

HISTORY SAN JOSE

**FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION**

FOR THE YEAR ENDED JUNE 30, 2019

**IZABAL, BERNACIAK & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS**

**HISTORY SAN JOSE
FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

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IZABAL, BERNACIAK & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
HISTORY SAN JOSE
San Jose, California

Report on Financial Statements

We have audited the accompanying financial statements of History San Jose, which comprise the statement of financial position as of June 30, 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Organization'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 Organization'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 History San Jose as of June 30, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 18, 2019, on our consideration of History San Jose's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering History San Jose's internal control over financial reporting and compliance.

Adoption of New Accounting Standard

As discussed in Note 2 to the financial statements, History San Jose adopted the Financial Accounting Standards Board's Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities* as of and for the year ended June 30, 2019. The requirements of the ASU have been applied retrospectively to all periods presented. Our opinion is not modified with respect to this matter.



San Francisco, California
October 18, 2019

HISTORY SAN JOSE
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2019

	Without Donor Restriction	With Donor Restriction		Totals
		Restricted for Specified Purposes	Not Subject to Appropriation or Expenditures	
Assets				
Current Assets:				
Cash and Cash Equivalents	\$ 29,114	\$ -	\$ -	\$ 29,114
Accounts Receivable	9,993	825,000	-	834,993
Inventories	3,272	-	-	3,272
Prepaid Expenses	1,900	-	-	1,900
Deposits and Other Assets	717	-	-	717
Interfund Receivable / (Payable)	(198,431)	94,632	103,799	-
Total Current Assets	(153,435)	919,632	103,799	869,996
Non-current Assets:				
Restricted Cash	-	-	23,427	23,427
Leasehold Improvements and Equipment, net	390,910	-	-	390,910
Total Non-current Assets	390,910	-	23,427	414,337
Total Assets	\$ 237,475	\$ 919,632	\$ 127,226	\$ 1,284,333
Liabilities and Net Assets				
Current Liabilities:				
Accounts Payable	\$ 194,419	\$ -	\$ -	\$ 194,419
Accrued Payroll and Related Benefits	57,469	-	-	57,469
Line of Credit/Loan Payable	95,530	-	-	95,530
Capital Lease Liability	3,561	-	-	3,561
Deferred Revenue	52,609	-	-	52,609
Total Liabilities	403,588	-	-	403,588
Net Assets:				
Without Donor Restriction	(166,113)	-	-	(166,113)
With Donor Restriction: Restricted for Specified Purposes	-	919,632	-	919,632
With Donor Restriction: Not Subject to Appropriation or Expenditures	-	-	127,226	127,226
Total Net Assets	(166,113)	919,632	127,226	880,745
Total Liabilities and Net Assets	\$ 237,475	\$ 919,632	\$ 127,226	\$ 1,284,333

See notes to the financial statements

**HISTORY SAN JOSE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019**

	<u>With Donor Restriction</u>			<u>TOTALS</u>
	<u>Without Donor Restriction</u>	<u>Restricted for Specified Purposes</u>	<u>Not Subject to Appropriation or Expenditures</u>	
SUPPORT AND OTHER REVENUES:				
Support:				
Donations	\$ 131,819	20,179	\$ -	\$ 151,998
Membership donations	36,430		-	36,430
City of San Jose grant	272,966	825,000	-	1,097,966
Bequest			-	-
In-kind Support	50,259		-	50,259
Total Support	<u>491,474</u>	<u>845,179</u>	<u>-</u>	<u>1,336,653</u>
Other Revenue:				
Retail Sales	24,262		-	24,262
Cost of goods sold	(7,687)		-	(7,687)
Net retail sales	<u>16,575</u>	<u>-</u>	<u>-</u>	<u>16,575</u>
Program fees	186,619		-	186,619
Contract Services	-		-	-
Rental income	223,192	-	-	223,192
Investment income	1,773	47	-	1,820
Deaccession	521		-	521
Other income	8,262	-	-	8,262
Total Other Revenue	<u>436,942</u>	<u>47</u>	<u>-</u>	<u>436,989</u>
Net assets released from restrictions	<u>786,676</u>	<u>(786,676)</u>	<u>-</u>	<u>-</u>
Total Support and Revenue	<u>1,715,092</u>	<u>58,550</u>	<u>-</u>	<u>1,773,642</u>
Program Services	541,153	-	-	541,153
Supportive Services:				
Management and General	847,638		-	847,638
Institutional Administration	164,049	-	-	164,049
Total Expenses	<u>1,552,840</u>	<u>-</u>	<u>-</u>	<u>1,552,840</u>
CHANGES IN NET ASSETS	162,252	58,550	-	220,802
Net Assets, beginning of year	<u>(328,365)</u>	<u>861,082</u>	<u>127,226</u>	<u>659,943</u>
NET ASSETS, END OF YEAR	\$ <u>(166,113)</u>	\$ <u>919,632</u>	\$ <u>127,226</u>	\$ <u>880,745</u>

