

MUSEUM OF VENTURA COUNTY
INDEPENDENT AUDITORS' REPORT
AND FINANCIAL STATEMENTS

FOR THE NINE MONTHS
ENDED JUNE 30, 2019
AND
YEAR ENDED SEPTEMBER 30, 2018

MUSEUM OF VENTURA COUNTY

TABLE OF CONTENTS

	<u>PAGE</u>
Independent Auditors' Report	3 - 4
Financial Statements	
Statements of Financial Position	5
Statements of Activities	6
Statements of Cash Flows	7
Statements of Functional Expenses	8
Notes to Financial Statements	9 - 22

HINRICHER & COUSINO, LLP

Certified Public Accountants

3275 Old Conejo Road Thousand Oaks, California 91320
805-496-1883 | 805-496-5602 | www.hccpasllp.com



INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Museum of Ventura County

We have audited the accompanying financial statements of the Museum of Ventura County (a nonprofit organization) as of June 30, 2019, and September 30, 2018, which comprise the statements of financial position as of June 30, 2019, and September 30, 2018, and the related statements of activities, cash flows, and functional expenses for the nine months, and 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.

Auditors' 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 evaluation of 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 Ventura County as of June 30, 2019, and September 30, 2018, and the changes in its net assets and its cash flows for the nine months, and the year, then ended in accordance with accounting principles generally accepted in the United States of America.

Hinricher & Cousino, LLP

Thousand Oaks, California
January 27, 2020

MUSEUM OF VENTURA COUNTY
STATEMENTS OF FINANCIAL POSITION

ASSETS

	June 30, 2019	September, 30 2018
Cash and cash equivalents	\$ 747,389	\$ 831,617
Grants receivable	262,500	300,000
Pledges receivable, net of present value discount of \$19,354 and \$16,610, respectively	972,785	1,346,443
Bequest receivable	2,149,456	1,318,400
Inventory	4,202	2,353
Prepaid expenses and deposits	47,833	187,793
Investments	3,379,477	3,347,410
Beneficial interest in endowment fund	1,693,265	103,087
Property and equipment, net of accumulated depreciation of \$2,799,378 and \$2,661,418 respectively	4,445,730	4,520,951
	<u>\$ 13,702,637</u>	<u>\$ 11,958,054</u>

LIABILITIES AND NET ASSETS

Liabilities		
Accounts payable	\$ 28,229	\$ 42,572
Accrued expenses	51,095	44,656
Other liabilities	17,797	9,839
Deferred revenue	23,610	151,945
Total liabilities	<u>120,731</u>	<u>249,012</u>
Net assets:		
Net assets without donor imposed restrictions	5,744,540	6,439,517
Net assets with donor imposed restrictions	7,837,366	5,269,525
Total net assets	<u>13,581,906</u>	<u>11,709,042</u>
Total liabilities and net assets	<u>\$ 13,702,637</u>	<u>\$ 11,958,054</u>

See accompanying independent auditors' report and notes to financial statements.

MUSEUM OF VENTURA COUNTY
STATEMENTS OF ACTIVITIES

	For the nine months ended June 30, 2019			For the year ended September 30, 2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Public support and reclassification						
City, county and federal grants	\$ 337,673	\$ -	\$ 337,673	\$ 658,511	\$ -	\$ 658,511
Other grants	110,000	-	110,000	93,950	142,849	236,799
Contributions and bequests	1,309,266	1,306,609	2,615,875	2,022,119	1,440,402	3,462,521
Contributions friends & member campaign	86,800	-	86,800	61,661	-	61,661
Membership dues	75,837	-	75,837	90,807	-	90,807
Community & special events	109,498	-	109,498	86,039	48,000	134,039
Net assets released from restriction	323,430	(323,430)	-	665,198	(665,198)	-
Net assets reclassification	(1,506,053)	1,506,053	-	(72,799)	72,799	-
Total public support	<u>846,451</u>	<u>2,489,232</u>	<u>3,335,683</u>	<u>3,605,486</u>	<u>1,038,852</u>	<u>4,644,338</u>
Revenue						
Sales	31,806	-	31,806	31,440	-	31,440
Special programs & admissions	42,162	-	42,162	47,233	-	47,233
Venue rental net of expenses	43,435	-	43,435	34,053	-	34,053
Investment income	(392)	72,828	72,436	(9,830)	151,800	141,970
Change in value of beneficial interest in endowment fund	-	85,741	85,741	-	5,400	5,400
Total revenue	<u>117,011</u>	<u>158,569</u>	<u>275,580</u>	<u>102,896</u>	<u>157,200</u>	<u>260,096</u>
Total support, reclassification, and revenue	<u>963,462</u>	<u>2,647,801</u>	<u>3,611,263</u>	<u>3,708,382</u>	<u>1,196,052</u>	<u>4,904,434</u>
Expenses						
Program services	1,095,878	-	1,095,878	1,260,808	-	1,260,808
Supporting services						
General and administrative	301,514	-	301,514	403,497	-	403,497
Fundraising	240,747	-	240,747	306,603	-	306,603
Total expenses	<u>1,638,139</u>	<u>-</u>	<u>1,638,139</u>	<u>1,970,908</u>	<u>-</u>	<u>1,970,908</u>
Change in net assets before asset write-offs	(674,677)	2,647,801	1,973,124	1,737,474	1,196,052	2,933,526
Pledges receivable write-off	(20,300)	(79,960)	(100,260)	(36,150)	(6,500)	(42,650)
Change in net assets	(694,977)	2,567,841	1,872,864	1,701,324	1,189,552	2,890,876
Net assets at beginning of year	6,439,517	5,269,525	11,709,042	4,738,193	4,079,973	8,818,166
Net assets at end of year	<u>\$ 5,744,540</u>	<u>\$ 7,837,366</u>	<u>\$ 13,581,906</u>	<u>\$ 6,439,517</u>	<u>\$ 5,269,525</u>	<u>\$ 11,709,042</u>

