

# **Armenian American Museum and Cultural Center of California**

Financial Report

December 31, 2022 and 2021

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## Independent Auditor's Report

To the Board of Directors of  
Armenian American Museum and Cultural Center of California  
Report of the Audit of the Financial Statements

### **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, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of December 31, 2022 and 2021, 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.

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  
May 7, 2024

# Armenian American Museum and Cultural Center of California

## Statements of Financial Position

December 31, 2022 and 2021

	2022	2021
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 2,648,393	\$ 5,024,158
Prepaid expenses	32,400	27,984
Security deposits	4,065	2,859
Other deposits	-	21,527
Total current assets	2,684,858	5,076,528
<b>CONSTRUCTION IN PROGRESS</b>	10,657,472	4,363,250
<b>OTHER ASSETS</b>		
Operating lease right-of-use asset, net	101,881	-
Total other assets	101,881	-
<b>TOTAL ASSETS</b>	\$ 13,444,211	\$ 9,439,778
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 128,940	\$ 4,972
Operating lease obligation, current portion	45,073	-
Total current liabilities	174,013	4,972
<b>LONG-TERM LIABILITIES</b>		
Notes payable, SBA PPP Loan	-	20,782
Operating lease obligation, net of current portion	57,093	-
Total long-term liabilities	57,093	20,782
Total liabilities	231,106	25,754
<b>NET ASSETS</b>		
Without donor restrictions	12,886,218	6,616,381
With donor restrictions	326,887	2,797,643
Total net assets	13,213,105	9,414,024
<b>TOTAL LIABILITIES AND NET ASSETS</b>	\$ 13,444,211	\$ 9,439,778

The Notes to the Financial Statements are an integral part of these statements.

# Armenian American Museum and Cultural Center of California

## Statements of Activities

Year Ended December 31, 2022

	<b>2022</b>		
	<b>Without Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
<b>CHANGES IN NET ASSETS</b>			
Revenue and support			
Contributions	\$ 3,561,783	\$ -	\$ 3,561,783
In-Kind contributions	3,101	-	3,101
Special events, gross	1,068,530	-	1,068,530
Government grants	-	326,887	326,887
Net assets released from restrictions of time or purpose	2,797,643	(2,797,643)	-
Total revenue and support	7,431,057	(2,470,756)	4,960,301
<b>EXPENSES</b>			
Program	61,344	-	61,344
Fundraising	925,159	-	925,159
Management and general	201,787	-	201,787
Total expenses	1,188,290	-	1,188,290
Net operating income	6,242,767	(2,470,756)	3,772,011
<b>OTHER CHANGES IN NET ASSETS</b>			
Interest income	10,249	-	10,249
Loan forgiveness - SBA PPP loan	20,782	-	20,782
Unrealized loss on investments	(3,961)	-	(3,961)
Total other changes in net assets	27,070	-	27,070
Change in net assets	6,269,837	(2,470,756)	3,799,081
<b>NET ASSETS, beginning of year</b>	6,616,381	2,797,643	9,414,024
<b>NET ASSETS, end of year</b>	\$ 12,886,218	\$ 326,887	\$ 13,213,105

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

# Armenian American Museum and Cultural Center of California

## Statements of Activities - Continued

Year Ended December 31, 2021

	2021		
	Without Restrictions	With Donor Restrictions	Total
<b>CHANGES IN NET ASSETS</b>			
Revenue and support			
Contributions	\$ 2,157,430	\$ -	\$ 2,157,430
In-Kind contributions	679,000	-	679,000
Special events, gross	87,625	-	87,625
Net assets released from restrictions of time or purpose	2,177,357	(2,177,357)	-
Total revenue and support	5,101,412	(2,177,357)	2,924,055
<b>EXPENSES</b>			
Program	726,295	-	726,295
Fundraising	413,775	-	413,775
Management and general	182,063	-	182,063
Total expenses	1,322,133	-	1,322,133
Net operating income	3,779,279	(2,177,357)	1,601,922
<b>OTHER CHANGES IN NET ASSETS</b>			
Interest income	30	-	30
Unrealized gain on investments	9,151	-	9,151
Total other changes in net assets	9,181	-	9,181
Change in net assets	3,788,460	(2,177,357)	1,611,103
<b>NET ASSETS, beginning of year</b>	2,827,921	4,975,000	7,802,921
<b>NET ASSETS, end of year</b>	\$ 6,616,381	\$ 2,797,643	\$ 9,414,024

