

**ARMENIAN AMERICAN MUSEUM AND CULTURAL CENTER OF CALIFORNIA**

Financial Statements

December 31, 2019

(With Independent Auditors' Report Thereon)

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
Armenian American Museum and Cultural Center of California  
Glendale, CA

We have audited the accompanying financial statements of Armenian American Museum and Cultural Center of California (a nonprofit organization), which comprise the statement of financial position as of December 31, 2019, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

### Management's Responsibility for the Financial Statements

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

### 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 auditors' judgment, including the assessment of the risks of material misstatement of the combined financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider 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 Armenian American Museum and Cultural Center of California as of December 31, 2019, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.



Pasadena, California  
July 28, 2021

**ARMENIAN AMERICAN MUSEUM AND CULTURAL CENTER OF CALIFORNIA**  
**STATEMENT OF FINANCIAL POSITION**  
**DECEMBER 31, 2019**

**ASSETS**

Current assets:		
Operating cash	\$	<u>1,802,628</u>
Cash and cash equivalents		1,802,628
Investments		<u>48,968</u>
Total current assets		1,851,596
Construction in progress		<u>1,076,382</u>
Total assets	\$	<u><u>2,927,978</u></u>

**LIABILITIES AND NET ASSETS**

Current liabilities:		
Accounts payable	\$	<u>675,998</u>
Total current liabilities		<u>675,998</u>
Net assets:		
Net assets without donor restrictions		<u>2,251,980</u>
Total net assets		<u>2,251,980</u>
Total liabilities and net assets	\$	<u><u>2,927,978</u></u>

**ARMENIAN AMERICAN MUSEUM AND CULTURAL CENTER OF CALIFORNIA  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2019**

Changes in net assets:

Revenue and support:	
Contributions	\$ 1,291,069
Event donations	655,119
Government grants	<u>554,000</u>
Total revenue and support	<u>2,500,188</u>
Expenses:	
Program	37,390
Fundraising	717,252
Management and general	<u>93,858</u>
Total expenses	<u>848,500</u>
Net operating loss	<u>1,651,688</u>
Change in net assets	1,651,688
Net assets - beginning of year	<u>600,292</u>
Net assets - end of year	<u><u>\$ 2,251,980</u></u>

The accompanying notes are an integral part of this financial statement.

**ARMENIAN AMERICAN MUSEUM AND CULTURAL CENTER OF CALIFORNIA  
SCHEDULE OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2019**

	<u>Program</u>	<u>Fundraising</u>	<u>Management and General</u>	<u>Total</u>
Salaries and wages - officers	\$ 33,250	\$ 19,950	\$ 13,300	\$ 66,500
Salaries and wages - other	-	48,101	26,084	74,185
Worker's compensation insurance	1,181	2,418	1,399	4,998
Payroll processing	326	668	386	1,380
Payroll taxes	2,633	5,389	3,119	11,141
Accounting and legal	-	-	1,875	1,875
Advertising and promotion	-	96,373	-	96,373
Bank service charges	-	-	205	205
Bookkeeping	-	-	4,077	4,077
Donation processing fees	-	16,519	-	16,519
Event expenses	-	457,114	-	457,114
Insurance	-	-	1,581	1,581
Other	-	1,720	-	1,720
Professional fees	-	69,000	-	69,000
Rent	-	-	27,380	27,380
Supplies	-	-	6,514	6,514
Software and subscriptions	-	-	7,938	7,938
	<u>\$ 37,390</u>	<u>\$ 717,252</u>	<u>\$ 93,858</u>	<u>\$ 848,500</u>
	4%	85%	11%	100%

The accompanying notes are an integral part of this financial statement.

**ARMENIAN AMERICAN MUSEUM AND CULTURAL CENTER OF CALIFORNIA**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

Cash flows provided by operating activities:	
Change in net assets	\$ 1,651,688
Changes in:	
Prepaid expenses	90,970
Accounts payable and accrued expenses	<u>635,998</u>
Net cash provided by operating activities	<u>2,378,656</u>
Cash flows used for investing activities:	
Purchase of property and equipment	(963,044)
Purchase of investments	<u>(48,968)</u>
Net cash used for investing activities	<u>(1,012,012)</u>
Change in cash and cash equivalents	1,366,644
Cash and cash equivalents at beginning of year	<u>435,984</u>
Cash and cash equivalents at end of year	<u><u>\$ 1,802,628</u></u>

The accompanying notes are an integral part of this financial statement.

