment income	88,272	-	88,272	72,532	-	72,532
Rental income	71,681	-	71,681	69,334	-	69,334
Event income	52,947	-	52,947	29,628	-	29,628
Museum store sales	48,409	-	48,409	70,659	-	70,659
In-kind contributions	7,208	-	7,208	79,637	-	79,637
Other income	3,113	-	3,113	48,208	-	48,208
Research library fees	1,118	-	1,118	1,090	-	1,090
Total Support and Revenue	<u>765,667</u>	<u>35,150</u>	<u>800,817</u>	<u>833,651</u>	<u>-</u>	<u>833,651</u>
<u>Expenses:</u>						
Program Services:						
Museum collections and exhibits	470,717	-	470,717	505,847	-	505,847
Education and outreach	303,587	-	303,587	261,069	-	261,069
Museum store	51,450	-	51,450	75,847	-	75,847
Total Program Services	<u>825,754</u>	<u>-</u>	<u>825,754</u>	<u>842,763</u>	<u>-</u>	<u>842,763</u>
Supporting Services:						
Management and general	51,221	-	51,221	46,250	-	46,250
Fundraising	46,255	-	46,255	54,175	-	54,175
Total Supporting Services	<u>97,476</u>	<u>-</u>	<u>97,476</u>	<u>100,425</u>	<u>-</u>	<u>100,425</u>
Total Expenses	<u>923,230</u>	<u>-</u>	<u>923,230</u>	<u>943,188</u>	<u>-</u>	<u>943,188</u>
Change in Net Assets	(157,563)	35,150	(122,413)	(109,537)	-	(109,537)
Net Assets at Beginning of Year	<u>5,894,121</u>	<u>-</u>	<u>5,894,121</u>	<u>6,003,658</u>	<u>-</u>	<u>6,003,658</u>
NET ASSETS AT END OF YEAR	<u>\$ 5,736,558</u>	<u>\$ 35,150</u>	<u>\$ 5,771,708</u>	<u>\$ 5,894,121</u>	<u>\$ -</u>	<u>\$ 5,894,121</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, 2024

	Program Services				Supporting Services			
	Museum Collections and Exhibits	Education and Outreach	Museum Store	Total	Management and General	Fundraising	Total	Total
Salaries and Related Expenses:								
Salaries and wages	\$ 166,439	\$ 110,146	\$ 10,469	\$ 287,054	\$ 4,296	\$ 10,469	\$ 14,765	\$ 301,819
Payroll taxes and related costs	13,601	9,329	887	23,817	364	886	1,250	25,067
Employee benefits	12,591	17,597	-	30,188	-	-	-	30,188
Total Salaries and Related Expenses	<u>192,631</u>	<u>137,072</u>	<u>11,356</u>	<u>341,059</u>	<u>4,660</u>	<u>11,355</u>	<u>16,015</u>	<u>357,074</u>
Nonsalary Related Expenses:								
Administrative expenses	12,681	3,871	4,680	21,232	1,116	1,309	2,425	23,657
Advertising and marketing	949	1,455	-	2,404	-	-	-	2,404
Buildings and grounds	34,583	26,898	2,305	63,786	7,685	5,380	13,065	76,851
Collection	2,506	-	-	2,506	-	-	-	2,506
Cost of goods sold	-	-	21,720	21,720	-	-	-	21,720
Dues and subscriptions	1,411	-	-	1,411	-	-	-	1,411
Events	21,650	22,437	95	44,182	-	8,337	8,337	52,519
Exhibitions	17,476	-	-	17,476	-	-	-	17,476
Gifts, plaques and awards	4,465	820	-	5,285	-	-	-	5,285
Information technology	7,827	2,243	1,327	11,397	1,570	-	1,570	12,967
In-kind expenses	811	6,050	347	7,208	-	-	-	7,208
Insurance	4,097	3,186	273	7,556	911	637	1,548	9,104
Interest	43,423	33,774	2,895	80,092	9,650	6,755	16,405	96,497
Miscellaneous	596	-	1,102	1,698	52	-	52	1,750
Outside services	40,312	3,370	-	43,682	7,746	-	7,746	51,428
Professional services	8,637	6,718	576	15,931	1,919	1,343	3,262	19,193
Supplies	458	-	-	458	-	-	-	458
Travel	4,599	-	-	4,599	-	-	-	4,599
Total Nonsalary Related Expenses	<u>206,481</u>	<u>110,822</u>	<u>35,320</u>	<u>352,623</u>	<u>30,649</u>	<u>23,761</u>	<u>54,410</u>	<u>407,033</u>
Depreciation	<u>71,605</u>	<u>55,693</u>	<u>4,774</u>	<u>132,072</u>	<u>15,912</u>	<u>11,139</u>	<u>27,051</u>	<u>159,123</u>
Total Expenses	<u>\$ 470,717</u>	<u>\$ 303,587</u>	<u>\$ 51,450</u>	<u>\$ 825,754</u>	<u>\$ 51,221</u>	<u>\$ 46,255</u>	<u>\$ 97,476</u>	<u>\$ 923,230</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, 2023

