

**The Museum of Art and History
at the McPherson Center**

(a California Public Benefit Corporation)

Financial Statements and
Supplementary Information

June 30, 2019



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INDEPENDENT AUDITOR'S REPORT

Board of Directors
The Museum of Art and History
at the McPherson Center
Santa Cruz, California

We have audited the accompanying financial statements of The Museum of Art and History at the McPherson Center (a California public benefit corporation), which comprise the statement of financial position as of June 30, 2019, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Museum of Art and History at the McPherson Center as of June 30, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters

Change in Accounting Principle

As described in Note 2 to the financial statements, the Organization has adopted ASU 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. Our opinion is not modified with respect to that matter.

Subsequent Event and Uncertainties

As discussed in Note 18 to the financial statements, on March 11, 2020, the World Health Organization declared the novel strain of coronavirus (COVID-19) a global pandemic and recommended containment and mitigation measures worldwide. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration. The MAH expects this matter to negatively impact its operating results. However, the related financial impact and duration cannot be reasonably estimated at this time. Our opinion is not modified with respect to that matter.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedules of financial position – without donor restrictions, and activities and changes in net assets – without donor restrictions on pages 26 - 29 are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.



Armanino^{LLP}
San Jose, California

March 24, 2020

THE MUSEUM OF ART AND HISTORY AT THE MCPHERSON CENTER
(A California Public Benefit Corporation)
Statement of Financial Position
June 30, 2019

ASSETS

	Without Donor Restrictions	With Donor Restrictions	Total
Current assets			
Cash and cash equivalents	\$ 781,340	\$ 925,984	\$ 1,707,324
U.S. Treasury bills	499,857	-	499,857
Accounts and grants receivable	19,207	220,798	240,005
Prepaid expenses	14,653	-	14,653
Inventories	42,056	-	42,056
	<u>1,357,113</u>	<u>1,146,782</u>	<u>2,503,895</u>
Total current assets			
	<u>1,357,113</u>	<u>1,146,782</u>	<u>2,503,895</u>
Property, equipment, and improvements, net	<u>5,907,413</u>	<u>-</u>	<u>5,907,413</u>
Other assets			
Investments	-	351,832	351,832
Unemployment insurance reserve	1,566	-	1,566
Straight-line rent receivable	71,232	-	71,232
Beneficial interest in assets held by Community Foundation of Santa Cruz County	<u>50,473</u>	<u>-</u>	<u>50,473</u>
Total other assets	<u>123,271</u>	<u>351,832</u>	<u>475,103</u>
Total assets	<u>\$ 7,387,797</u>	<u>\$ 1,498,614</u>	<u>\$ 8,886,411</u>

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

THE MUSEUM OF ART AND HISTORY AT THE MCPHERSON CENTER
(A California Public Benefit Corporation)
Statement of Financial Position (continued)
June 30, 2019

LIABILITIES AND NET ASSETS

	Without Donor Restrictions	With Donor Restrictions	Total
Current liabilities			
Current portion - note payable	\$ 120,443	\$ -	\$ 120,443
Accounts payable	64,579	-	64,579
Tenant and facilities rental deposits	28,300	-	28,300
Deferred revenue	94,019	-	94,019
Accrued personal time off	48,914	-	48,914
	<u>356,255</u>	<u>-</u>	<u>356,255</u>
Total current liabilities			
	<u>356,255</u>	<u>-</u>	<u>356,255</u>
Non-current liabilities			
Note payable	391,821	-	391,821
	<u>391,821</u>	<u>-</u>	<u>391,821</u>
Total liabilities	<u>748,076</u>	<u>-</u>	<u>748,076</u>
Net assets			
Without donor restrictions			
Undesignated	821,770	-	821,770
Invested in property and equipment, net of related debt	5,395,149	-	5,395,149
Board designated - operating reserve	200,000	-	200,000
Board designated - facilities reserve	201,075	-	201,075
Board designated - publications fund	21,727	-	21,727
Total net assets without donor restrictions	6,639,721	-	6,639,721
With donor restrictions			
Time and use restricted	-	1,265,543	1,265,543
Donor-restricted endowment	-	233,071	233,071
	<u>-</u>	<u>233,071</u>	<u>233,071</u>
Total net assets	<u>6,639,721</u>	<u>1,498,614</u>	<u>8,138,335</u>
Total liabilities and net assets	<u>\$ 7,387,797</u>	<u>\$ 1,498,614</u>	<u>\$ 8,886,411</u>

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

THE MUSEUM OF ART AND HISTORY AT THE MCPHERSON CENTER
(A California Public Benefit Corporation)
Statement of Activities and Changes in Net Assets
For the Year Ended June 30, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and other support			
Contributions	\$ 338,364	\$ 15,000	\$ 353,364
Grants	6,000	364,300	370,300
Special events fundraising, net of direct costs	110,413	-	110,413
Special appeals	40,718	-	40,718
Memberships	184,856	-	184,856
Santa Cruz County contract	154,594	-	154,594
Interest income	8,483	8,350	16,833
Museum store sales, net of direct costs	7,867	-	7,867
Other revenue	116,936	-	116,936
Admissions	63,514	-	63,514
Program service fees	160,635	-	160,635
Facility rental income	148,480	-	148,480
Realized and unrealized gains on investments, net of investment expenses	10,649	9,778	20,427
Net assets released from restrictions	1,064,351	(1,064,351)	-
Total revenue and other support	<u>2,415,860</u>	<u>(666,923)</u>	<u>1,748,937</u>
Other income			
Rents McPherson Center	882,880	-	882,880
Interest income McPherson Center accounts	173	-	173
Expenses related to rents	(473,068)	-	(473,068)
Total other income	<u>409,985</u>	<u>-</u>	<u>409,985</u>
Total revenue, support and other income	2,825,845	(666,923)	2,158,922
Expenses			
Program services			
Art and History Museum			
Museum	2,261,986	-	2,261,986
Supporting organization	19,775	-	19,775
Supporting services			
Management and general	273,293	-	273,293
Development	297,518	-	297,518
Total expenses	<u>2,852,572</u>	<u>-</u>	<u>2,852,572</u>
Change in net assets	(26,727)	(666,923)	(693,650)
Net assets, beginning of year	<u>6,666,448</u>	<u>2,165,537</u>	<u>8,831,985</u>
Net assets, end of year	<u>\$ 6,639,721</u>	<u>\$ 1,498,614</u>	<u>\$ 8,138,335</u>