**ARMENIAN AMERICAN MUSEUM AND CULTURAL CENTER OF CALIFORNIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

**1. NATURE OF ACTIVITIES AND FORM OF ORGANIZATION**

**Organization**

The Armenian American Museum and Cultural Center of California (AAMCCC), a nonprofit 501(c)(3) organization, was founded to develop, build, manage, and operate a museum and cultural center and related programs to educate the public on the Armenian-American story and empower individuals to embrace cultural diversity and speak out against prejudice.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Basis of Accounting**

The Organization prepares its financial statements on the accrual basis of accounting in accordance with generally accepted accounting principles in the United States of America.

**Basis of Presentation**

Contributions received are recorded as without donor restrictions or with donor restrictions, depending on the existence or nature of any donor restrictions. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the reporting period in which the donation is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

The financial statement presentation is in accordance with the Financial Accounting Standards Board Accounting Standards Codification (FASB ASC) 958, Not-for-Profit Entities, as amended by Accounting Standards Update (ASU) 2016-14. Under FASB ASC 958, as amended, the Organization is required to report information regarding its financial position and activities according to two classes of net assets: those without donor restrictions and those with donor restrictions.

Net assets without donor restrictions are those net assets that are not subject to donor imposed restrictions.

Net assets with donor restrictions are subject to donor stipulations that limit the use of their contributions. Donor restrictions may result in temporarily restricted net assets, where the use of contributions is limited by donor-imposed stipulations that either expire by the passage of time or when used for specified purposes. Donor restrictions may also result in permanently restricted net assets, where the donor stipulations neither expire by the passage of time nor can be fulfilled or otherwise removed by the Organization's actions. At December 31, 2019, the Organization does not have any restricted net assets.

**Cash and Cash Equivalents**

For purposes of the statements of cash flows, cash equivalents include time deposits, money market funds and all highly liquid debt instruments purchased with maturities of three months or less.



**ARMENIAN AMERICAN MUSEUM AND CULTURAL CENTER OF CALIFORNIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**  
**(continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Uninsured Cash Balances**

The Organization maintains balances in its checking and saving accounts at various financial institutions, which periodically exceed the federally insured limits. Management does not believe the risk of losses from amounts in excess of insured limits would be material.

**Investments**

Investments are reported at fair value. Interest and dividend income are recorded when earned, on the ex-dividend date. Investment gains and losses are recorded based on the trade date. Investment income is reported in the combined statements of activities as increases or decreases in net assets without donor restrictions unless their use is restricted by donor stipulations or by law.

**Construction in Progress**

Construction in progress is carried at cost and will be depreciated when the projects are completed and placed in service.

**Fair Value of Financial Instruments**

The Organization has financial instruments whereby the fair value of the financial instruments could be different than that recorded on a historical basis on the accompanying statement of financial position. The Organization's financial instruments consist of such items as operating cash, investments, accounts payable and accrued expenses. The carrying amounts of the Organization's financial instruments generally approximate their fair values at December 31, 2019.

**Donated Assets and Services**

Non-cash donations are recorded as contributions at their estimated fair values at the date of donation. Contributions of services are recognized if the services received create or enhance nonfinancial assets or require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. No services were donated during the years ending December 31, 2019.

**Functional Allocation of Expenses**

The Organization allocates its expenses on a functional basis among its programs and support services. Expenses that can be identified with a specific program or support service are allocated directly according to their natural expenditure classification. Other expenses common to several functions are allocated using various appropriate methods.

**ARMENIAN AMERICAN MUSEUM AND CULTURAL CENTER OF CALIFORNIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**  
(continued)

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Income Taxes**

The Organization follows the provisions of FASB ASC *Accounting for Uncertainty in Income Taxes*, which prescribes a minimum recognition threshold and measurement methodology for tax positions taken, or expected to be taken, in a tax return prior to recognition in the financial statements. The standard also provides guidance for derecognition, classification, interest and penalties, and accounting in interim periods and disclosure.

The Organization is exempt from federal income tax under the provisions of Section 501(c)(3) of the Internal Revenue Code, and California Revenue and Taxation Code Section 23701d, except on net income derived from unrelated business income. Management believes that it has appropriate support for the positions taken on its tax returns and that the exempt status would be sustained on examination.

The Organization classifies interest and penalties on underpayments of income tax, as interest expense and penalties, respectively, both of which would be included in other changes in net assets. The Organization files tax returns in the United States federal and California state jurisdictions.