	Program Services				Supporting Services			
	Museum Collections and Exhibits	Education and Outreach	Museum Store	Total	Management and General	Fundraising	Total	Total
Salaries and Related Expenses:								
Salaries and wages	\$ 145,261	\$ 92,462	\$ 21,056	\$ 258,779	\$ 5,838	\$ 6,481	\$ 12,319	\$ 271,098
Payroll taxes and related costs	11,661	7,680	1,749	21,090	485	538	1,023	22,113
Employee benefits	12,971	11,269	279	24,519	-	-	-	24,519
Total Salaries and Related Expenses	<u>169,893</u>	<u>111,411</u>	<u>23,084</u>	<u>304,388</u>	<u>6,323</u>	<u>7,019</u>	<u>13,342</u>	<u>317,730</u>
Nonsalary Related Expenses:								
Administrative expenses	11,553	3,667	5,025	20,245	553	1,398	1,951	22,196
Advertising and marketing	2,118	1,232	-	3,350	-	-	-	3,350
Buildings and grounds	42,285	32,888	2,819	77,992	9,396	6,578	15,974	93,966
Collection	4,668	-	-	4,668	-	-	-	4,668
Cost of goods sold	-	-	32,325	32,325	-	-	-	32,325
Dues and subscriptions	3,221	-	-	3,221	-	-	-	3,221
Events	19,023	8,715	321	28,059	-	18,111	18,111	46,170
Exhibitions	32,305	-	-	32,305	-	-	-	32,305
Gifts, plaques and awards	2,664	1,638	-	4,302	-	-	-	4,302
Information technology	10,156	260	1,229	11,645	1,536	-	1,536	13,181
In-kind expenses	77,182	1,370	925	79,477	-	160	160	79,637
Insurance	3,344	2,601	223	6,168	743	520	1,263	7,431
Interest	36,936	28,728	2,462	68,126	8,208	5,746	13,954	82,080
Miscellaneous	545	-	1,587	2,132	-	1,000	1,000	3,132
Outside services	1,939	344	-	2,283	-	-	-	2,283
Professional services	14,026	10,908	935	25,869	3,117	2,182	5,299	31,168
Supplies	309	-	-	309	-	-	-	309
Total Nonsalary Related Expenses	<u>262,274</u>	<u>92,351</u>	<u>47,851</u>	<u>402,476</u>	<u>23,553</u>	<u>35,695</u>	<u>59,248</u>	<u>461,724</u>
Depreciation	<u>73,680</u>	<u>57,307</u>	<u>4,912</u>	<u>135,899</u>	<u>16,374</u>	<u>11,461</u>	<u>27,835</u>	<u>163,734</u>
Total Expenses	<u>\$ 505,847</u>	<u>\$ 261,069</u>	<u>\$ 75,847</u>	<u>\$ 842,763</u>	<u>\$ 46,250</u>	<u>\$ 54,175</u>	<u>\$ 100,425</u>	<u>\$ 943,188</u>