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

THE MUSEUM OF ART AND HISTORY AT THE MCPHERSON CENTER
(A California Public Benefit Corporation)
Statement of Functional Expenses
For the Year Ended June 30, 2019

	Program Services	Management and General	Development	McPherson Center	Total
Salary/wages	\$ 1,017,205	\$ 186,632	\$ 222,513	\$ -	\$ 1,426,350
Payroll service	3,194	586	699	-	4,479
Benefits	100,790	19,874	21,294	-	141,958
Payroll taxes	83,109	15,248	18,180	-	116,537
Auto, mileage, travel	24,002	-	-	-	24,002
Printing	6,230	322	-	-	6,552
Stationery	1,264	232	276	-	1,772
Donor cultivation	-	-	16,907	-	16,907
Dues	225	-	-	-	225
Staff	13,756	2,524	3,009	-	19,289
Equipment lease	4,846	889	1,060	-	6,795
Postage	3,169	2,397	2,986	-	8,552
Office supplies	4,571	-	-	-	4,571
Taxes and licenses	4,549	238	-	-	4,787
Telephone	3,681	675	805	-	5,161
Volunteer expense	2,023	-	-	-	2,023
Auditing fee	-	17,050	-	-	17,050
Maintenance	7,391	75	75	-	7,541
Computer expense	13,965	2,562	3,055	-	19,582
Bank service charges	-	4,985	-	-	4,985
Other professional service	43,416	-	-	-	43,416
Professional services	200,305	-	-	-	200,305
Graphics	9,146	-	-	-	9,146
Curatorial fees	43,402	-	-	-	43,402
Installation exhibition	26,837	-	-	-	26,837
Permanent collection expense	3,088	-	-	-	3,088
Exhibition shipping	7,460	-	-	-	7,460

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

THE MUSEUM OF ART AND HISTORY AT THE MCPHERSON CENTER
(A California Public Benefit Corporation)
Statement of Functional Expenses (continued)
For the Year Ended June 30, 2019

	Program Services	Management and General	Development	McPherson Center	Total
Exhibit insurance	\$ 640	\$ -	\$ -	\$ -	\$ 640
Facility rental expenses	10,208	-	-	-	10,208
Public programs expense	60,238	-	-	-	60,238
Professional services	55,297	-	-	-	55,297
Gallery activities	7,178	-	-	-	7,178
School programs	1,701	-	-	-	1,701
Docent education	2,418	-	-	-	2,418
Sponsored projects	600	-	-	-	600
Evergreen cemetery - maintenance	4,247	-	-	-	4,247
Davenport jail - maintenance	646	-	-	-	646
Blue plaque expense	1,598	-	-	-	1,598
Promotion	63,889	-	-	-	63,889
Interest	20,160	2,520	2,520	-	25,200
Fire/security	1,804	18	18	-	1,840
Insurance	37,101	379	379	-	37,859
Janitorial/landscaping	47,604	486	486	-	48,576
PG&E	44,165	451	451	-	45,067
Parking deficiency fund	8,622	88	88	-	8,798
Repair/replacement	20,001	204	204	-	20,409
Utility - other	4,326	44	44	-	4,414
Credit card fees	-	12,345	-	-	12,345
Depreciation	241,919	2,469	2,469	133,233	380,090
Other expense	-	-	-	339,835	339,835
	<u>2,261,986</u>	<u>273,293</u>	<u>297,518</u>	<u>473,068</u>	<u>3,305,865</u>
Supporting organizations	19,775	-	-	-	19,775
Less expenses included with other income as expenses related to rents	-	-	-	473,068	473,068
	<u>\$ 2,281,761</u>	<u>\$ 273,293</u>	<u>\$ 297,518</u>	<u>\$ -</u>	<u>2,852,572</u>
Plus expenses included with revenue and other support					
Cost of goods sold					9,528
Direct benefits to donors					27,638
					<u>\$ 2,889,738</u>

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

THE MUSEUM OF ART AND HISTORY AT THE MCPHERSON CENTER
(A California Public Benefit Corporation)
Statement of Cash Flows
For the Year Ended June 30, 2019

Cash flows from operating activities	
Change in net assets	\$ (693,650)
Adjustments to reconcile change in net assets to net cash provided by operating activities	
Depreciation	380,090
Realized and unrealized gains on investments, net of investment expenses	(20,427)
Straight-line rental income	(19,881)
Change in assets and liabilities	
Accounts and grants receivable	444,960
Prepaid expenses	(3,244)
Inventories	4,401
Unemployment insurance reserve	4,322
Accounts payable	(2,856)
Deferred revenue	(37,293)
Accrued personal time off	(9,194)
Cash provided by operating activities	<u>47,228</u>
Cash flows from investing activities	
Purchase of investments, reinvestment of income	(11,766)
Proceeds from transfers out of investments	41,045
Purchase of property, equipment, and improvements, including CIP	<u>(135,306)</u>
Cash used in investing activities	<u>(106,027)</u>
Cash flows from financing activities	
Proceeds from investments - distributions from endowment fund, and community foundation	10,023
Principal payments on debt	<u>(190,802)</u>
Cash used in financing activities	<u>(180,779)</u>
Decrease in cash and cash equivalents	(239,578)
Cash and cash equivalents, beginning of year	<u>1,946,902</u>
Cash and cash equivalents, end of year	<u><u>\$ 1,707,324</u></u>
<u>Supplemental disclosure of cash flow information</u>	
Interest paid	<u><u>\$ 25,200</u></u>