**Use of Estimates**

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

**Recent Accounting Pronouncements**

In May 2014, the FASB issued guidance that replaces the existing accounting standards for revenue recognition with a single comprehensive five-step model. The core principle is to recognize revenue upon the transfer of goods or services to customers at an amount that reflects the consideration expected to be received. Since its issuance, the FASB has amended several aspects of the new guidance, including provisions that address revenue recognition associated with the licensing of intellectual property. The new guidance, including the amendments, is effective for annual reporting periods beginning after December 15, 2019. The guidance may be adopted either by restating all years presented in the Organization's financial statements or by recording the impact of adoption as an adjustment to retained earnings at the beginning of the year of adoption. The Organization does not believe the adoption of this pronouncement will have a material impact on the combined financial statements.

**ARMENIAN AMERICAN MUSEUM AND CULTURAL CENTER OF CALIFORNIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**  
(continued)

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Accounting Pronouncements Adopted**

In August 2016, the FASB issued ASU 2016-14, “*Presentation of Financial Statements of Not-for-Profit Entities*” (Topic 958). The ASU amends the current reporting model for nonprofit organizations and enhances their required disclosures. The major changes include: (a) requiring the presentation of only two classes of net assets now entitled “net assets without donor restrictions” and “net assets with donor restrictions”, (b) modifying the presentation of underwater endowment funds and related disclosures, (c) requiring the use of the placed in service approach to recognize the expirations of restrictions on gifts used to acquire or construct long-lived assets absent explicit donor stipulations otherwise, (d) requiring that all nonprofits present an analysis of expenses by function and nature in either the statement of activities, a separate statement, or in the notes and disclose a summary of the allocation methods used to allocate costs, (e) requiring the disclosure of quantitative and qualitative information regarding liquidity and availability of resources, (f) presenting investment return net of external and direct internal investment expenses, and (g) modifying other financial statement reporting requirements and disclosures intended to increase the usefulness of nonprofit financial statements. In addition, ASU 2016-14 removes the requirement that not-for-profit entities that chose to prepare the statements of cash flows using the direct method must also present a reconciliation (the indirect method). The Organization implemented the new standard as of January 1, 2019, and for the year ended December 31, 2019 and has applied the amendments retrospectively to the financial statements and related footnotes. The implementation of the new standard had no effect on the change in net assets for the year ended December 31, 2019.

**3. LIQUIDITY AND AVAILABILITY**

As of December 31, 2019, the Organization’s liquidity resources and financial assets available within one year for general expenditure, such as operating expenses, were as follows:

Financial assets at year end:	
Cash and cash equivalents	\$ 1,802,628
Investments	48,968
	1,851,596
 Total financial assets	 1,851,596
 Financial assets available to meet general expenditures over the next 12 months	 \$ 1,851,596

The Organization’s financial assets available to meet cash needs for general expenditures within one year represents funding for ongoing operational requirements.

The Organization has an investment policy authorized by the Board of Directors that provides guidance and oversight for the management of cash and cash equivalents. The policy provides that the Organization maintain an adequate level of cash to meet on-going operational requirements. In addition, the policy sets forth the structure for investment of excess cash and cash equivalents based on the financial needs of the Organization, the time horizon of those needs and the Board of Directors’ investment philosophy.

**ARMENIAN AMERICAN MUSEUM AND CULTURAL CENTER OF CALIFORNIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**  
**(continued)**

**4. FAIR VALUE MEASUREMENTS**

FASB ASC *Fair Value Measurements* establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of fair value hierarchy under this framework are described as follows:

- Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.
- Level 2 - Inputs to the valuation methodology are observable other than level 1 prices, such as quoted prices for similar assets and liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.
- Level 3 - Inputs to the valuation measurement are unobservable, supported by little or no market data, and are significant to the fair value of the assets and liabilities.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The Organization also invests in emerging markets, which accounts for a small percentage of its investments, which may be subject to various risk factors including market risk, credit risk, and sovereign risk.

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2019.

- *Marketable securities*: Valued at the closing price reported on the active market on which the individual securities are traded.

Fair values of assets measured on a recurring basis at December 31, 2019 are as follows:

	Level I	Level II	Fair Value
Marketable securities	\$ 48,968	\$ -	\$ 48,968
	<u>\$ 48,968</u>	<u>\$ -</u>	<u>\$ 48,968</u>

At December 31, 2019, the Organization had no assets measured at fair value on a nonrecurring basis and no liabilities measured at fair value on a recurring and nonrecurring basis.