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

CORONADO HISTORICAL ASSOCIATION, INCORPORATED
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2024 AND 2023

	<u>2024</u>	<u>2023</u>
<u>Cash Flows From Operating Activities:</u>		
Change in net assets	\$ (122,413)	\$ (109,537)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	159,123	163,734
Amortization of debt issuance costs	5,704	4,679
Amortization of right of use asset	5,492	5,706
Net realized and unrealized gains on investments	(40,663)	(49,175)
(Increase) Decrease in:		
Accounts receivable	1,488	(6,416)
Contributions receivable	344	700
Inventory	3,495	631
Prepaid expenses	2,009	(2,881)
Right of use asset - operating lease, net	(19,212)	-
Increase (Decrease) in:		
Accounts payable and accrued expenses	9,954	(27,952)
Payroll and related liabilities payable	172	(575)
Deferred revenue	(3,125)	(3,080)
Deposit	25,400	-
Operating lease liability	14,002	(5,988)
Net Cash Provided by (Used in) Operating Activities	<u>41,770</u>	<u>(30,154)</u>
<u>Cash Flows From Investing Activities:</u>		
Purchase of property and equipment	-	(3,009)
Restricted cash and investments (purchases) and sales, net	<u>(53,154)</u>	<u>(122,346)</u>
Net Cash Used in Investing Activities	<u>(53,154)</u>	<u>(125,355)</u>
<u>Cash Flows From Financing Activities:</u>		
Proceeds from notes payable	-	400,000
Payments on notes payable	(36,316)	(3,437)
Payments for debt issuance costs	-	(34,433)
Net Cash (Used in) Provided by Financing Activities	<u>(36,316)</u>	<u>362,130</u>
Net (Decrease) Increase in Cash, Cash Equivalents and Restricted Cash	(47,700)	206,621
Cash, Cash Equivalents and Restricted Cash at Beginning of Year	<u>521,889</u>	<u>315,268</u>
CASH, CASH EQUIVALENTS AND RESTRICTED CASH AT END OF YEAR	<u>\$ 474,189</u>	<u>\$ 521,889</u>
<u>Supplemental Disclosure of Cash Flow Information:</u>		
Cash paid for interest	<u>\$ 93,547</u>	<u>\$ 70,093</u>
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash outflows from operating leases	<u>\$ 6,178</u>	<u>\$ 6,174</u>
Right of use assets after ASU 842 implementation	<u>\$ -</u>	<u>\$ 18,446</u>

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

CORONADO HISTORICAL ASSOCIATION, INCORPORATED
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

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. CHA preserves everything from 1880s newspapers to vintage garments, and over 20,000 photographs. In CHA’s galleries, Coronado history comes 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 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 upon deaccession in the event of a sale. 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 property owners 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 Coronado’s 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. Key outreach tools are 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, 2024 AND 2023

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 fund.
- 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, 2024 AND 2023

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 Credit Losses

CHA recognizes an allowance for credit losses on accounts receivable to represent the net amount expected to be collected as of the statements of financial position date. Such allowance is based on the credit losses expected to arise over the life of the asset which is based on the expectation as of the statements of financial position date, aging reports and historical information. Accounts receivable are written off when CHA determines such receivables are deemed uncollectible. Write-offs are recognized as a deduction from the allowance for credit losses. Management believes that all accounts receivable are fully collectible; therefore, no allowance for credit losses on accounts receivable was recorded at June 30, 2024 and 2023.

Allowance for Uncollectible Contributions Receivable

Bad debts are recognized on the allowance method, based on historical experience and management's evaluation of contributions receivables. Management believes that all contributions receivable are fully collectible; therefore, no allowance for uncollectible contributions receivable was recorded at June 30, 2024 and 2023.

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:

Buildings	40 years
Building improvements	7 - 30 years
Office furniture and equipment	3 - 7 years
Exhibit equipment and furniture	5 years

Depreciation totaled \$159,123 and \$163,734 for the years ended June 30, 2024 and 2023, respectively.

CORONADO HISTORICAL ASSOCIATION, INCORPORATED
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

Note 2 - Significant Accounting Policies: (Continued)

Capitalization and Depreciation (Continued)

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.

Impairment of Real Estate

CHA reviews its investment in real estate for impairment whenever events and changes in circumstances indicate that the carrying value of such property may not be recoverable. Recoverability is measured by a comparison of the carrying amount of the real estate to the estimated proceeds from the eventual disposition of the real estate. If the real estate is considered to be impaired, the impairment to be recognized is measured at the amount by which the carrying amount of real estate exceeds the fair value of such property. There were no impairment losses recognized in 2024 and 2023.

Leases

CHA entered into an operating lease for office equipment in May 2020. The office equipment was replaced and a new lease was entered into in October 2023. Pursuant to the guidance for accounting for leases, CHA accounts for the operating leases as noted below.