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

THE MUSEUM OF ART AND HISTORY AT THE MCPHERSON CENTER
(A California Public Benefit Corporation)
Notes to Financial Statements
June 30, 2019

1. General Information

The Museum of Art and History at the McPherson Center ("MAH") is a California nonprofit public benefit corporation that operates under the direction of a board of directors. The MAH's objectives and purposes include exploring diverse cultural ideas, issues and perspectives through artistic experience and regional history. Dedicated to excellence, the MAH provides accessible programs, exhibits, resources and services for exploration, education and research; collection and preservation of works of art and regional historic resources; and development and maintenance of public awareness and appreciation.

The MAH receives a substantial amount of support from donations from individuals and businesses located in Santa Cruz County, which is affected by the local economy. Additional sources of revenue include grants from foundations and a contract with the County of Santa Cruz.

Included in the financial statements is the activity of the History Forum, a supporting organization. The income from that organization provides additional sources of funding for the MAH.

The McPherson Center consists of two components: 1) Museum building, housing the exhibit and administrative offices of The Museum of Art and History, and 2) Office/Retail Building, containing approximately 23,873 square feet of office and retail space.

The initial funding mix for the project consisted of the following:

Economic Development Administration of The United States - Economic Adjustment Assistance Award in the amount of \$1,920,000 and California Department of Commerce local match of \$640,000.

Capital lease from Santa Cruz County in the amount of \$2,255,000 at an annual interest rate of 7.1 percent.

Major Fundraising Campaign - The predecessors, the Art Museum of Santa Cruz County and the History Museum of Santa Cruz County, under their joint venture agreement, raised \$3,590,006 toward the project.

Significant subcommittees of the Board responsible for overseeing certain aspects of the MAH are: 1) Finance Management Committee, responsible for preparing annual budgets for Board approval and related tasks; 2) Center Management Committee, responsible for physical plan management and leasing and operation of the Office/Retail building; and 3) Development Committee, responsible for guiding MAH efforts for contribution and membership growth.

THE MUSEUM OF ART AND HISTORY AT THE MCPHERSON CENTER
(A California Public Benefit Corporation)
Notes to Financial Statements
June 30, 2019

2. Summary of Significant Accounting Policies

Financial statement presentation

The financial statements are presented on the accrual basis of accounting and in conformity with accounting principles generally accepted in the United States of America applicable to not-for-profit organizations. Revenues are reported as increases in net assets without donor restrictions, unless there are donor-imposed purposes and/or time restrictions on the gifted assets. Expenses are reported as decreases in net assets without donor restrictions. Gains or losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation.

Change in Accounting Principle

In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. ASU 2016-14 makes certain improvements to current reporting requirements, including:

1. Reducing the classes of net assets from three (unrestricted, temporarily restricted, and permanently restricted) to two (with donor restrictions and without donor restrictions).
2. Enhancing disclosures about:
 - a. Amounts and purposes of governing board designations, appropriations, and similar actions that result in self-imposed limits on the use of resources without donor-imposed restrictions.
 - b. Composition of net assets with donor restrictions and how the restrictions affect the use of resources.
 - c. Qualitative information about management of liquid resources and quantitative information about the availability of liquid resources to meet cash needs for general expenditures within one year of the statement of financial position date.
 - d. Amounts of expenses by both their natural classification and their functional classification in one location as a separate statement or in the notes to the financial statements.
 - e. Methods used to allocate costs among program and support functions.
 - f. Underwater endowment funds.
3. Reporting investment return net of external and direct internal investment expenses.

THE MUSEUM OF ART AND HISTORY AT THE MCPHERSON CENTER
(A California Public Benefit Corporation)
Notes to Financial Statements
June 30, 2019

2. Summary of Significant Accounting Policies (continued)

Change in Accounting Principle (continued)

4. Use, in the absence of explicit donor stipulations, the placed-in-service approach for reporting expirations of restrictions on gifts of cash or other assets to be used to acquire or construct a long-lived asset and reclassify any amounts from net assets with donor restrictions to net assets without donor restrictions for such long-lived assets that have been placed in service as of the beginning of the period of adoption (thus eliminating the current option to release the donor-imposed restriction over the estimated useful life of the acquired asset).

The MAH adopted ASU 2016-14 as of and for the year ended June 30, 2019. The amendments have been applied on a retrospective basis in 2019.

Net assets

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 therein 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, net assets as described in Note 10.

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. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue when the assets are placed in service. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities and changes in net assets as net assets released from restrictions.

THE MUSEUM OF ART AND HISTORY AT THE MCPHERSON CENTER
(A California Public Benefit Corporation)
Notes to Financial Statements
June 30, 2019

2. Summary of Significant Accounting Policies (continued)

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 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.

Functional expenses

The costs of program and supporting services activities have been summarized on a functional basis in the statement of activities and changes in net assets. The statement of functional expenses presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include salaries, payroll taxes and employee benefits, which are allocated on the basis of estimates of time and effort, as well as occupancy, utilities, depreciation and amortization, which are allocated on a square footage basis.

Cash and cash equivalents

For purposes of reporting cash flows, the MAH considers all cash accounts which are not subject to withdrawal restrictions or penalties to be cash or cash equivalents. The MAH maintains its cash and cash equivalents in bank deposit accounts at various financial institutions.

Accounts and grants receivable

Accounts and grants receivable consist of grants and contributions receivable related to the MAH's programs and rent and related charges due from tenants. All receivables are expected to be collected.

Investments - concentration of risk

As of June 30, 2019, investment include: (1) U.S. Treasury bills, and (2) Endowment Fund held in various ETF funds.