See notes to the financial statements

**HISTORY SAN JOSE
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2019**

	Program Services	Supportive Services			TOTAL
		Management and General	Fund Raising	Subtotal	
Salaries & Wages	\$ 305,889	\$ 256,231	\$ 106,554	\$ 362,785	\$ 668,674
Employer payroll taxes	23,207	18,783	8,427	27,210	50,417
Retirement	3,571	5,740	578	6,318	9,889
Employee Benefits	6,789	72,031	19,198	91,229	98,018
Subtotal employee related expenses	339,456	352,785	134,757	487,542	826,998
Professional support and contract labor	71,263	115,458	7,554	123,012	194,275
Education and training	15,988	9,772	1,765	11,537	27,525
Building maintenance	20,897	48,787	1,045	49,832	70,729
Utilities	(46)	78,812	-	78,812	78,766
In-kind Rent	48,000	-	-	-	48,000
Business charges and interest	112	14,587	1,124	15,711	15,823
License and taxes	7,535	882	-	882	8,417
Insurance	2,116	25,097	-	25,097	27,213
Telephone and Internet	160	71,742	281	72,023	72,183
Travel	7,442	225	72	297	7,739
Printing and advertising	3,993	469	9,288	9,757	13,750
Supplies	8,009	9,627	7	9,634	17,643
Postage and shipping	191	1,718	1,790	3,508	3,699
Equipment and repairs	8,145	35,033	2,032	37,065	45,210
Food and catering	7,892	33,001	4,334	37,335	45,227
Depreciation	-	44,442	-	44,442	44,442
Other expenses	-	2,942	-	2,942	2,942
In-kind Match	-	2,259	-	2,259	2,259
Total Expenses	\$ 541,153	\$ 847,638	\$ 164,049	\$ 1,011,687	\$ 1,552,840

See notes to the financial statements

**HISTORY SAN JOSE
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2019**

CASH FLOWS FROM OPERATING ACTIVITIES

Changes in Net Assets	\$ 220,802
<i>Adjustments to reconcile net expenditures over net revenue to net cash used by operations</i>	
Depreciation	44,442
<i>(Increase)/Decrease in:</i>	
Accounts Receivable	(36,092)
Inventories	(341)
Prepaid Expenses	(900)
Other Assets	1,227
<i>Increase/(Decrease) in:</i>	
Accounts Payable	(34,442)
Accrued Compensation & Related Benefits	(4,135)
Deferred Revenue	38,674
Net Cash Provided (Used) By Operating Activities	<u>229,235</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Acquisition of Fixed Assets	(246,150)
Investment Income	(47)
Net Cash Provided (Used) By Investing Activities	<u>(246,197)</u>

CASH FLOWS FROM FINANCING ACTIVITIES

Decrease in Capital Lease Liability	(5,702)
Proceeds from Line of Credit/Loan	38,021
Net Cash Provided (Used) By Financing Activities	<u>32,319</u>

Net Increase (decrease) in cash and cash equivalents 15,357

CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD 13,757

CASH AND CASH EQUIVALENTS AT END OF PERIOD \$ 29,114

Supplementary Disclosures:

Interest paid \$ 2,607

**HISTORY SAN JOSE
NOTES TO THE FINANCIAL STATEMENTS
FOR YEAR ENDED JUNE 30, 2019**

NOTE 1: ORGANIZATION

The City of San Jose (the City) owns various historic assets related to the City and Santa Clara Valley, including History Park with its historic and reconstructed structures; the Peralta-Fallon Historic Site; and the Collection Center, which houses a permanent museum collection, hereafter referred to as the Museum. In 1998, the City council approved a plan to transfer the operation and maintenance of the above facilities to a nonprofit corporation. History San Jose (HSJ) was formed for the purpose of preserving these historic sites through an operations & maintenance contract with the City, membership, fund raising, earned income opportunities and educational and volunteer services.