CHA determines if an arrangement is a lease at inception. An arrangement is a lease if the arrangement conveys a right to direct the use of, and obtain substantially all of the economic benefits from, the use of an asset for a period of time in exchange for consideration. Operating leases are included in Right-Of-Use (“ROU”) assets—operating and lease liability – operating in the statements of financial position.

ROU assets represent CHA’s right to use an underlying asset for the lease term and lease liabilities represent CHA’s obligation to make lease payments arising from the lease. ROU assets and liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term. Lease terms may include options to extend or terminate the lease when it is reasonably certain that CHA will exercise that option. Lease expense for operating lease payments is recognized on a straight-line basis over the lease term. CHA has elected to recognize payments for short-term leases with a lease term of 12 months or less as expense as incurred and these leases are not included as lease liabilities or Right-Of-Use assets on the statements of financial position.

The individual lease contracts do not provide information about the discount rate implicit in the lease. Therefore, CHA has elected to use the weighted average borrowing rate for computing the present value of lease liabilities.

Debt Issuance Costs

Debt issuance costs are incurred in order to obtain financing for CHA. Debt issuance costs are amortized on a straight-line basis over the term of the related loan, which approximates the interest method. Unamortized deferred financing costs are presented as a direct reduction from the carrying value of the related obligation to which such costs relate. Amortization of debt issuance costs is reported as a component of interest expense and totaled \$5,704 and \$4,679 for the years ended June 30, 2024 and 2023, respectively.

Compensated Absences

Accumulated unpaid vacation totaling \$7,959 and \$4,825 at June 30, 2024 and 2023, respectively, is accrued when incurred, and included in payroll and related liabilities payable.

CORONADO HISTORICAL ASSOCIATION, INCORPORATED
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

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.

Revenue Recognition

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

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

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

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

CORONADO HISTORICAL ASSOCIATION, INCORPORATED
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

Note 2 - Significant Accounting Policies: (Continued)

Donated Materials and Services

CHA utilizes the services of many volunteers throughout the year. This contribution of services by the volunteers is not recognized in the financial statements, unless the services received (a) create or enhance nonfinancial assets, or (b) require specialized skills which are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. The donated services for the years ended June 30, 2024 and 2023 did not meet the requirements above; therefore, no amounts were recognized in the financial statements.

CHA received the following in-kind donations which are recorded at fair value for the years ended June 30:

	<u>2024</u>	<u>2023</u>
Supplies and material	\$ 5,108	\$ 592
Artwork	2,100	79,045
Total In-Kind Contributions	\$ 7,208	\$ 79,637

In valuing artwork CHA received an appraisal of the fair market value from an independent appraiser at the time of the gift.

In valuing supplies and materials CHA estimated the fair value on the basis of estimates of wholesale values that would be received for selling similar products in the United States.

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, 2024 and 2023. 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, 2024, 2023, 2022 and 2021 are subject to examination by Internal Revenue Service and State taxing authorities, generally three-to-four years after the returns were filed.

CORONADO HISTORICAL ASSOCIATION, INCORPORATED
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

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, Cash Equivalents and Restricted Cash

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 board-designated funds are held for long-term purposes and are not included in cash and cash equivalents. The following is a reconciliation of cash, cash equivalents, and restricted cash reported within the statements of financial position that sum to the total in the statements of cash flows at June 30:

	<u>2024</u>	<u>2023</u>
Cash and cash equivalents	\$ 133,772	\$ 181,472
Restricted reserves	<u>340,417</u>	<u>340,417</u>
Total Cash, Cash Equivalents and Restricted Cash	<u>\$ 474,189</u>	<u>\$ 521,889</u>

Accounting Pronouncement Adopted

In June 2016, the Financial Accounting Standards Board (“FASB”) issued ASU No. 2016-13, *Financial Instruments—Credit Losses (“Topic 326”)* to provide financial statement users with more decision-useful information about the expected credit losses on financial instruments and other commitments to extend credit held by a reporting entity at each reporting date. FASB ASU 2016-13 affects loans, debt securities, accounts receivables, net investments in leases, off-balance-sheet credit exposures, reinsurance receivables, and any other financial assets not excluded from the scope that have the contractual right to receive cash.

The standard requires a financial asset (or a group of financial assets) measured at amortized cost basis to be presented at the net amount expected to be collected. The allowance for credit losses is a valuation account that is deducted from the amortized cost basis of the financial asset(s) to present the net carrying value at the amount expected to be collected on the financial asset.