THE MUSEUM OF ART AND HISTORY AT THE MCPHERSON CENTER
(A California Public Benefit Corporation)
Notes to Financial Statements
June 30, 2019

2. Summary of Significant Accounting Policies (continued)

Investments - concentration of risk (continued)

The MAH records investment purchases at cost, or if donated, at fair value on the date of donation. Thereafter, investments are reported at their fair values in the statement of financial position. Net investment return/(loss) is reported in the statement of activities and changes in net assets, and consists of interest and dividend income, realized and unrealized capital gains and losses, less external and direct internal investment expenses.

Investment securities are exposed to various risks, such as changes in interest rates or credit ratings and market fluctuations. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the value of investment securities, it is possible that the value of the MAH's investments and total net assets balance could fluctuate materially.

Investments – beneficial interest in assets held by community foundation

The MAH has transferred net assets without donor restrictions to the Community Foundation of Santa Cruz County which holds funds for MAH's benefit and are invested in a long-term portfolio of assets. Those investments are not covered under FDIC, it is possible that the value of the investments and total net assets balance could fluctuate materially.

When nonprofit organizations transfer assets to a charitable trust or community foundation in which the resource provider names itself as beneficiary, the economic benefit of the transferred asset remains with the resource provider. The asset received in exchange is a beneficial interest in assets held by others, measured at the fair value of the asset contributed.

Changes in the value are recognized less investment expenses, in the statement of activities and changes in net assets and included in "realized and unrealized gains on investments."

Distributions to the MAH from the fund held by the Community Foundation of Santa Cruz County are limited to an annual distribution and may be waived by the MAH. The maximum allowable distribution that can be made is 4% of the average fund balance on the previous 12 quarters, limited to the extent that accumulated earnings are available. Other distributions may be made to the MAH only by a final determination made by the Board of Directors of the Community Foundation of Santa Cruz County.

THE MUSEUM OF ART AND HISTORY AT THE MCPHERSON CENTER
(A California Public Benefit Corporation)
Notes to Financial Statements
June 30, 2019

2. Summary of Significant Accounting Policies (continued)

Inventories

Inventories are comprised of program-related books and goods for sale and are stated at the lower of cost or market determined by the first-in, first-out basis.

Collections

The MAH acquires its collections through purchase or by donation in-kind. No value has been assigned to the collections on the statement of financial position in accordance with policies followed by art museums and only current year purchases, and not donations in-kind, are reflected in the statement of activities and changes in net assets. The MAH acquires most of its art and historical archival collections through donations. The value of archives acquired through donations is not susceptible to objective valuation and have not been reflected in the financial statements. The collection consists of books, ledgers, clothing, furniture, documents and photographs of items of historical interest, and are managed under the MAH's collection policy.

Property, equipment, and improvements

All property and equipment are stated at cost. Major improvements are charged to the property, equipment and improvements accounts, while maintenance and repairs which do not extend the life for the respective assets are expensed currently. The MAH capitalizes all purchases of property with a cost of \$500 or more and a useful life greater than one year. When property is retired or otherwise disposed of, the cost of the property and the related accumulated depreciation are removed from the accounts and any resulting gains or losses are reflected in income.

Depreciation

Depreciation is computed by use of the straight-line method based on the estimated useful life of the respective assets currently 5-7 years for office furniture and equipment and 15-40 years for building and building improvements.

Donated materials, services and facilities

Donated services and materials are recorded at their estimated fair value if they enhance the MAH's nonfinancial assets or require specialized skills that the MAH would normally purchase if not provided by donation. No amounts have been reflected in the financial statements for contributed services for the substantial number of volunteers who donate significant amounts of their time in the MAH's program and supporting services, principally in membership development and in the display of exhibits because they did not qualify for recording under generally accepted accounting principle guidelines.

THE MUSEUM OF ART AND HISTORY AT THE MCPHERSON CENTER
(A California Public Benefit Corporation)
Notes to Financial Statements
June 30, 2019

2. Summary of Significant Accounting Policies (continued)

Revenue and revenue recognition

Revenue is recognized when earned. Program service fees and payments under cost-reimbursable contracts received in advance are deferred to the applicable period in which the related services are performed or expenditures are incurred, respectively. Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met. At June 30, 2019 the MAH had no deferred program service revenue.

Membership revenues, the term of the membership is for twelve months. Revenues are amortized into revenue over the membership period. The amount of the of deferred membership revenue is included in "Deferred revenue" in the "Current liabilities" section in the statement of financial position was \$78,768 as of June 30, 2019.

Rental Revenue – The MAH, as a lessor, for leases at The McPherson Center, has retained substantially all of the risks and benefits of ownership and accounts for its leases as operating leases. For lease agreements that provide for scheduled rent increases, rental income is recognized on a straight-line basis over the non-cancellable term of the leases, which commences when control of the space has been provided to the customer. If rental income calculated on a straight-line basis exceeds the cash rent due under a lease, the difference is recorded as an increase to straight-line rent receivable and an increase in rental income. If rental income on a straight-line basis is calculated to be less than cash received, there is a decrease in the same accounts. Contingent rental income, for example additional rent based on the tenant meeting gross revenue benchmarks, is recorded at the time the tenant reaches the applicable benchmarks. When current rent is paid in advance it is recorded in "Deferred revenue" in the "Current liabilities" section in the statement of financial position, deferred rent was \$15,251 as of June 30, 2019. The amount of the straight-line rent receivable included in "Other assets" in the statement of financial position was \$71,232 as of June 30, 2019.

Expenses subject to common area charges

The McPherson Center Office/retail building - Certain expenses are reimbursable to the MAH by tenants under lease agreements entered into with the MAH. The assessment is subject to an annual accounting and adjustment.