See accompanying independent auditors' report and notes to financial statements.

MUSEUM OF VENTURA COUNTY
STATEMENTS OF CASH FLOWS

	For the nine months ended June 30, 2019	For the year ended September 30, 2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 1,872,864	\$ 2,890,876
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	137,960	182,379
Change in value of beneficial interest in endowment fund	(85,741)	(26,598)
Pledges discounts	2,744	2,600
Realized and Unrealized (gains)/losses on investments	(42,109)	(114,242)
Pledges receivable write-off	100,260	42,650
(Increase) decrease in:		
Grants receivable	37,500	(218,307)
Pledges receivable	270,654	(449,916)
Bequests receivable	(831,056)	(1,318,400)
Inventory	(1,849)	3,180
Prepaid expenses and deposits	139,960	(133,424)
Increase (decrease) in:		
Accounts payable	(14,343)	(633)
Accrued expenses	6,439	6,401
Other liabilities	7,958	3
Deferred revenue	(128,335)	144,460
NET CASH PROVIDED BY OPERATING ACTIVITIES	1,472,906	1,011,029
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(62,739)	(49,937)
Purchases of investments	(444,604)	(604,313)
Proceeds from sales of investments	454,646	139,352
NET CASH USED IN INVESTING ACTIVITIES	(52,697)	(514,898)
CASH FLOWS FROM FINANCING ACTIVITIES		
Investment in beneficial interest in endowment fund	(1,506,053)	-
Distributions from beneficial interest in endowment fund	1,616	-
NET CASH USED IN FINANCING ACTIVITIES	(1,504,437)	-
Total increase (decrease) in cash and cash equivalents	(84,228)	496,131
Cash and cash equivalents at beginning of year	831,617	335,486
Cash and cash equivalents at end of year	\$ 747,389	\$ 831,617
RECONCILIATION OF CASH AND RESTRICTED CASH:		
Cash - operatons	\$ 338,772	\$ 407,225
Cash - restreicted	408,617	424,392
	\$ 747,389	\$ 831,617
Supplemental information and disclosure:		
Interest paid	\$ -	\$ -
Income taxes paid	\$ -	\$ -
Non-cash transactions:		
Pledge payments and donations made by stock	\$ 97,927	\$ 151,487
Non-cash contributions	\$ -	\$ 15,410

See accompanying independent auditors' report and notes to financial statements.