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

# Armenian American Museum and Cultural Center of California

## Schedules of Functional Expenses

Year Ended December 31, 2022

	2022			
	Program	Fundraising	Management and General	Total
<b>FUNCTIONAL EXPENSES</b>				
Event expenses	\$ -	\$ 447,394	\$ -	\$ 447,394
Advertising and promotion	-	211,234	-	211,234
Salaries and wages - officers	53,488	69,503	58,805	181,796
Professional fees	-	142,000	-	142,000
Salaries and wages - other	-	24,543	24,543	49,086
Legal	-	-	30,391	30,391
Rent	-	-	29,506	29,506
Payroll taxes	4,227	7,535	6,616	18,378
Donation processing fees	-	15,155	-	15,155
Operating lease right-of-use asset amortization	-	-	11,205	11,205
Software and subscriptions	-	-	10,911	10,911
Worker's compensation insurance	3,185	3,904	3,185	10,274
Supplies	-	3,100	6,505	9,605
Bookkeeping	-	-	5,402	5,402
Telephone	-	-	3,675	3,675
Insurance	-	-	3,125	3,125
Utilities	-	-	2,615	2,615
Accounting and legal	-	-	2,150	2,150
Computing and copying	-	-	1,391	1,391
Payroll processing	443	791	694	1,928
Bank service charges	-	-	768	768
Interest expense	-	-	285	285
Mileage reimbursement	-	-	15	15
<b>TOTAL</b>	<b>\$ 61,344</b>	<b>\$ 925,159</b>	<b>\$ 201,787</b>	<b>\$ 1,188,290</b>

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



# Armenian American Museum and Cultural Center of California

## Schedules of Functional Expenses Year Ended December 31, 2021

	2021			
	Program	Fundraising	Management and General	Total
<b>FUNCTIONAL EXPENSES</b>				
Professional services	\$ 671,000	\$ -	\$ -	\$ 671,000
Advertising and promotion	-	133,264	-	133,264
Salaries and wages - officers	49,068	46,726	36,913	132,707
Event expenses	-	115,043	-	115,043
Professional fees	-	87,000	-	87,000
Legal	-	-	43,560	43,560
Rent	-	-	31,173	31,173
Salaries and wages - other	-	12,483	12,483	24,966
Supplies	-	8,000	7,524	15,524
Payroll taxes	3,994	4,895	3,993	12,882
Software and subscriptions	-	-	12,621	12,621
Audit	-	-	11,058	11,058
Bookkeeping	-	-	6,428	6,428
Insurance	-	-	6,341	6,341
Worker's compensation insurance	1,740	2,133	1,740	5,613
Donation processing fees	-	3,626	-	3,626
Utilities	-	-	3,487	3,487
Telephone	-	-	1,921	1,921
Accounting and legal	-	-	1,750	1,750
Payroll processing	493	605	493	1,591
Bank service charges	-	-	578	578
<b>TOTAL</b>	<b>\$ 726,295</b>	<b>\$ 413,775</b>	<b>\$ 182,063</b>	<b>\$ 1,322,133</b>

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

**Armenian American Museum and Cultural Center of California**  
**Statements of Cash Flows**  
**Years Ended December 31, 2022 and 2021**

	<b>2022</b>	<b>2021</b>
<b>CASH FLOWS PROVIDED BY OPERATING ACTIVITIES</b>		
Change in net assets	\$ 3,799,081	\$ 1,611,103
Adjustments to reconcile change in net assets to net cash provided by (used for) operating activities		
Operating lease right-of-use asset amortization	11,490	-
Loan forgiveness- SBA PPP Loan	(20,782)	-
Changes in operating asset and liabilities		
Grant receivable	-	2,500,000
Prepaid expenses	(4,416)	3,619
Security deposits	(1,206)	-
Accounts payable	123,968	(349,507)
Accrued retirement plan contribution	21,527	(21,529)
Operating lease liabilities	(11,205)	-
Net cash provided by operating activities	3,918,457	3,743,686
<b>CASH FLOWS USED FOR INVESTING ACTIVITIES</b>		
Additions to construction in progress	(6,294,222)	(2,915,337)
Net cash used for investing activities	(6,294,222)	(2,915,337)
<b>CASH FLOWS USED FOR FINANCING ACTIVITIES</b>		
Payment on notes payables, SBA PPP Loan	-	(8,518)
Net cash used for financing activities	-	(8,518)
Net change in cash and cash equivalents	(2,375,765)	819,831
<b>CASH AND CASH EQUIVALENTS, beginning of year</b>	5,024,158	4,204,327
<b>CASH AND CASH EQUIVALENTS, end of year</b>	\$ 2,648,393	\$ 5,024,158