FASB ASU 2016-13 was adopted January 1, 2023 on a prospective transition approach. With respect to accounts receivables, ASU 2016-13 did not have a material impact on the financial statements.

Subsequent Events

In preparing these financial statements, CHA has evaluated subsequent events for potential recognition or disclosure through February 2, 2025, the date the financial statements were available to be issued, and concluded that there were no events or transactions that needed to be disclosed.

CORONADO HISTORICAL ASSOCIATION, INCORPORATED
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

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>2024</u>	<u>2023</u>
Cash and cash equivalents	\$ 133,772	\$ 181,472
Accounts receivable	10,686	12,174
Contributions receivable	<u>8,006</u>	<u>8,350</u>
Financial assets available to meet general expenditures within one year	<u>\$ 152,464</u>	<u>\$ 201,996</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 Board-designated 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.

Note 4 - Fair Value Measurements:

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

	2024			Balance at June 30, 2024
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
Mutual funds	\$ 444,277	\$ -	\$ -	\$ 444,277
	2023			
	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, 2023
Mutual funds	\$ 359,282	\$ -	\$ -	\$ 359,282

CORONADO HISTORICAL ASSOCIATION, INCORPORATED
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

Note 5 - Investments:

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

	<u>2024</u>	<u>2023</u>
Mutual Funds	\$ 444,277	\$ 359,282
Cash and money market funds	340,419	491,821
Certificates of deposit	<u>666,751</u>	<u>506,527</u>
Total Restricted Cash and Investments	<u>\$ 1,451,447</u>	<u>\$ 1,357,630</u>

Certificates of deposit included in restricted cash investments bear interest at rates ranging from 4.75% to 5.30% and mature through May 2025.

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

	<u>2024</u>	<u>2023</u>
Interest and dividends	\$ 49,098	\$ 24,594
Net realized and unrealized gains	40,663	49,175
Investment fees	<u>(1,489)</u>	<u>(1,237)</u>
Total Investments Income	<u>\$ 88,272</u>	<u>\$ 72,532</u>

Note 6 - Contributions Receivable:

Contributions receivable totaling \$8,006 and \$8,350 at June 30, 2024 and 2023, respectively, are due in less than one year.

Note 7 - Property and Equipment:

Property and equipment consist of the following at June 30:

	<u>2024</u>	<u>2023</u>
Land	\$ 2,300,000	\$ 2,300,000
Building	4,400,000	4,400,000
Building improvement	1,378,477	1,378,477
Office furniture and equipment	40,163	40,163
Collections and exhibitions	<u>28,058</u>	<u>28,058</u>
Subtotal	8,146,698	8,146,698
Less: Accumulated depreciation	<u>(1,446,787)</u>	<u>(1,287,664)</u>
Property and Equipment, Net	<u>\$ 6,699,911</u>	<u>\$ 6,859,034</u>

CORONADO HISTORICAL ASSOCIATION, INCORPORATED
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

Note 8 - Notes Payable:

Notes payable consists of the following at June 30:

	<u>2024</u>	<u>2023</u>
<p>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.</p>	\$ 12,333	\$ 16,000
<p>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 \$137 and \$2,810 at June 30, 2024 and 2023, respectively, and is included in accounts payable and accrued expenses.</p>	138,254	139,509
<p>The California Enterprise Development Authority Series A Bonds which were originated on October 29, 2021 are held by First Republic Bank in the original amount of \$1,600,000 and bear interest at 2.90%. Interest-only payments are required beginning December 1, 2021 through October 1, 2023. Beginning November 1, 2023, monthly payments of principal and interest in the amount of \$6,995 are required. The loan is due October 1, 2051. Secured by a Deed of Trust. Accrued interest totaled \$3,807 and \$3,867 at June 30, 2024 and 2023, respectively, and is included in accounts payable and accrued expenses.</p>	1,575,274	1,600,000
<p>The California Enterprise Development Authority Series B Bonds which were originated on October 29, 2021 are held by First Republic Bank in the original amount of \$495,000, and bear interest at 3.75%. Interest-only payments are required beginning December 1, 2021 through October 1, 2023. Beginning November 1, 2023, monthly payments of principal and interest in the amount of \$2,397 are required. The loan is due October 1, 2051. Secured by a Deed of Trust. Accrued interest totaled \$1,526 and \$1,547 at June 30, 2024 and 2023, respectively, and is included in accounts payable and accrued expenses.</p>	488,332	495,000