MUSEUM OF VENTURA COUNTY
STATEMENTS OF FUNCTIONAL EXPENSES

	For the nine months ended June 30, 2019				For the year ended September 30, 2018			
	Program Services	Management & General	Fundraising	Total	Program Services	Management & General	Fundraising	Total
Salaries and related								
Salaries and wages	\$ 430,999	\$ 156,722	\$ 133,679	\$ 721,400	\$ 360,493	\$ 219,382	\$ 133,626	\$ 713,501
Employee benefits	73,745	26,816	22,873	123,434	59,136	35,988	21,920	117,044
Total salaries and related	<u>504,744</u>	<u>183,538</u>	<u>156,552</u>	<u>844,834</u>	<u>419,629</u>	<u>255,370</u>	<u>155,546</u>	<u>830,545</u>
Contract Services	-	22,000	6,175	28,175	7,725	9,500	64,213	81,438
Cost of sales	21,383	-	-	21,383	29,489	-	-	29,489
Exhibit, collection and program	81,089	-	-	81,089	147,357	-	-	147,357
Community programs	33,983	-	-	33,983	58,802	-	-	58,802
Computer and IT costs	10,448	28,732	8,912	48,092	23,178	14,105	8,591	45,874
Fundraising	-	-	16,003	16,003	-	-	19,824	19,824
Marketing and publications	36,453	-	11,306	47,759	104,907	-	-	104,907
Occupancy	160,168	12,887	11,046	184,101	209,328	16,842	14,436	240,606
Professional fees	-	24,230	-	24,230	-	41,243	-	41,243
Property taxes	13,958	1,123	963	16,044	18,074	1,454	1,246	20,774
Miscellaneous	<u>113,627</u>	<u>19,347</u>	<u>21,512</u>	<u>154,486</u>	<u>83,649</u>	<u>52,216</u>	<u>31,805</u>	<u>167,670</u>
Total operating expenses before depreciation	975,853	291,857	232,469	1,500,179	1,102,138	390,730	295,661	1,788,529
Depreciation	<u>120,025</u>	<u>9,657</u>	<u>8,278</u>	<u>137,960</u>	<u>158,670</u>	<u>12,767</u>	<u>10,942</u>	<u>182,379</u>
Total expenses	<u>\$1,095,878</u>	<u>\$ 301,514</u>	<u>\$ 240,747</u>	<u>\$1,638,139</u>	<u>\$1,260,808</u>	<u>\$ 403,497</u>	<u>\$ 306,603</u>	<u>\$1,970,908</u>

See accompanying independent auditors' report and notes to financial statements.

MUSEUM OF VENTURA COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2019 and September 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization

The Museum of Ventura County (the "Museum"), a charitable corporation, was originally incorporated in 1957 under the name of the Ventura County Historical Society. The name Museum of Ventura County was officially adopted in 2007. The mission of the Museum is to celebrate, preserve and interpret the art, history and culture of Ventura County, the California Channel Islands and the surrounding region through collections, exhibitions, events, education programs, publications and its research library, and to serve as a gathering place for the community. The Museum is governed by an eleven-member Board of Directors and is administered by a Chief Executive Officer.

Collections

The Museum first opened in 1913, to display the artifact collections of pioneer Dr. Cephas Bard. Over the intervening years, the collections have grown to include over 30,000 artifacts relating to the history of Ventura County from prehistory to the present, over 120,000 books, photographs, documents, maps and periodicals in the Research Library collection, and over 1,000 artworks by regional artists including the 200-piece collection of George Stuart Historical Figures.

Change in Fiscal Period

The Museum has elected to change its reporting period from September 30 year end to June 30 year end. As a result of this change, the current period is only for nine months. Future financial statements will be for the year ended June 30 beginning with the year ended June 30, 2020.

Financial Statement Presentation

The Museum reports information regarding its financial position and activities according to two classes of net assets: net assets without donor imposed restrictions and net assets with donor imposed restrictions.

When a restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor imposed restrictions are reclassified to net assets without donor imposed restrictions and reported in the statement of activities as "net assets released from restrictions".

Fair Value Measurement

The carrying amounts of all financial instruments presented on the statement of financial position approximated their fair value as of June 30, 2019 and September, 30 2018.

MUSEUM OF VENTURA COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2019 and September 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Donated Collection Items

In accordance with Generally Accepted Accounting Principles (“GAAP”), the Museum does not capitalize donated works of art or recognize them as revenues or gains. Such donations need not be recognized if they are added to collections that are held for public exhibitions, education, or research for the purpose of public service rather than financial gain; are protected, kept unencumbered, cared for, preserved and are subject to a policy that requires the proceeds from the sale of collection items (deaccessioned objects) to be used for the acquisition of other collection items.

Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, the Museum considers all restricted highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Pledges Receivable

Contributions, including promises to give, are recognized as revenues in the period the pledge is received. All contributions are available for unrestricted use unless specifically restricted by the donor. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Unconditional promises to give due in subsequent years are reported at the present value of their net realizable value, using risk-free interest rates applicable to the years in which promises are to be received.

Pledges receivable that are not expected to be received in less than one year are discounted in accordance with GAAP. The discount interest rate used is approximately 1.5%.

Inventory

Inventories, which consist of retail merchandise, are valued at the lower of cost (FIFO - first-in, first-out) or market.