THE MUSEUM OF ART AND HISTORY AT THE MCPHERSON CENTER
(A California Public Benefit Corporation)
Notes to Financial Statements
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2. Summary of Significant Accounting Policies (continued)

Taxes on income

The MAH has received notification from the Internal Revenue Service and the state of California that it qualifies for tax-exempt status under Section 501(c)(3) of the Internal Revenue Code and Section 27301(d) of the California Revenue and Taxation Code.

The MAH's federal returns for the tax years ended June 30, 2016 and beyond remain subject to possible examination by the Internal Revenue Service. The MAH's California returns for the tax years ended June 30, 2015 and beyond remain subject to possible examination by the Franchise Tax Board.

The MAH recognizes the effect of income tax positions only if those positions are more likely than not of being sustained, and changes in recognition or measurement are reflected in the period in which the change in judgment occurs. The MAH has evaluated its current tax positions and has concluded that as of June 30, 2019 the MAH does not have any significant uncertain tax positions for which a reserve would be necessary.

3. Front Street Annex Lease

The MAH leases certain real property that houses the commercial and professional space of the McPherson Center under an agreement with the County of Santa Cruz, Amendment No. 1 dated April 9, 2014. Under the agreement rental payments of 10% of gross rent are due on or before September 1 (10% of gross rent from January 1 to June 30) and March 1 (10% of gross rent from July 1 to December 31).

For any six month period for which a use payment has been made (defined as a payment on the debt described in Note 7) such use payment shall satisfy the rental payment obligation.

Rental payments, other than those to be satisfied by a use payment, will commence September 1, 2021.

THE MUSEUM OF ART AND HISTORY AT THE MCPHERSON CENTER
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Notes to Financial Statements
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4. Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, comprise the following:

	<u>2019</u>
Cash and cash equivalents	\$ 781,340
U.S. Treasury bills	499,857
Accounts receivable	19,207
Time restricted net assets	<u>159,496</u>
	1,459,900
Less financial assets unavailable for	
General expenditures due to Board	
of Directors designations	<u>422,802</u>
Net available financial assets	<u>\$1,037,098</u>

The MAH, as part of liquidity management, structures financial assets to be available as general expenditures and liabilities, and other obligations become due. Although the MAH does not intend to spend from its Board of Directors ("Board") designated funds, amounts from the Board designated funds could be made available by the Board as necessary.

5. Concentration of Credit and Market Risk

The MAH maintains its cash and cash equivalents in bank deposit accounts at various financial institutions. The balances at times may exceed federally insured limits. At June 30, 2019, the MAH had \$1,040,482 in bank deposits in excess of the \$250,000 FDIC limits.

The MAH holds investment funds in various brokerage accounts with investments in mutual funds and U.S. treasury bills subject to market risk and interest rate risk.

The MAH is mainly dependent on membership revenue, donations and contributions from the community, grants from private foundations, and net rent revenue from its Office/Retail Building for its operations. The MAH receives a substantial amount of its support from local government. A significant reduction in the level of this support, if this were to occur, may have an effect on the MAH's programs and activities. The MAH's rent income is concentrated in major tenants as disclosed in Note 8.

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6. Property, Equipment, and Improvements

Details of property, equipment and improvements as of June 30, 2019, and related depreciation expense for the year then ended are as follows:

	<u>Museum</u>	<u>McPherson Center</u>	<u>Total</u>
Office furniture	\$ 59,126	\$ 25,489	\$ 84,615
Equipment	349,652	90,292	439,944
Museum store	68,625	-	68,625
Leasehold improvements	343,335	136,888	480,223
Land improvements	-	4,760	4,760
Evergreen cemetery	74,195	-	74,195
Building use remodel	2,835,104	-	2,835,104
Museum building	3,655,269	-	3,655,269
McPherson Center Building, Leasehold improvements			
Front Street Annex	-	4,175,389	4,175,389
	<u>7,385,306</u>	<u>4,432,818</u>	<u>11,818,124</u>
Less: accumulated depreciation	<u>(3,012,156)</u>	<u>(2,898,555)</u>	<u>(5,910,711)</u>
	<u>\$4,373,150</u>	<u>\$1,534,263</u>	<u>\$5,907,413</u>

Depreciation expense for the year ended June 30, 2019 consisted of \$246,857 included in expenses, and \$133,233 included in expenses related to rents.

7. Note Payable

Note payable at June 30, 2019, consisted of the following:

Santa Cruz County Bank - Entered into on April 29, 2016, as subsequently modified, with a Maturity date of June 30, 2023. Due in monthly principal and interest payments of \$11,586 at an at an interest of 4.1 percent.	\$512,264
Less: current portion	<u>(120,443)</u>
	<u>\$391,821</u>

THE MUSEUM OF ART AND HISTORY AT THE MCPHERSON CENTER
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Notes to Financial Statements
June 30, 2019

7. Note Payable (continued)

Minimum future payments are as follows:

<u>Year Ending June 30,</u>	
2020	\$120,443
2021	125,299
2022	130,534
2023	<u>135,988</u>
	<u>\$512,264</u>

Interest expense for the year ended June 30, 2019 was \$25,200.

During the year ended June 30, 2016 the MAH obtained the loan from Santa Cruz County Bank in the amount of \$975,000 and paid off the outstanding principal of a capital lease in the amount of \$949,156. The capital lease was payable to Santa Cruz County under an agreement dated March 22, 1993. Subsequent to the final payment due on the Santa Cruz County Bank loan, the MAH will be required to make lease payments as described in Note 3.

