

Armenian American Museum and Cultural Center of California

Financial Statements

December 31, 2020

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Independent Auditor's Report

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

Opinion

We have audited the accompanying financial statements of Armenian American Museum and Cultural Center of California (the Organization), which comprise the statement of financial position as of December 31, 2020, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of December 31, 2020, 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.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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The Board of Directors of
Armenian American Museum and Cultural Center of California

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

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

Weaver and Tidwell, L.L.P.

WEAVER AND TIDWELL, L.L.P.

Pasadena, California
February 23, 2024

Armenian American Museum and Cultural Center of California

Statement of Financial Position

December 31, 2020

ASSETS

CURRENT ASSETS

Operating cash \$ 4,204,327

Cash and cash equivalents 4,204,327

Grant Receivable 2,500,000

Prepaid expenses 31,601

Security deposits 2,857

Total current assets 6,738,785

CONSTRUCTION IN PROGRESS

1,447,914

TOTAL ASSETS

\$ 8,186,699

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable \$ 354,478

Total current liabilities 354,478

LONG-TERM LIABILITIES

Notes payable, SBA PPP Loan 29,300

Total liabilities 383,778

NET ASSETS

Without donor restrictions 2,827,921

With donor restrictions 4,975,000

Total net assets 7,802,921

TOTAL LIABILITIES AND NET ASSETS

\$ 8,186,699

Armenian American Museum and Cultural Center of California

Statement of Activities

For the Year Ended December 31, 2020

	Without Restrictions	With Donor Restrictions	Total
CHANGES IN NET ASSETS			
Revenue and support			
Contributions	\$ 367,158	\$ 4,975,000	\$ 5,342,158
Special events revenue, gross	3,450	-	3,450
Government grants	-	525,000	525,000
Net assets released from restrictions of time or purpose	525,000	(525,000)	-
	895,608	4,975,000	5,870,608
EXPENSES			
Program	47,139	-	47,139
Fundraising	186,378	-	186,378
Management and general	86,375	-	86,375
	319,892	-	319,892
Total expenses	319,892	-	319,892
Net operating income	575,716	4,975,000	5,550,716
Other changes in net assets:			
Interest income	226	-	226
	226	-	226
Total other changes in net assets	226	-	226
Change in net assets	575,942	4,975,000	5,550,942
NET ASSETS, beginning of year	2,251,979	-	2,251,979
NET ASSETS, end of year	\$ 2,827,921	\$ 4,975,000	\$ 7,802,921

The Notes to the Financial Statements are an integral part of this statement.

Armenian American Museum and Cultural Center of California

Schedule of Functional Expenses For the Year Ended December 31, 2020

	<u>Program</u>	<u>Fundraising</u>	<u>Management and General</u>	<u>Total</u>
FUNCTIONAL EXPENSES				
Salaries and wages - officers	\$ 42,141	\$ 25,285	\$ 16,857	\$ 84,283
Special event expenses, gross	-	66,801	-	66,801
Professional fees	-	50,417	-	50,417
Salaries and wages - other	-	22,758	12,543	35,301
Rent	-	-	29,328	29,328
Donation processing fees	-	10,713	-	10,713
Payroll taxes	3,549	4,046	2,476	10,071
Software and subscriptions	-	-	4,850	4,850
Bookkeeping	-	-	4,754	4,754
Advertising and promotion	-	4,706	-	4,706
Audit	-	-	4,130	4,130
Supplies	-	-	3,680	3,680
Worker's compensation insurance	996	1,136	695	2,827
Accounting and legal	-	-	1,750	1,750
Telephone	-	-	1,657	1,657
Insurance	-	-	1,638	1,638
Computing and copying	-	-	1,322	1,322
Payroll processing	453	516	316	1,285
Bank service charges	-	-	291	291
Mileage reimbursement	-	-	88	88
TOTAL	<u>\$ 47,139</u>	<u>\$ 186,378</u>	<u>\$ 86,375</u>	<u>\$ 319,892</u>

The Notes to the Financial Statements are an integral part of this schedule.