Property and Equipment

Property and equipment with service lives extending over one year are recorded at cost if purchased, or fair value if contributed, and depreciated over their estimated useful lives, ranging from three to forty years, using the straight-line method. Minor additions and improvements are expensed in the year incurred. The Museum capitalizes all property and equipment valued greater than \$5,000.

MUSEUM OF VENTURA COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2019 and September 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Endowment Funds and Investment Policy

The Museum's Board of Directors recommends all investment policies for its endowment funds. Currently, the Board's goal is to ensure that capital is preserved, and simultaneously ensure that the Museum's mission is fulfilled. Thus, the Museum's return objectives are to generate investment income sufficient to support the Museum's mission and to cover for inflation over time. The Museum's endowed investments are managed by professional investment managers, and the Museum's endowments are invested in a prudently diverse portfolio.

Deferred Revenue

The balance in the deferred revenue accounts at June 30, 2019 and September 30, 2018, represents deposits paid by community members to reserve the museum's event facility for weddings, memorials and other gatherings.

Donated Assets and Services

Donated marketable securities and other non-cash donations are recorded as contributions at their estimated fair values at the date of donation.

The Museum records donated services that either a) create or enhance a nonfinancial asset, or b) require specialized skills and are provided by persons possessing those skills (and would need to be purchased if they were not donated), at their fair value. These amounts are reported as unrestricted contributions on the statement of activities.

Volunteers, acting-as docents, office workers, and gift shop personnel, contributed approximately 2,748 and 3,665 hours of time to the Museum for the nine months ended June 30, 2019, and the year ended September 30, 2018, respectively. The value of this contributed time is not reflected in these financial statements.

Functional Allocation of Expenses

Directly identifiable expenses are charged to programs and supporting activities. Expenses related to more than one function are allocated to programs and supporting services based on the ratio of each activity's direct salary costs to total direct salary costs for all activities. These are called shared costs and include utilities, occupancy, telephone, and technology.

Advertising

Advertising costs are expensed as incurred.

MUSEUM OF VENTURA COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2019 and September 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of Estimates

The preparation of financial statements in conformity with Generally Accepted Accounting Principles 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 these estimates. Significant estimates used in preparing these financial statements include:

- Allocation of certain expenses by function
- Depreciable lives and estimated residual value of property and equipment
- Allowance for doubtful pledges receivable
- Present value discount for pledges and grants receivable

Income Taxes

The Museum is a not-for-profit organization that is generally exempt from federal and California income taxes under Section 501(c)(3) and Section 23701d, respectively. In addition, the Museum has been classified as an organization that is not a private foundation under Section 590(a)(1). Income that is not related to exempt purposes, less applicable deductions, is subject to Federal and state corporate income taxes. The Museum did not have any unrelated business income taxes for the nine months ended June 30, 2019 and for the year ended September 30, 2018.

Income tax benefits are recognized for income tax positions taken or expected to be taken in a tax return, only when it is determined that the income tax position will more-likely-than-not be sustained upon examination by taxing authorities. The Museum has analyzed tax positions taken on filings with the Internal Revenue Service and State of California. The Museum believes that income tax filing positions will be sustained upon examination and does not anticipate any adjustments that would result in a material adverse effect on the Museum's financial condition, results of operations or cash flows. Accordingly, the Museum has not recorded any reserves, or related accruals for interest and penalties for uncertain income tax positions at June 30, 2019 and September 30, 2018.

The Museum is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any periods in progress. The Museum believes it is no longer subject to income tax examinations for years prior to tax year 2015.

MUSEUM OF VENTURA COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2019 and September 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Application of New Accounting Standard

In August 2016, the Financial Accounting Standard Board (“FASB”) issued ASU 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities (Topic 958)*. This new standard requires that all not-for-profit entities present two classes of net assets as *Net Assets Without Donor Restrictions* and *Net Assets With Donor Imposed Restrictions* on the Statement of Financial Position and Statement of Activities. Previous requirements were to present three classes of net assets: *Unrestricted*, *Temporarily Restricted*, and *Permanently Restricted*. Additionally, all not-for-profit entities must disclose the composition of net assets with donor imposed restrictions and how the restrictions affect the use of resources.

The new standard requires all not-for profit entities to disclose both qualitative and quantitative information that communicates the availability of the not-for-profit’s financial assets to meet the cash needs for general expenditures within one year of the date of the Statement of Financial Position.

The new standard requires all not-for-profit entities to present amounts of expenses by both their natural classification and functional classification and to disclose the method used to allocate costs among program and support functions.