8. Rental Income

As of June 30, 2019, rent from three tenants in the office/retail building represented the majority of gross base rent. Concentration percentage of gross base rent from tenants is as follows:

	<u>Percent of Gross Base Rent</u>
Tenant A	38%
Tenant B	31%
Tenant C	12%

Minimum future rental receipts are due as follows:

<u>Year Ending June 30,</u>	
2020	\$ 653,566
2021	539,436
2022	323,149
2023	257,266
2024	237,232
Thereafter	<u>608,707</u>
	<u>\$2,619,356</u>

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Notes to Financial Statements
June 30, 2019

9. Net Assets With Donor Restrictions

Net assets with donor restrictions are summarized as follows:

	<u>2018</u>	<u>Additions</u>	<u>Released from Restrictions</u>	<u>2019</u>
Donor-restricted endowments to support general activities, subject to spending policy	\$ 233,071	\$ -	\$ -	\$ 233,071
Accumulated earnings	<u>108,623</u>	<u>18,128</u>	<u>7,990</u>	<u>118,761</u>
	<u>341,694</u>	<u>18,128</u>	<u>7,990</u>	<u>351,832</u>
Subject to passage of time				
Year ending June 30, 2019	76,662	30,007	106,669	-
Year ending June 30, 2020	64,996	97,500	3,000	159,496
Year ending June 30, 2021		45,000		45,000
Year ending June 30, 2022	<u>-</u>	<u>14,993</u>	<u>-</u>	<u>14,993</u>
	<u>141,658</u>	<u>187,500</u>	<u>109,669</u>	<u>219,489</u>
Subject to expenditure for specified purposes				
OFBYFOR ALL	825,000	100,000	278,592	646,408
Abbott Square	128,903	-	98,165	30,738
Evergreen Cemetery	85,000	15,000	-	100,000
Engagement and capacity building	558,205	-	482,000	76,205
Exhibit	-	50,000	26,230	23,770
Other	<u>85,077</u>	<u>26,800</u>	<u>61,705</u>	<u>50,172</u>
	<u>1,682,185</u>	<u>191,800</u>	<u>946,692</u>	<u>927,293</u>
	<u>\$ 2,165,537</u>	<u>\$ 397,428</u>	<u>\$ 1,064,351</u>	<u>\$ 1,498,614</u>

10. Net Assets Without Restrictions, Board Designated Funds

As of the year ended June 30, 2019, the Board has the following designated funds:

Operating Reserve Fund

During the year ended June 30, 2014, to establish an Operating Reserve Fund, the MAH Board of Directors designated \$100,000 of existing accumulated liquid net assets as the beginning balance of the Operating Reserve Fund. The goal was to add \$150,000 to the fund over the next six (6) fiscal years in annual increments of \$25,000. As of June 30, 2019 designated operating reserve was \$200,000.

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June 30, 2019

10. Net Assets Without Restrictions, Board Designated Funds (Continued)

Facilities Reserve Fund

During the year ended June 30, 2014, the MAH Board of Directors determined the need for a Facilities Reserve Fund and created a policy for funding. The Facility Reserve Fund was established at \$233,071. During the year ended June 30, 2017, the board defunded the reserve in the amount of \$60,000 leaving a remaining reserve of \$161,075. During the year ended June 30, 2019 the reserve was increased by \$40,000 to a current balance of \$201,075.

Publications Fund

The MAH has a Publications Fund for the purpose of setting aside funds for future publications, the balance at June 30, 2019 was \$21,727.

11. Special Events Fundraising

The MAH's Special events fundraising, net of direct costs, for the year ended June 30, 2019 consisted of the following:

	<u>The Red Ball Annual Gala</u>	<u>Other Events</u>	<u>Total</u>
Revenues	\$131,199	\$6,852	\$138,051
Direct costs	<u>(27,638)</u>	<u>-</u>	<u>(27,638)</u>
Special events fundraising net of direct costs	<u>\$103,561</u>	<u>\$ 7,424</u>	<u>\$110,413</u>

12. Employee Benefit Plans

MAH sponsors a tax-deferred annuity plan (the Plan) under Section 403(b) of the Internal Revenue Code. The plan covers all employees of the MAH. The MAH has discretion to vary the contribution rate from year to year. For the year ended June 30, 2019, the MAH made no contributions. Employees may make contributions to the plan up to the maximum amount allowed by the Internal Revenue Code, if they wish.

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June 30, 2019

13. Related Party Transactions

The following related party transactions occurred between the MAH and/or senior staff:
Contributions received for the year ended June 30, 2019 of \$72,460.

14. Self-Insured for Unemployment Insurance

The MAH is a member of Unemployment Services Trust (UST) which enables the MAH to be self-insured for unemployment claims. As such, the MAH does not pay unemployment taxes directly to the state of California and does not have unemployment insurance. UST acts as the administrator of any claims made against the MAH and specifies the recommended reserve the MAH maintains. The reserve account is held by UST. The MAH has reserved the amount recommended by UST, and at June 30, 2019, the MAH has \$1,566 on deposit with UST as a reserve to fund future claims. The reserve account is included in "Other assets" in the statement of financial position. The MAH could be required to make additional payments if claims exceed the reserve account.

15. Fair Value Measurements

The MAH follows the provisions of the Fair Value Measurements and Disclosure topic of the FASB Accounting Standards Codification.

Fair value hierarchy

These standards establish a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date.

This hierarchy consists of three broad levels:

- Level 1 - Assets and liabilities for which the identical item is traded on an active exchange, such as publicly-traded instruments or future contracts.
- Level 2 - Assets and liabilities valued based on observable market data for similar instruments.
- Level 3 - Assets and liabilities for which significant valuation assumptions are not readily observable in the market; instruments valued based on best available data some of which is internally developed and considers risk premiums that a market participant would require.

THE MUSEUM OF ART AND HISTORY AT THE MCPHERSON CENTER
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Notes to Financial Statements
June 30, 2019

15. Fair Value Measurements (continued)

The following is a description of calculation methodologies used for assets and liabilities recorded at fair value and the basis for estimating fair value. These are reflected as recurring or non-recurring in compliance with required disclosures.

Assets

Investments (Endowment Fund) - Represents assets invested in a mix of funds in a brokerage account.