The Notes to the Financial Statements are an integral part of these statements.

# 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 or the Organization), 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.

#### Presentation

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, 2022 and 2021, the Organization had \$326,887 and \$2,797,643 restricted net assets, respectively. At December 31, 2022 and 2021, the Organization did not have any permanently restricted net assets.

#### Cash and Cash Equivalents

For the purpose of the statement of cash flows, the Organization considers cash available in the demand deposit accounts and all highly liquid short-term investments with original maturities of three months or less to be cash equivalents.

#### Uninsured Cash Balances

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

#### Construction in Progress

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

# Armenian American Museum and Cultural Center of California

## Notes to Financial Statements

### Revenue Recognition

The Organization recognizes revenue in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 606, *Revenue from Customers (ASC 606)*. In accordance with ASC 606, The Organization recognizes revenue when the programs are provided to the recipient in an amount that reflects the consideration. The Organization expects to be entitled to in exchange for those programs. The standard outlines a five-step model whereby revenue is recognized as performance obligation within a contract are satisfied.

The Organization performed an analysis of all applicable revenue streams, per the authoritative guidance, using ASB ASU 2018-08, "*Not-for-Profit Entities: Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (Topic 605)*" to distinguish contributions (nonreciprocal transactions) within the scope FASB ASC 958, from exchange (reciprocal transactions) subject to ASC 606. Accordingly, the Organization did not identify any revenues as exchange transactions subject to ASC 606.

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.

### 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. The in-kind assets and services donated during the years ending December 31, 2022 and 2021 were \$3,100 and \$679,000, respectively (See Note 11).

### 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.

# Armenian American Museum and Cultural Center of California

## Notes to Financial Statements

### 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. It is at least reasonably possible that these estimates will change in the near term.

### Recent Accounting Pronouncements

In June 2016, the Financial Accounting Standards Board (FASB) issued new accounting guidance which modifies existing guidance related to the measurement of credit losses on financial statements, including trade and loan receivables. The new guidance requires the allowance for credit losses to be measured based on expected losses over the life of the asset rather than incurred losses. The guidance is effective for annual and interim periods beginning after December 15, 2022, and early adoption is permitted. The Organization does not believe the adoption of this pronouncement will have a material impact on the financial statements.

Effective January 1, 2022, The Organization adopted FASB ASC 842, *Leases*. The Organization determines if an arrangement contains a lease at inception based on whether the Organization has the right to control the asset during the contract period and other facts and circumstances. The Organization elected the package of practical expedients permitted under the transition guidance within the new standard, which among other things, allowed it to carry the historical lease classification. Lease disclosures for the year ended December 31, 2021 are made under prior lease guidance in FASB ASC 840.

The adoption of FASB ASC 842 resulted in the recognition of operating lease right-of-use assets, net of prepaid lease payments and lease incentives, and operating lease liability of \$113,371 as of January 1, 2022 (See Note 6).

In September 2020, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 202-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The new standard increases transparency of contributed nonfinancial assets for not-for-profit (NFP) entities through enhancement to presentation and disclosure. The adoption of the new accounting guidance did not have a material impact on the Organization's financial statements.

### Note 3. Liquidity and Availability

As a not-for-profit entity, AAMCCC Organization receives significant funding in the form of contributions each year from donors, which are restricted to be used in a particular manner. AAMCCC Organization must maintain sufficient resources to meet those responsibilities to its donors. Thus, financial assets may not be available for general expenditure within one year. As part of managing the financial assets, AAMCCC Organization ensures these become available when obligations come due.