The new standard requires all not-for-profit entities to provide enhanced disclosures for the amounts and purposes of governing board designations, appropriations and similar actions that result in self-imposed limits on the use of resources.

The new pronouncement is effective for annual financial statements issued for fiscal years beginning after December 31, 2017. Accordingly, the new pronouncements were retrospectively applied resulting in reporting two classes of net assets, and the addition of footnote disclosures for the qualitative and quantitative information of available financial resources to meet cash needs and the method used to allocate costs among program and supporting functions. The Museum has already been presenting a Statement of Functional Expenses as part of its basic financial statements.

MUSEUM OF VENTURA COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2019 and September 30, 2018

NOTE 2 - FAIR VALUE MEASUREMENTS

The carrying amounts of financial instruments, including cash, investments and promises to give, have the following approximate fair value as of June 30, 2019 and September 30, 2018:

	<u>Fair Value</u>	<u>2019</u>	
		<u>Quoted Prices in Active Markets (Level One)</u>	<u>Significant Unobservabl e Inputs (Level Three)</u>
Cash and Certificates of Deposit	\$ 747,389	\$ 747,389	\$ -
Bonds	1,103,916	1,103,916	-
Stocks, mutual funds & money markets	2,275,561	2,275,561	-
Interest in assets held at VCCF	1,693,265	-	1,693,265
Pledges receivable, net	972,785	-	972,785
Grants receivable, net	262,500	-	262,500
Bequest receivable	2,149,456	-	2,149,456
	<u>\$ 9,204,872</u>	<u>\$ 4,126,866</u>	<u>\$ 5,078,006</u>
		<u>2018</u>	
	<u>Fair Value</u>	<u>Quoted Prices in Active Markets (Level One)</u>	<u>Significant Unobservabl e Inputs (Level Three)</u>
Cash and Certificates of Deposit	\$ 831,617	\$ 831,617	\$ -
Bonds	1,054,028	1,054,028	-
Stocks, mutual funds & money markets	2,293,382	2,293,382	-
Interest in assets held by VCCF	103,087	-	103,087
Pledges receivable, net	1,346,443	-	1,346,443
Grants receivable, net	300,000	-	300,000
Bequest receivable	1,318,400	-	1,318,400
	<u>\$ 7,246,957</u>	<u>\$ 4,179,027</u>	<u>\$ 3,067,930</u>

GAAP establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 consists of unadjusted quoted prices in active markets for identical assets and has the highest priority, and Level 3 inputs have the lowest priority.

The Museum uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. When available, the Museum measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value.

MUSEUM OF VENTURA COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2019 and September 30, 2018

NOTE 2 - FAIR VALUE MEASUREMENTS (Continued)

Level 1 - Fair Value Measurements

The fair value of corporate stock, mutual funds, and bonds, are based on quoted net asset values of the shares held by the Museum at the year end.

Level 3 - Fair Value Measurements

The following table are assets that are not actively traded and significant other observable inputs are not available. Thus, the fair value of pledges receivable is equal to the present value of the pledges receivable using a discount factor based on the U.S. Treasury risk free rate of return. The following table provides further details of the Level 3 fair value measurements.

Fair value measurements using significant unobservable inputs (Level 3)

	June 30, 2019			
	Pledges Receivable	Grants Receivable	Bequest Receivable	Assets in VCCF
Beginning balance	\$ 1,346,443	\$ 300,000	\$ 1,318,400	\$ 103,087
Additional pledges, grants, and bequest	-	187,500	2,428,571	1,506,053
Pledge, grant, and bequest payments received	(270,654)	(225,000)	(1,597,515)	(1,616)
Pledge receivable write-off	(100,260)	-	-	-
Change in present value discount	(2,744)	-	-	-
Gain or loss included in change of net assets	-	-	-	85,741
Ending balance	<u>\$972,785</u>	<u>\$ 262,500</u>	<u>\$2,149,456</u>	<u>\$ 1,693,265</u>

	September 30, 2018			
	Pledges Receivable	Grants Receivable	Bequest Receivable	Assets in VCCF
Beginning balance	\$ 941,777	\$ 81,693	\$ -	\$ 76,489
Additional pledges & grants	800,208	300,000	1,798,400	24,881
Pledge & grant payments received	(350,292)	(81,693)	(480,000)	(3,683)
Pledge receivable write-off	(42,650)	-	-	-
Change in present value discount	(2,600)	-	-	-
Gain or loss included in change of net assets	-	-	-	5,400
Ending balance	<u>\$ 1,346,443</u>	<u>\$ 300,000</u>	<u>\$ 1,318,400</u>	<u>\$ 103,087</u>