Continued

CORONADO HISTORICAL ASSOCIATION, INCORPORATED
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

Note 8 - Notes Payable: (Continued)

The California Enterprise Development Authority bonds which were originated on May 25, 2023 are held by First Republic Bank in the original amount of \$400,000, and bear interest at 5.25%. Interest-only payments are required beginning June 1, 2023 through May 1, 2025. Beginning June 1, 2025, monthly payments of principal and interest in the amount of \$2,354 are required. The loan is due October 1, 2051. Secured by a Deed of Trust. Accrued interest totaled \$1,750 at June 30, 2024 and 2023, and is included in accounts payable and accrued expenses.

	400,000	400,000
Total Notes Payable	2,614,193	2,650,509
Less: Unamortized debt issuance costs	(154,908)	(160,612)
Total Notes Payable, net	2,459,285	2,489,897
Less: Current Portion	(56,992)	(36,410)
Notes Payable, Net, Noncurrent	\$ 2,402,293	\$ 2,453,487

Debt issuance costs total \$168,646, less accumulated amortization of \$13,738 and \$8,034 at June 30, 2024 and 2023, respectively.

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

Years Ended June 30		
2025	\$	56,992
2026		65,247
2027		67,338
2028		65,619
2029		67,740
Thereafter		2,291,257
Total	\$	2,614,193

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 June 30:

	2024	2023
Board-Designated funds:		
CHA mission support	\$ 1,416,297	\$ 1,357,630
Total Board-Designated Funds	\$ 1,416,297	\$ 1,357,630

CORONADO HISTORICAL ASSOCIATION, INCORPORATED
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

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 purpose at June 30:

	<u>2024</u>	<u>2023</u>
Subject to Expenditure for Specified Purpose:		
Margot K Shriver fund for history education	\$ <u>35,150</u>	\$ <u>-</u>
Total Subject to Expenditure for Specified Purpose	<u>35,150</u>	<u>-</u>
Total Net Assets with Donor Restrictions	<u>\$ 35,150</u>	<u>\$ -</u>

There were no 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 for the years ended June 30, 2024 and 2023.

Note 11 - Commitments:

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 \$7,819 and \$7,440 for the years ended June 30, 2024 and 2023, respectively, and is included in employee benefits in the statements of functional expenses.

Operating Lease

CHA entered into an operating lease for office equipment in May 2020. The office equipment was replaced and a new lease was entered into in October 2023. The new lease expires January 2029. Lease expense for the two leases was \$6,178 and \$6,174 for the years ended June 30, 2024 and 2023, respectively.

The following summarizes the line items on the statement of financial position for the operating lease at June 30:

	<u>2024</u>	<u>2023</u>
Operating lease right-of-use asset, net	\$ <u>26,460</u>	\$ <u>12,740</u>
Operating lease liabilities, current	5,461	5,881
Operating lease liabilities, noncurrent portion	<u>20,999</u>	<u>6,577</u>
Total operating lease liabilities	<u>\$ 26,460</u>	<u>\$ 12,458</u>

The following summarizes the weighted average remaining lease term and discount rate as of June 30:

	<u>2024</u>	<u>2023</u>
Weighted average remaining lease term - Operating	4.2 years	2.2 years
Weighted average incremental borrowing rate - Operating	3.06%	3.05%

CORONADO HISTORICAL ASSOCIATION, INCORPORATED
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

Note 11 - Commitments: (Continued)

The following summarizes the line items in the statement of activities which include the components of lease expense for the year ended June 30:

	<u>2024</u>	<u>2023</u>
Operating lease expense	\$ <u>6,178</u>	\$ <u>6,174</u>

The following summarizes cash flow information related to leases for the year ended June 30:

	<u>2024</u>	<u>2023</u>
Operating cash flows from operating leases	\$ <u>6,178</u>	\$ <u>6,174</u>

The following is a schedule of future minimum rental payments under the lease:

<u>Years Ended June 30</u>	
2025	\$ 6,180
2026	6,180
2027	6,180
2028	6,180
2029	<u>3,605</u>
Total Payments	\$ 28,325
Less: Interest	<u>(1,865)</u>
Present value of lease liabilities	<u>\$ 26,460</u>