# Armenian American Museum and Cultural Center of California

## Notes to Financial Statements

The following reflects AAMCCC Organization's financial assets as of the balance sheet date, including amounts not available within one year of the balance sheet date. Amounts not available include donor-imposed restricted contributions.

	2022	2021
Financial assets at year end		
Cash and cash equivalents	\$ 2,648,393.00	\$ 5,024,158.00
Total financial assets	2,648,393	5,024,158
Less amounts not available to be used within one year, due to donor-imposed restrictions	326,887	2,797,643
Financial assets available to meet general expenditures over the next 12 months	\$ 2,321,506	\$ 2,226,515

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.

### **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 approximately \$6,170,000 and \$2,915,000 for the year ended December 31, 2022 and 2021, respectively, 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.

# Armenian American Museum and Cultural Center of California

## Notes to Financial Statements

### Note 6. Operating Lease

The Organization leases certain real estate under operating long-term lease agreements. For leases effective on or after January 1, 2022, the Organization determines if an arrangement is a lease at inception and, for long-term lease agreements (with a remaining lease term greater than 12 months), recognizes operating lease assets and lease obligations at commencement date based on the present value of lease payments over the lease term. For all other leases, the Organization has elected the short-term exception to not recognize lease assets and obligation.

The Organization has elected the package of practical expedients permitted in ASC Topic 842. Accordingly, the Organization accounted for its existing leases as operating leases under the new guidance, without reassessing (a) whether the contract contains a lease under ASC Topic 842, (b) whether classification of the operating and finance leases would be different in accordance with ASC Topic 842, or (c) whether the unamortized initial direct costs before transition would have met the definition of initial direct costs in ASC Topic 842 at lease commencement. Further, the Organization has elected practical expedients available to: (a) not assess whether existing or expired land easements that were not previously accounted for as leases under ASC Topic 840 are or contain a lease under ASC Topic 842, and (b) use hindsight in determining the lease term and in assessing impairment of the entity's right-of-use assets. The present value of the Organization lease payments may include: (1) rental payments adjusted for inflation or market rates, and (2) lease terms with options to renew the lease when it is reasonably certain the Organization will exercise such an option. The exercise of lease renewal options is generally at the Organization's discretion. Payments based on a change in an index or market rates are not considered in the determination of lease payments for purposes of measuring the related lease obligation.

The Organization has also made an accounting policy election as a private entity to discount lease payments using its risk-free rate.

Subsequent to the recognition of its operating lease right-of-use assets and lease obligation, the Organization recognizes lease expense related to its operating leases on a straight-line basis over the lease term and recognizes interest and amortization expenses related to its operating leases.

None of the Organization's lease agreements contain contingent rental payments, asset retirement obligations, sale-leaseback transactions, material residual value guarantees or material restrictive covenants. The depreciable life of related leasehold improvements is based on the shorter of the useful life or the lease term. The Organization has no sublease agreements, no lease agreements with lease and non-lease components, and no lease agreements in which it is named as a lessor. The Organization performs interim reviews of its long-lived assets for impairment when evidence exists that the carrying value of an asset group, including a lease asset, may not be recoverable, and the Organization did not recognize an impairment expense associated with operating lease assets during 2022.

In evaluating contracts to determine if they qualify as a lease, the Organization considers factors such as if it has obtained substantially all of the rights to the underlying asset through exclusivity, if it can direct the use of the asset by making decisions about how and for what purpose the asset will be used and if the lessor has substantive substitution rights. This evaluation may require significant judgment.

As a result of the adoption of the new lease accounting guidance, the Organization recognized on January 1, 2022 (a) lease obligation of approximately \$113,400 which represents the present value of the remaining lease payments, discounted using the Organization risk-free rate, and (b) right-of-use assets of approximately \$113,400.

# Armenian American Museum and Cultural Center of California

## Notes to Financial Statements

The Organization's operating leases expires in March 2025, and provide for renewal options, which the Organization has evaluated whether it is reasonably certain to renew.