**ARMENIAN AMERICAN MUSEUM AND CULTURAL CENTER OF CALIFORNIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**  
(continued)

**5. INVESTMENTS**

Investments consist of marketable securities. Marketable securities consist of closed end equity funds.

Investments at December 31, 2019, are summarized as follows:

Marketable securities	\$ 48,968
	<u>48,968</u>
	<u>\$ 48,968</u>

**6. CONSTRUCTION IN PROGRESS**

The Organization is in the planning process for construction of the museum. The capitalized costs for this project will be transferred to Buildings and Property upon completion. The costs incurred totaled \$1,076,381 for the year ended December 31, 2019, respectively.

**7. LEASE AGREEMENTS (AS LESSEE)**

The Organization is the lessee of an office lease agreement as of December 31, 2019. The lease expires in September 2022.

The total annual minimum rental expense under these leases are as follows:

<u>Year ending December 31,</u>	<u>Amount</u>
2020	\$ 27,359
2021	37,744
2022	<u>28,940</u>
	<u>\$ 94,043</u>

**8. GRANT AGREEMENTS**

The Organization has a grant agreement with the State of California for the construction of the museum with a term of July 1, 2017 through September 2, 2023. Of the \$3,000,000 grant available to the Organization, \$54,000 has been received as a result of incurring eligible expenses.

The Organization also has a grant agreement with the County of Los Angeles for the construction of the museum with a term of March 1, 2020 through December 31, 2020. Of the \$500,000 grant available to the Organization, \$500,000 was received in 2020 as a result of incurring eligible expenses (Note 12).

The Organization also has a grant agreement with the California Arts Council for the construction of the museum with a term of August 7, 2020 through June 30, 2022. Up to \$5,000,000 in grant funds may be disbursed to the Organization for eligible costs on a reimbursable basis. \$2,500,000 was released in 2020 and the other \$2,500,000 was released in 2021 (Note 12).

**ARMENIAN AMERICAN MUSEUM AND CULTURAL CENTER OF CALIFORNIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**  
(continued)

**9. SPECIAL EVENTS**

During the year ended December 31, 2019, the Organization held its fundraising Gala and Telethon. The revenues and expenses for these events were as follows:

Gross revenue	\$ 655,119
Less: direct expenses	<u>(457,114)</u>
Total special event	<u><u>\$ 198,005</u></u>

**10. RECONCILIATION OF FINANCIAL STATEMENTS TO PART I OF FORM 990**

Net assets without donor restrictions, per financial statements	\$ 2,251,980
Accounts receivable, not recorded on financial statements	10,889,380
Accounts payable, not recorded on financial statements	<u>(65,991)</u>
Net assets without donor restrictions per Form 990	<u><u>\$ 13,075,369</u></u>
Change in net assets per financial statements	\$ 1,651,688
Contributions not recorded on financial statements	2,443,380
Grants not recorded on financial statements	8,446,000
Expenses not recorded on financial statements	<u>(56,384)</u>
Net income per Form 990	<u><u>\$ 12,484,684</u></u>

**11. RISKS AND UNCERTAINTIES**

In March 2020, the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak and any related adverse public health developments may adversely affect workforces, economies, and financial markets globally, potentially leading to an economic downturn. It is not possible for the Companies to predict the duration or magnitude of the adverse results of the outbreak and its effects on the Organization's business or results of operations at this time.

**12. SUBSEQUENT EVENTS**

The Organization has evaluated subsequent events through July 28, 2021, the date the combined financial statements were available to be issued.

**ARMENIAN AMERICAN MUSEUM AND CULTURAL CENTER OF CALIFORNIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**  
**(continued)**

**12. SUBSEQUENT EVENTS (continued)**

In April 2020, the Organization received proceeds from a loan in the amount of \$29,300 under the Payroll Protection Program (PPP). The PPP loan bears interest at the rate of 1.00% per annum and is payable in monthly principal and interest payments of an amount yet to be determined. The PPP loan matures in April 2022.

In August 2020, the Organization received a \$500,000 reimbursement from their grant agreement with the County of Los Angeles for the construction of the museum.

In October 2020, the Organization received a \$2,500,000 reimbursement from their grant agreement with the California Arts Council for the construction of the museum.

In June 2021, the Organization received a \$2,500,000 reimbursement from their grant agreement with the California Arts Council for the construction of the museum.