Armenian American Museum and Cultural Center of California

Statement of Cash Flows For the Year Ended December 31, 2020

CASH FLOWS PROVIDED BY OPERATING ACTIVITIES	
Change in net assets	\$ 5,550,942
Adjustments to reconcile change in net assets to net cash provided by (used for) operating activities:	
Changes in	
Grant receivable	(2,500,000)
Prepaid expenses	(31,601)
Security deposits	(2,857)
Accounts payable	<u>(321,520)</u>
Net cash provided by operating activities	2,694,964
CASH FLOWS USED FOR INVESTING ACTIVITIES	
Additions to construction in progress	<u>(371,532)</u>
Net cash used for investing activities	<u>(371,532)</u>
CASH FLOWS USED FOR INVESTING ACTIVITIES	
Proceeds from SBA PPP Loan	<u>29,300</u>
Net cash provided by financing activities	<u>29,300</u>
CHANGE IN CASH AND CASH EQUIVALENTS	2,352,732
CASH AND CASH EQUIVALENTS, beginning of year	<u>1,851,595</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 4,204,327</u>

Armenian American Museum and Cultural Center of California

Notes to Financial Statements

Note 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.

Note 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, 2020, the Organization does not have any donor permanently 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.

Uninsured Cash Balances

The Organization maintains balances in its checking and saving accounts at various financial institutions, which periodically exceed the federally insured limits.

Armenian American Museum and Cultural Center of California

Notes to Financial Statements

Construction in Progress

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

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, 2020.

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.

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 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 February 2016, the FASB issued updated guidance on leases. The new standard requires all lessees to recognize a lease liability and a right-of-use asset, measured at the present value of the future minimum lease payments, at the lease commencement date. Lessor accounting remains largely unchanged under the new guidance. A modified retrospective approach should be applied for leases existing at the beginning of the earliest comparative period presented in the financial statements. The guidance is effective for annual and interim periods beginning after December 15, 2021, and early adoption is permitted. As of December 31, 2020, the Organization has \$184,363 of future minimum operating lease commitments that are not currently recognized on the statement of financial position (Note 6). Accordingly, the Organization anticipates material changes to the financial statements.

Armenian American Museum and Cultural Center of California

Notes to Financial Statements

Accounting Pronouncements Adopted

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. Although exchange transactions are subject to the ASC 606 standard, contributions are not. The adoption of the new revenue recognition standards in the year ended December 31, 2020 had no impact on the Organization financial statements.

Note 3. Liquidity and Availability

As of December 31, 2020, 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	\$ 4,204,327
Grant receivable	<u>2,500,000</u>
Total financial assets	<u>6,704,327</u>
Less amounts not available to be used within one year, due to donor-imposed restrictions:	<u>4,975,000</u>
Financial assets available to meet general expenditures over the next 12 months	<u>\$ 1,729,327</u>

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

Armenian American Museum and Cultural Center of California

Notes to Financial Statements

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.

Note 4. 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 \$1,447,913 for the year ended December 31, 2020 on the design, structural engineering, exhibition consulting, construction management of the building.

Note 5. Notes Payable, SBA PPP Loan

On May 19, 2020, the Organization received loan proceeds in the amount of \$29,300 under the SBA Paycheck Protection Program (PPP). The PPP, established as part of the Coronavirus Aid, Relief and Economic Securities Act (CARES ACT) provides loans to qualifying businesses for amounts up to 2.5 times the average monthly payroll expenses of the qualifying business. 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 had an original maturity date of May 22, 2022. Under the terms of the PPP, the PPP loan may be forgiven in whole or in part if it is used for qualifying expenses including payroll, benefits, rent and utilities, and the Organization maintains certain employee and payroll levels. The Organization has utilized these funds on qualifying expenses and on March 14, 2022, the loan was forgiven in full (Note 10).

Note 6. Lease Agreements (as lessee)

The Organization is the lessee of an office lease agreement as of December 31, 2020. The lease expires in September 2022 and was renewed for a 30-month term from October 2022 to March 2025.

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

<u>Year ending December 31,</u>	<u>Amount</u>
2021	\$ 37,744
2022	40,430
2023	46,305
2024	47,694
2025 and thereafter	<u>12,190</u>
	<u>\$ 184,363</u>

Armenian American Museum and Cultural Center of California

Notes to Financial Statements

Note 7. Donor Restricted Net Assets/Grant Agreements

The Organization has a grant agreement with the State of California for the construction of the museum with a term from July 1, 2017 through September 1, 2023. Of the \$3,000,000 grant available to the Organization, \$54,000 has been received as a result of incurring eligible expenses. The grant agreement was amended in November 2022 to increase grant amount to \$14,600,000, with a term extended to August 2025 (See Note 12).

The Organization also has a grant agreement with the County of Los Angeles for community programs and events with a term from 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.