Funds held at Community Foundation of Santa Cruz County ("Community Foundation") - Represents assets held by the Community Foundation in an investment pool (Long Term Portfolio).

The following table presents the MAH's fair value hierarchy for those assets measured at fair value as of June 30, 2019:

	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Endowment fund - exchange				
traded funds	\$ 351,832	\$ 351,832	\$ -	\$ -
U.S. Treasury bills	499,857	499,857	-	-
Beneficial interest in assets held by				
Community Foundation of Santa				
Cruz County	50,473	50,473	-	-

16. Endowment Fund

As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor imposed restrictions.

Interpretation of relevant law

The MAH Board has interpreted the California version of the Uniform Prudent Management of Institutional Funds Acts (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, the MAH retains in perpetuity (a) the original value of gifts donated to the endowment, (b) the original value of subsequent gifts to the endowment, and (c) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

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Notes to Financial Statements
June 30, 2019

16. Endowment Fund (continued)

Interpretation of relevant law (continued)

The remaining portion of the donor-restricted endowment fund that is not held in perpetuity is included in with donor restricted net assets until those amounts are appropriated for expenditure by the MAH in a manner consistent with the standard of prudence prescribed by UPMIFA.

Investment return objectives, risk parameters and strategies

The MAH has adopted investment and spending policies, approved by the Board of Directors, for endowment assets. The investment policy seeks to maintain fund principal and provide a reasonable rate of return. Safety of principal and preservation of capital is based on prudent investment principles. While short-term stability is desirable, achieving superior long-term returns takes precedence as an investment objective.

Spending policy

The MAH spending policy is to transfer as a distribution to the MAH an amount equal to the annual interest/dividend earnings while leaving market value increase in the fund. Undistributed investment income, including market value increase in the fund, on the funds are classified as with donor restrictions.

Endowment net asset composition

As of June 30, 2019 amounts held in the Endowment Fund at fair value totaled \$351,832, and consisted of the following:

	<u>2019</u>
Donor-restricted for general operations	\$ 233,071
Net unrealized gains, net of distributions	<u>118,761</u>
Ending balance	<u>\$ 351,832</u>

17. Fiscal Sponsorship

In January 2019, the MAH's board of directors voted to spin off the OF/BY/FOR ALL program into a standalone organization and to serve as its fiscal sponsor until its tax-exempt status under Section 501(c)(3) of the Internal Revenue Code was received.

Under a fiscal sponsorship agreement, the MAH held with donor restricted net assets on behalf of OF/BY/FOR ALL and accepted tax-exempt donations on its behalf. All grants and donations to OF/BY/FOR ALL that were held by the MAH were designated and restricted as such.

THE MUSEUM OF ART AND HISTORY AT THE MCPHERSON CENTER
(A California Public Benefit Corporation)
Notes to Financial Statements
June 30, 2019

17. Fiscal Sponsorship (continued)

As of June 30, 2019 the MAH held \$646,408 of with donor restricted net assets for OF/BY/FOR ALL (See Note 9). The MAH did not provide any museum funds to OF/BY/FOR ALL. OF/BY/FOR ALL paid the MAH a standard fiscal sponsorship fee for this service, totaling \$4,050 for the fiscal year ended June 30, 2019.

18. Subsequent Events and Uncertainties

The MAH's management has evaluated subsequent events and transactions for potential recognition or disclosure in the financial statements through March 24, 2020, the date the financial statements became available to be issued. The MAH had the following subsequent events that require disclosure in the financial statements for the year ended June 30, 2019.

In August 2019, OF/BY/FOR ALL received its tax-exempt status under Section 501(c)(3) of the Internal Revenue Code. The MAH and OF/BY/FOR ALL ended the fiscal sponsorship relationship on October 31, 2019. As of November 1, 2019, the two organization are separate, independent nonprofit organizations. As of November 4, 2019, MAH transferred to OF/BY/FOR ALL all of the unspent net assets with donor restrictions held on its behalf.

MAH obtained a revolving line of credit for \$250,000, dated July 3, 2019 with a maturity date of July 3, 2020. Advances under the indebtedness (if any) will bear interest at a variable interest rate of prime plus one percent. At July 3, 2019 the current index was 5.5 percent per annum, plus 1.0 percent, totaling an interest rate of 6.5 percent.

On March 11, 2020, the World Health Organization declared the novel strain of coronavirus (COVID-19) a global pandemic and recommended containment and mitigation measures worldwide. On March 13, 2020, the President of the United States declared the ongoing COVID-19 pandemic of sufficient severity and magnitude to warrant an emergency declaration for all states, tribes, territories, and the District of Columbia. The MAH is located in California, which has declared a state of emergency and stay at home order, and Santa Cruz County, which has issued a shelter-in-place order.

COVID-19 has adversely affected the operations of the MAH, including restrictions on our employees' ability to work, and mandated voluntary closure of the MAH and Abbott Square Market (a major tenant of the McPherson Center). COVID-19 could adversely affect the economies and financial markets of the U.S., resulting in an economic downturn that could affect MAH revenue and public support. Included in MAH financial statements is McPherson Center rent income. COVID-19 could adversely affect the business of the lessees, and the lessees' ability to make timely rent payments. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration. The MAH expects this matter to negatively impact its operating results. However, the related financial impact and duration cannot be reasonably estimated at this time.