Year ending December 31,		
2023	\$	45,960
2024		45,960
2025		11,490
Less: imputed interest		(1,244)
Total lease liabilities		102,166
Less: current portion		(45,073)
	\$	57,093

For the year ended December 31, 2021 – Prior Disclosure under ASC 840

### Operating Lease

The Organization is the lessee of an office lease agreement as of December 31, 2021. 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:

Year ending December 31,		
2022	\$	40,430
2023		46,305
2024		47,694
2025 and thereafter		12,190
	\$	146,619

### 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. The grant original \$3,000,000 agreement was amended in November 2022 to increase grant amount to \$14,600,000, with a term extended to August 2025. (See Note 13)

The Organization also has a \$5,000,000 grant agreement with the California Arts Council for the construction of the museum with a term from August 7, 2020 through June 30, 2022. The Organization received the remaining grant funds in the amount of \$2,500,000 in 2021.



# Armenian American Museum and Cultural Center of California

## Notes to Financial Statements

During the year ended December 31, 2022 and 2021, the Organization received the following conditional pledges:

On November 9, 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 five years and will begin on December 31, 2021, with an initial payment of \$200,000 and will continue annually thereafter on the anniversary of the effective date. (See Note 13)

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 for six years. (See Note 13)

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. The final installment is anticipated in 2024.

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. (See Note 13)

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. (See Note 13)

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 31<sup>st</sup> each year. (See Note 13)

On July 18, 2022, the Organization received a \$950,000 grant from 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. (See Note 13)

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. (See Note 13).

# Armenian American Museum and Cultural Center of California

## Notes to Financial Statements

The following table summarizes the amounts received from grants and pledges through December 31, 2022:

Grant Date	Donor	Purpose/Restriction	Term	Grant Amount	Amounts Received
November 16, 2022 (amended)	State of California	Construction of the museum	July 2017 through August 2025	\$ 14,600,000	\$ 380,887
August 7, 2020	California Arts Council	Construction of the museum	August 7, 2020 through June 30, 2022	5,000,000	5,000,000
November 9, 2021	Individual donor	None	Five-year period, annually starting December 2021	1,000,000	412,856
December 6, 2021	Individual donor	None	Six-year period, annually starting December 2021	1,000,000	333,334
March 8, 2022	Non-profit organization	Cost and expenses related to construction of museum	Two installments starting March 2022	2,000,000	1,105,000
May 3, 2022	Individual donor	None	Seven-year period, annually starting December 2022	2,500,000	340,000
June 17, 2022	Individual donor	Construction of the museum	Five installments starting June 2022	1,000,000	200,000
June 29, 2022	Individual donor	None	Eight-year period, annually starting July 2021	4,000,000	798,783
July 18, 2022	U.S. Department of Housing and Urban Development	Construction of the museum	Reimbursable basis	950,000	-
October 1, 2022	Individual donor	None	Ten-year period, annually starting January 2023	1,000,000	75,000
December 1, 2022	Individual donor	None	Three-year period, annually starting December 2022	1,000,000	700,000
Amounts received from grants through December 31, 2022:				<u>\$ 34,050,000</u>	<u>\$ 9,345,860</u>

### Note 8. Special Events

During the year ended December 31, 2022 and 2021, the Organization held its fundraising Gala and other outreach events.

The revenues and expenses for these events were as follows:

	<u>2022</u>	<u>2021</u>
Gross revenue	\$ 1,068,530	\$ 87,625
Less: direct expenses	<u>211,234</u>	<u>115,043</u>
Total special event	<u>\$ 857,296</u>	<u>\$ (27,418)</u>

# Armenian American Museum and Cultural Center of California

## Notes to Financial Statements

### Note 9. Net Assets Released from Restrictions

Net assets released from donor restrictions were as follows during years ended December 31, 2022 and 2021:

	2022	2021
Construction of museum	2,797,643	2,177,357
Total net assets released from donor restrictions	\$ 2,797,643	\$ 2,177,357

### Note 10. Reconciliation of Financial Statements to Part I of Form 990

	2022	2021
Net assets, per financial statements	\$ 13,213,105	\$ 9,414,024
Cash and cash equivalents, not recorded on the financial statements	861,516	24,627
Accounts receivable, not recorded on financial statements	26,612,094	12,831,016
Other assets, not recorded on financial statements	683,346	675,900
Accounts payable, not recorded on financial statements	(7,145)	(24,650)
Net assets without donor restrictions per Form 990	\$ 41,362,916	\$ 22,920,917
Change in net assets per financial statements	\$ 3,799,081	\$ 1,611,103
Contributions not recorded on financial statements	14,068,693	8,304,860
Grants not recorded on financial statements	572,895	(671,000)
Interest in investment earned, not recorded on the financial statements	5,353	9,151
Expenses not recorded on financial statements	(4,023)	708,566
Net income per Form 990	\$ 18,441,999	\$ 9,962,680

### Note 11. In-kind Contributions

The Organization 's policy related to in-kind contributions is to utilize the assets given to carry out the mission of the Organization. If an asset is provided that does not allow the Organization to utilize it is its normal course of business, the asset will be sold at its fair value as determine by appraisal or specialist depending on the type of asset.