The Organization also has a grant agreement with the California Arts Council for the construction of the museum with a term from August 7, 2020 through June 30, 2022. Of the \$5,000,000 grant available to the Organization, \$2,500,000 has been received as of December 31, 2020 and \$25,000 was released from restrictions during the year ended December 31, 2020 as a result of incurring eligible expenses.

The Organization received additional grant funds in the amount of \$2,500,000 in 2021 (See Note 12).

Note 8. Special Events

During the year ended December 31, 2020, the Organization held its fundraising Gala and Telethon. The revenues and expenses for these events were as follows:

Gross revenue	\$	3,450
Less: direct expenses		<u>(66,801)</u>
 Total special event	 \$	 <u><u>(63,351)</u></u>

Note 9. Net Assets Released from Restrictions

Net assets released from donor restrictions were as follows during year ended December 31, 2020:

Community program and events	\$	500,000
Construction of museum		<u>25,000</u>
 Total net assets released from donor restrictions	 \$	 <u><u>525,000</u></u>

Note 10. Commitment and Contingencies

The Organization entered into a contractual agreement for the construction of the museum with a general contractor, who commenced construction in 2021. The Organization also honored other contractual agreements with other vendors for exhibition design, architecture, MEP engineering services, parking design & project management.

Armenian American Museum and Cultural Center of California

Notes to Financial Statements

Note 11. Reconciliation of Financial Statements to Part I of Form 990

Net assets without donor restrictions, per financial statements	\$	7,802,921
Grant receivable, per financial statements		(2,500,000)
Accounts receivable, not recorded on financial statement:		7,689,156
Accounts payable, not recorded on financial statements		<u>(33,840)</u>
Net assets without donor restrictions per Form 990	\$	<u>12,958,237</u>
Change in net assets per financial statements	\$	5,550,942
Contributions not recorded on financial statements		(200,224)
Grants not recorded on tax return		(5,500,000)
Expenses not recorded on financial statements		<u>32,104</u>
Net income per Form 990	\$	<u>(117,178)</u>

Note 12. Subsequent Events

The Organization has evaluated subsequent events through February 23, 2024, the date the financial statements were available to be issued.

On March 14, 2022, the loan amount of \$29,300 under the SBA Paycheck Protection Program was forgiven in full.

Contributions/Grants Received

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.

On December 6, 2021, the Organization received an unrestricted pledge from a donor for an amount of \$1,000,000. All payments may be made over a period of six years and will begin immediately upon the execution of this agreement with an initial payment of \$166,667 and will continue annually thereafter on the anniversary of the effective date.

On March 8, 2022, the Organization received a restricted pledge from a donor for an amount of \$2,000,000 solely for the costs and expenses of the construction of the museum. A payment of \$1,000,000 is paid upon mutual execution of the agreement.

Armenian American Museum and Cultural Center of California

Notes to Financial Statements

On May 3, 2022, the Organization received an unrestricted pledge from a donor for an amount of \$2,500,000. All payments may be made over a period of seven years and will begin on December 31, 2022 with an initial payment of \$340,000 and will continue annually thereafter on the anniversary of the effective date.

On June 17, 2022, the Organization received a restricted pledge agreement from a donor for an amount of \$1,000,000 for the construction of the museum. The gift will be paid in five installments of \$200,000 starting June 30, 2022.

On June 29, 2022, the Organization received an unrestricted pledge from a donor for an amount of \$4,000,000. All payments may be made over a period of eight years and have begun prior to the execution of the agreement and will continue annually thereafter by December 31st each year.

On July 18, 2022, the Organization received has a grant agreement with the U.S. Department of Housing and Urban Development for the construction of the museum. Grant funds may be disbursed to the Organization for eligible costs on a reimbursable basis.

On October 1, 2022, the Organization received an unrestricted pledge from a donor for an amount of \$1,000,000. All payments may be made over a period of ten years and will begin on January 15, 2023 with an initial payment of \$100,000 and will continue annually thereafter on the anniversary of the effective date.

On November 16, 2022, the Organization received a second amendment to the grant agreement with the State of California to increase grant total from \$3,000,000 to \$14,600,000, with a term extended to August 31, 2025 (previously September 1, 2023).

On December 1, 2022, the Organization received an unrestricted pledge from a donor for an amount of \$1,000,000. All payments may be made over a period of three years and will begin on December 1, 2022 with an initial payment of \$700,000 and will continue annually thereafter on the anniversary of the effective date.