MUSEUM OF VENTURA COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2019 and September 30, 2018

NOTE 3 - UNCONDITIONAL PROMISES TO GIVE

The Museum had unconditional promises to give from the Expansion Fund, the Ag Museum Capital Campaign, The Dream Makers Campaign and the Second Century Campaign of \$972,785 and \$1,646,443 at June 30, 2019 and September 30, 2018, respectively. Included in grants receivable are \$200,000 and \$300,000 at June 30, 2019 and September, 30, 2018, respectively, that are receivable in two to five years. Estimated collections on the grants and pledges receivable are as follows:

	<u>2019</u>	<u>2018</u>
Receivable in one year or less	\$ 559,532	\$ 670,659
Receivable in two to five years	632,608	992,394
	<u>1,192,140</u>	<u>1,663,053</u>
Less net present value discount	(19,355)	(16,610)
Net grants and pledges receivable	<u>\$ 1,172,785</u>	<u>\$ 1,646,443</u>

NOTE 4 - BEQUEST RECEIVABLE

During the nine months ended June 30, 2019, and the year ended September 30, 2018, the Museum was notified that it was the beneficiary of two significant estates. The Museum's share of the estate values were \$2,428,571 and \$1,798,400 respectively. At June 30, 2019, and September 30, 2018, outstanding bequests receivable were \$2,149,456 and \$1,318,400, respectively.

NOTE 5 - PROPERTY AND EQUIPMENT

Property and equipment at June 30, 2019, and September 30, 2018, consists of:

	Estimated Life	<u>2019</u>	<u>2018</u>
Buildings and improvements	10 – 40 Years	\$ 6,616,724	\$ 6,584,005
Equipment	3 – 10 Years	628,384	598,364
		<u>7,245,108</u>	<u>7,182,369</u>
Less: Accumulated depreciation		(2,799,378)	(2,661,418)
		<u>\$ 4,445,730</u>	<u>\$ 4,520,951</u>

Depreciation expense for the nine months ended June 30, 2019, and the year ended September 30, 2018, was \$137,960 and \$182,379, respectively.

MUSEUM OF VENTURA COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2019 and September 30, 2018

NOTE 6 - INVESTMENTS

	2019		
	Cost	Fair Market Value	Unrealized Gain/(Loss)
Bonds	\$ 1,076,885	\$ 1,103,916	\$ 27,031
Stocks, mutual funds and money market	2,148,324	2,275,561	127,237
	<u>\$ 3,225,209</u>	<u>\$ 3,379,477</u>	<u>\$ 154,268</u>

	2018		
	Cost	Fair Market Value	Unrealized Gain/(Loss)
Bonds	\$ 1,066,779	\$ 1,054,028	\$ (12,751)
Stocks, mutual funds and money market	2,140,144	2,293,382	153,238
	<u>\$ 3,206,923</u>	<u>\$ 3,347,410</u>	<u>\$ 140,487</u>

The following schedule summarizes the investment income/(losses) for the nine months ended June 30, 2019, and the year ended September 30, 2018

	2019	2018
Interest and dividends	\$ 30,695	\$ 37,001
Realized and unrealized gains/(losses)	42,109	114,242
Other investment income	29,364	28,670
Investment expenses	(29,732)	(37,943)
	<u>\$ 72,436</u>	<u>\$ 141,970</u>

NOTE 7 - LOAN FROM PERMANENTLY RESTRICTED ENDOWMENT FUND

During the year ended September 30, 2011, the board of directors approved limited borrowing from the Endowment Fund to cover necessary operating expenses. This was a result of the adverse economic conditions which significantly affected unrestricted donations over the past several years. The total amount borrowed was \$100,000. Repayment terms of the note include interest only payments at the rate of the greater of 2% per annum or the actual average annual rate of return, determined on a fiscal year basis, on all investments in the Museum of Ventura County Endowment Fund. On September 30, 2016, by unanimous vote of the Board of Directors, the terms of the note were extended an additional five years. At June 30, 2019, and September 30, 2018, all repayment terms have been met, and the note principal balance was \$0 and \$53,400, respectively.

MUSEUM OF VENTURA COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2019 and September 30, 2018

NOTE 8 - DEACCESSED COLLECTION ITEMS

For the nine months ended June 30, 2019, and the year ended September 30, 2018, there were no collection items of material value that were deaccessed.