The organization financial statement includes the following in-kind contributions revenue:

#### Professional Services

The Organization receives donated professional services that would typically be purchased if not prided as an in-kind contribution. These services, which require specialized skills, are recognized as in-kind contribution at fair value when the pledge is made, depending in the type and purpose of the services provided, when the services are rendered. The estimated fair value based on the date, time, and market in which each service is rendered.

# Armenian American Museum and Cultural Center of California

## Notes to Financial Statements

### Supplies and Materials

The Organization receives donated supplies and materials which would typically be purchased if not provided as an in-kind contribution. These supplies and materials are recognized as in-kind contributions at its fair value depending on the type and purpose of the supplies and material provided, when the supplies and material are received. The estimated fair value of donated supplies and material is provided by the provider of the donated supplies and materials, who estimated the fair value based on the market in which these supplies and material are provided.

During the year ended December 31, 2022 and 2021, the Organization received the following in-kind contributions:

	2022	2021
Professional services	\$ -	\$ 671,000
Supplies and materials	3,100	8,000
Total in-kind contributions	\$ 3,100	\$ 679,000

These in-kind contributions were recorded as contribution at the time the in-kind contributions were provided to the Organization.

### **Note 12. 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.

### **Note 13. Subsequent Events**

The Organization has evaluated subsequent events through May 7, 2024, the date the financial statements were available to be issued.

On July 1, 2023, 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 31, 2024, with an initial payment of \$100,000 and will continue annually thereafter on the anniversary of the effective date.

During 2023, the Organization received four installments for a total of approximately \$6,880,000 from the State of California related to a second amendment to the grant agreement received on November 16, 2022, for grant total of \$14,600,000.

On November 29, 2023, the Organization received a contribution of \$340,000 from a donor related to an unrestricted pledge received on May 3, 2022, for an amount of \$2,500,000.

On August 17, 2023, the Organization received an installment payment of \$200,000 from a donor related to a restricted pledge agreement received on June 17, 2022, for an amount of \$1,000,000.

On February 15, 2023, the Organization received an installment payment of \$1,004,755 via stock transfer from a donor related to an unrestricted pledge received on June 29, 2022, for an amount of \$4,000,000.

# Armenian American Museum and Cultural Center of California

## Notes to Financial Statements

During 2023 and 2024, the Organization received two installment payments for a total of \$200,000 from a donor related to an unrestricted pledge received on October 1, 2022, for an amount of \$1,000,000.

During 2023, the Organization received four installment payments for a total of \$200,000 from a donor related to an unrestricted pledge received on November 9, 2021, for an amount of \$1,000,000.

During 2023, the Organization received two installment payments for a total of \$150,120 from a donor related to an unrestricted pledge received on December 1, 2022, for an amount of \$1,000,000.

During 2024, the Organization received an installment payment of \$100,000 from a donor related to an unrestricted pledge received on July 1, 2023, for an amount of \$1,000,000.

The following table summarizes the amounts received from grants and pledges subsequent to December 31, 2022:

Grant Date	Donor	Grant Amount	Amount Received
November 9, 2021	Individual donor	\$ 1,000,000	\$ 200,000
November 16, 2022 (amended)	State of California	14,600,000	6,880,000
May 3, 2022	Individual donor	2,500,000	340,000
June 17, 2022	Individual donor	1,000,000	200,000
June 29, 2022	Individual donor	4,000,000	1,004,755
October 1, 2022	Individual donor	1,000,000	200,000
December 1, 2022	Individual donor	1,000,000	150,120
July 1, 2023	Individual donor	1,000,000	100,000

Amounts received from grants subsequent to December 31, 2022: \$ 9,074,875