SUPPLEMENTARY INFORMATION

THE MUSEUM OF ART AND HISTORY AT THE MCPHERSON CENTER
(A California Public Benefit Corporation)
Schedule of Financial Position - Without Donor Restrictions
June 30, 2019

	<u>Museum</u>	<u>Supporting Organization</u>	<u>McPherson Center</u>	<u>Total</u>
Current assets				
Cash and cash equivalents	\$ 531,256	\$ 8,077	\$ 242,007	\$ 781,340
U.S. Treasury bills	499,857	-	-	499,857
Accounts and grants receivable	2,123	-	17,084	19,207
Prepaid expenses	14,616	-	37	14,653
Inventories	<u>42,056</u>	<u>-</u>	<u>-</u>	<u>42,056</u>
 Total current assets	 <u>1,089,908</u>	 <u>8,077</u>	 <u>259,128</u>	 <u>1,357,113</u>
 Property, equipment and improvements, net	 <u>4,373,150</u>	 <u>-</u>	 <u>1,534,263</u>	 <u>5,907,413</u>
Other assets				
Unemployment insurance reserve	1,566	-	-	1,566
Straight-line rent receivable	-	-	71,232	71,232
Beneficial interest in assets held by Community Foundation of Santa Cruz County	<u>50,473</u>	<u>-</u>	<u>-</u>	<u>50,473</u>
 Total other assets	 <u>52,039</u>	 <u>-</u>	 <u>71,232</u>	 <u>123,271</u>
 Total assets	 <u><u>\$ 5,515,097</u></u>	 <u><u>\$ 8,077</u></u>	 <u><u>\$ 1,864,623</u></u>	 <u><u>\$ 7,387,797</u></u>

THE MUSEUM OF ART AND HISTORY AT THE MCPHERSON CENTER
(A California Public Benefit Corporation)
Schedule of Financial Position - Without Donor Restrictions (continued)
June 30, 2019

	<u>Museum</u>	<u>Supporting Organization</u>	<u>McPherson Center</u>	<u>Total</u>
Current liabilities				
Current portion - note payable	\$ 120,443	\$ -	\$ -	\$ 120,443
Accounts payable	47,322	-	17,257	64,579
Tenant and facilities rental deposits	-	-	28,300	28,300
Deferred revenue	78,768	-	15,251	94,019
Accrued personal time off	<u>48,914</u>	<u>-</u>	<u>-</u>	<u>48,914</u>
 Total current liabilities	 <u>295,447</u>	 <u>-</u>	 <u>60,808</u>	 <u>356,255</u>
Non-current liabilities				
Note payable	<u>391,821</u>	<u>-</u>	<u>-</u>	<u>391,821</u>
 Total liabilities	 <u>687,268</u>	 <u>-</u>	 <u>60,808</u>	 <u>748,076</u>
Net assets, without donor restrictions	<u>4,827,829</u>	<u>8,077</u>	<u>1,803,815</u>	<u>6,639,721</u>
 Total liabilities and net assets	 <u>\$ 5,515,097</u>	 <u>\$ 8,077</u>	 <u>\$ 1,864,623</u>	 <u>\$ 7,387,797</u>

THE MUSEUM OF ART AND HISTORY AT THE MCPHERSON CENTER
(A California Public Benefit Corporation)
Schedule of Activities and Changes in Net Assets - Without Donor Restrictions
For the Year Ended June 30, 2019

	<u>Museum</u>	<u>Supporting Organization</u>	<u>McPherson Center</u>	<u>Total</u>
Revenue and other support				
Contributions	\$ 338,364	\$ -	\$ -	\$ 338,364
Grants	6,000	-	-	6,000
Special events fundraising, net of direct costs	103,561	6,852	-	110,413
Special appeals	40,718	-	-	40,718
Memberships	175,593	9,263	-	184,856
Santa Cruz County contract	154,594	-	-	154,594
Interest income	8,478	5	-	8,483
Museum store sales, net of direct costs	7,867	-	-	7,867
Other revenue	116,936	-	-	116,936
Admissions	63,514	-	-	63,514
Program service fees	160,635	-	-	160,635
Facility rental income	148,480	-	-	148,480
Realized and unrealized gains on investments, net of investment expenses	10,649	-	-	10,649
Net assets released from restrictions	<u>1,064,351</u>	<u>-</u>	<u>-</u>	<u>1,064,351</u>
 Total revenue and other support	 <u>2,399,740</u>	 <u>16,120</u>	 <u>-</u>	 <u>2,415,860</u>
Other income				
Rents McPherson Center	-	-	882,880	882,880
Interest income McPherson Center accounts	-	-	173	173
Expenses related to rents	<u>-</u>	<u>-</u>	<u>(473,068)</u>	<u>(473,068)</u>
 Total other income	 <u>-</u>	 <u>-</u>	 <u>409,985</u>	 <u>409,985</u>
 Total revenue, other support, and other income	 2,399,740	 16,120	 409,985	 2,825,845

THE MUSEUM OF ART AND HISTORY AT THE MCPHERSON CENTER
(A California Public Benefit Corporation)
Schedule of Activities and Changes in Net Assets - Without Donor Restrictions (continued)
For the Year Ended June 30, 2019

	<u>Museum</u>	<u>Supporting Organization</u>	<u>McPherson Center</u>	<u>Total</u>
Expenses				
Program services				
Museum	\$ 2,261,986	\$ 19,775	\$ -	\$ 2,281,761
Supporting services				
Management and general	273,293	-	-	273,293
Development	<u>297,518</u>	<u>-</u>	<u>-</u>	<u>297,518</u>
Total expenses	<u>2,832,797</u>	<u>19,775</u>	<u>-</u>	<u>2,852,572</u>
Revenue and other support, and other income in excess of expenses	(433,057)	(3,655)	409,985	(26,727)
Operating transfers in (out)	<u>496,003</u>	<u>-</u>	<u>(496,003)</u>	<u>-</u>
Change in net assets	62,946	(3,655)	(86,018)	(26,727)
Net assets, beginning of year	<u>4,764,883</u>	<u>11,732</u>	<u>1,889,833</u>	<u>6,666,448</u>
Net assets, end of year	<u>\$ 4,827,829</u>	<u>\$ 8,077</u>	<u>\$ 1,803,815</u>	<u>\$ 6,639,721</u>