NOTE 9 - BENEFICIAL INTEREST IN ENDOWMENT FUND

In prior years, the Museum transferred \$20,000 to Ventura County Community Foundation (“VCCF”) to establish an endowment to benefit the Museum's charitable and educational purposes. Additionally, in 1992 the Museum established a charitable endowment at VCCF to provide grants to artists using funds transferred to the Museum upon the dissolution of the “Forum of the Arts”.

Under the terms of both agreements the Museum can request an annual payout from the Foundation up to a limit set forth by the Board of Directors of VCCF (currently the amount is based on the fund's annual earnings, net of fees). These funds are held by VCCF as VCCF's component fund and VCCF has the variance power to these funds. That power gives the VCCF the right to distribute the investment income to another not-for-profit organization of its choice if the Museum ceases to exist or if the governing board of the Foundation votes that support of the Museum (a) is no longer necessary or (b) is inconsistent with the needs of the Ventura County Community.

VCCF is the legal owner of all assets held in the component fund and while the Museum cannot withdraw any portion of the amount transferred and any appreciation on those transferred assets, for reporting purposes, these funds are reported as an asset of the Museum in conformity with accounting principles accepted in the United States of America.

The endowment funds balance at June 30, 2019, and September 30, 2018, was \$1,693,265 and \$103,087, respectively, and net investment income for the years then ended were \$85,741 and \$5,400, respectively. Under direction from the Board of Directors all donor restricted endowment funds will be transferred to VCCF for management and investment. As of June 30, 2019, a total of \$1,506,053 has been moved. Distributions from the endowment funds for the nine months ended June 30, 2019, were \$1,616.

During the year ended September 30, 2018, management became aware that the original principal and change in value from prior years for the beneficial interest in endowment fund held at VCCF was not properly reported as permanently restricted and temporarily restricted, respectively. Therefore, included in the September 30, 2018, Statements of Activities is a reclassification from net assets without donor imposed restrictions to net assets with donor imposed restrictions for \$25,185 for prior years change in value and to net assets with donor imposed restrictions for \$47,614 for the original principal gift to the endowment fund.

MUSEUM OF VENTURA COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2019 and September 30, 2018

NOTE 10 - ENDOWMENT FUNDS HELD BY VENTURA COUNTY COMMUNITY FOUNDATION

The Ventura County Community Foundation holds and manages several endowment funds for the benefit of the Museum. The Museum is entitled to the income produced by the endowment funds annually. VCCF has variance power of the endowment funds and is the owner of the endowment funds. Variance power provides that if the board of directors of VCCF, in its sole judgement, determines that the endowment funds become unnecessary, incapable of fulfillment, or inconsistent with the needs of the community served by VCCF, the VCCF board of directors shall modify any restriction or condition on the use or distribution of the income and principal of the endowment funds.

The endowment funds annual distributions to the Museum are as follows:

	<u>2019</u>	<u>2018</u>
VCMHA Smith Gallery Endowment Fund	\$ 7,381	\$ 7,427
The Berry Research Library Endowment Fund	12,645	12,674
The Myra and Ronald Bank Family Fund	3,133	-
The Barbara Barnard Smith Museum of Ventura County Executive Director Fund	25,000	25,000

NOTE 11 - LEASE OBLIGATIONS

The Museum entered into an agreement to lease the land on which the Museum is built from the City of San Buenaventura. The term of the lease is ninety-nine years commencing September 1, 1975, and the annual rent is one dollar.

Effective December 2006, the Museum entered into an agreement with the Ventura County Transportation Commission to lease the historic Mill building and underlying property in Santa Paula for the sole purpose of operating and maintaining a Farm Heritage Museum. The term of the lease is ninety-nine years commencing from the date of the Notice to Occupancy, and the annual rent is one dollar.

On September 10, 2018, the Museum entered into a three-year lease for office space in the city of Ventura for the conservation and storage of the Museum's art collection. The monthly lease payments are \$1,740. The lease expires September 30, 2021.

On November 3, 2017 the Museum entered into an eleven-month lease for office space in the city of Camarillo. The monthly lease payments are \$3,700. The lease expired on September 30, 2018.

MUSEUM OF VENTURA COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2019 and September 30, 2018

NOTE 11 - LEASE OBLIGATIONS (Continued)

The Museum also rents various storage facilities for its art and library collections and other items at a cost of \$27,690 and \$52,480, respectively, for the nine months ended June 30, 2019, and 2018. Future minimum lease payments as of September 30, 2019, are as follows:

Years Ending June 30,	Amount
2020	\$ 20,882
2021	20,882
2022	5,222
2023	2
2024	2
Thereafter	136
	\$ 47,126

NOTE 12 - NET ASSETS WITH DONOR IMPOSED RESTRICTIONS

At June 30, 2019, and September 30, 2018, net assets with donor imposed restrictions are restricted for the follow purposes:

	2019	2018
Subject to expenditure for a specified purpose:		
Donor restrictions – Operating Fund	\$ 347,943	\$ 256,235
Ag Museum Activities – Ag Operating and Museum Funds	205,805	205,805
Ag Museum Activities – Ag Endowment Fund	78,722	76,209
Building expansion – Expansion Fund	312,138	392,073
Art-related activities – McFarland Fund	63,889	90,114
Museum activities – Endowment Fund	365,487	444,154
Collectors Council	55,519	55,508
Beneficial interest in Endowment Fund	114,711	30,585
	1,544,214	1,550,683
Subject to restrictions in perpetuity:		
Art related activities – McFarland Fund	722,599	722,599
Museum activities – Endowment Fund	3,869,706	2,837,356
Ag Museum activities – Ag Endowment	122,293	86,386
Beneficial interest in Endowment Fund	1,578,554	72,501
	6,293,152	3,718,842
Total net assets with donor imposed restrictions	\$ 7,837,366	\$ 5,269,525

MUSEUM OF VENTURA COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2019 and September 30, 2018

NOTE 12 - NET ASSETS WITH DONOR IMPOSED RESTRICTIONS (Continued)

During the nine months ended June 30, 2019, and the year ended September 30, 2018, the following net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose specified by donors:

	2019	2018
Donor restrictions – Operating and Ag Fund	\$ 174,844	\$ 505,983
Endowment earnings	108,703	102,706
Art related activities	38,267	56,509
Distribution from Beneficial interest in Endowment Fund	1,616	-
	\$ 323,430	\$ 665,198

NOTE 13 - CONCENTRATION OF CREDIT RISK

Financial instruments that potentially subject the Museum to concentrations of credit risk consist principally of cash and cash equivalent accounts in financial institutions. Deposits at times may exceed amounts covered by insurance provided by the U. S. Federal Deposit Insurance Corporation (FDIC) of \$250,000. Management believes there is no significant risk with respect to these deposits.

NOTE 14 - COUNTY AND CITY OF VENTURA GRANT REQUIREMENTS

During the year ended September 30, 2018, the Museum entered into separate funding agreements with the city of Ventura and the county of Ventura. These agreements require that the Museum, among other things, increase revenue and visitors by 5% each fiscal year, and complete certain financial and non-financial goals by September 30, 2018 and 2019, including, but not limited to, the following:

- Initiate efforts to hire a project archivist
- Relocate items housed in storage units
- Develop a plan for archiving certain collections and make substantial progress

Additionally, the Museum must meet certain financial goals by June 30, 2019, as follows:

- Secure additional endowment gifts amounting to \$1,000,000
- Increase earned revenue by 50% or approximately \$80,000
- Secure 200 new donors
- Secure at least \$45,000 in corporate memberships/sponsors

MUSEUM OF VENTURA COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2019 and September 30, 2018

NOTE 14 - COUNTY AND CITY OF VENTURA GRANT REQUIREMENTS (Continued)

The City and County of Ventura have the right to review the outcomes of these goals and if the City and County of Ventura deem that the Museum has not met the goals in a timely manner, or if the Museum misses any established goals for three or more calendar quarters or misses multiple goals for two or more calendar quarters, the City and County have the right to terminate the grant agreement.

As part of the grant with the County of Ventura, the Museum was provided office space at 77 California Street in the city of Ventura, CA. The space is provided free of charge for the term of the contract with the County. The space is provided by the County for the Museum to catalog, archive and preserve certain County records entrusted to the Museum by the County.

As of the date of these financial statements management believes the Museum has met all of the established goals in the grant agreements.

NOTE 15 - LIQUIDITY AND AVAILABILITY OF FUNDS

The Museum monitors its liquidity so that it is able to meet its operating needs and other contractual commitments while maximizing the investment of its excess operating cash. The Museum has \$338,772 of unrestricted cash that could readily be made available within one year of the statement of financial position to fund expenses.

In addition to financial assets available to meet general expenditures over the year, the Museum operates with a balanced budget and anticipates covering its general expenditures through donations and grants from the general public, membership dues, fundraising events, and investment return.

NOTE 16 - EVALUATION OF SUBSEQUENT EVENTS

Subsequent events have been evaluated through January 27, 2020, the date the financial statements were available to be issued; management has determined there are no events subsequent to the date of the financial statements that require accrual or disclosure in these financial statements