The permanent collection of historic artifacts and records related to the City and the Santa Clara Valley is comprised of artifacts and a research library with records, maps, and photographs from private individuals, businesses and organizations. HSJ has elected not to capitalize items in the collection in accordance with the American Alliance of Museums' best practices.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

New Accounting Pronouncement

Effective December 15, 2018, History of San Jose (HSJ) adopted FASB Accounting Standards Update 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*, ("ASU 2016-14"). The provisions of ASU 2016-14 are intended to simplify and improve the presentation of net assets, as well as information regarding liquidity, financial performance and cash flows. ASU 2016-14 revises the net asset classification structure to two classes (net assets with donor restrictions and net assets without donor restrictions) instead of the previous three. ASU 2016-14 also enhances disclosures for self-imposed limits on the use of resources both with and without donor-imposed restrictions and requires qualitative disclosures on liquidity and the availability of resources to fund operations.

Implementation of ASU 2016-14 did not require reclassification or restatement of any opening balances related to the period presented. HSJ's net assets previously reported as temporarily and permanently restricted are now reported as net assets with donor restrictions. Likewise, HSJ's net assets previously reported as unrestricted are now reported as net assets without donor restrictions.

HISTORY SAN JOSE
NOTES TO THE FINANCIAL STATEMENTS
FOR YEAR ENDED JUNE 30, 2019

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Accounting

HSJ prepares its financial statements using the accrual basis of accounting. Revenue is recognized when earned and expenses are recognized when they are incurred.

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor restrictions.

Net Assets With Donor Restrictions – Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. HSJ reports contributions restricted by donors as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or a purpose restriction is accomplished) in the reporting period in which the revenue 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.

Use of Estimates

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

Tax Exempt Status

HSJ is exempt from federal income tax as an organization described in Section 501(c)(3) of the Internal Revenue Code, and therefore has made no provisions for federal income taxes in the accompanying financial statements. HSJ is also exempt from California state franchise tax under Section 23701(d) of the State's Revenue and Taxation Code. Management believes that HSJ has no uncertain tax positions as of June 30, 2019.

**HISTORY SAN JOSE
NOTES TO THE FINANCIAL STATEMENTS
FOR YEAR ENDED JUNE 30, 2019**

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Cash Equivalents

HSJ considers all highly liquid debt instruments with original maturities of three months or less from date of purchase and money market funds to be cash equivalents. There were no cash equivalents at June 30, 2019.

Investments

Investments consist of certificates of deposit with original terms exceeding 90 days carried at fair value based on quoted prices in active markets (all Level 1 measurements).

Inventories

Inventories consist of books, gifts, and food held for resale, and is valued at the lower of cost (on a first-in, first-out basis) or market.

Fair Value of Financial Instruments

The amounts reported for cash, accounts receivables, accounts payable and accrued expenses approximate fair value due to their short maturities.

Leasehold Improvements and Equipment

Leasehold improvements and equipment are stated at cost and amortized or depreciated over the shorter of the estimated useful life of the asset or lease term using the straight-line method. The depreciable lives or lease terms range from three to fifteen years. Major repairs or replacements of leasehold improvements and equipment are capitalized. Maintenance, repairs and minor replacements are charged to expenses as incurred.

Revenue Recognition

Contributions received are recorded as increases in Net Assets With Donor Restrictions or increases in Net Assets Without Donor Restrictions, depending on the existence and/or nature of any donor restrictions.

All donor-restricted contributions are reported as increases in Net Assets With Donor Restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), 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.

**HISTORY SAN JOSE
NOTES TO THE FINANCIAL STATEMENTS
FOR YEAR ENDED JUNE 30, 2019**

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Donations

Donations of equipment and other donated goods are recorded as support at their estimated fair value. Such donations are reported as net assets without donor restrictions unless the donor has restricted the donated asset for a specific purpose.

Contributed Services and Equipment

Contributed services, which require a specialized skill and which HSJ would have paid for if not donated, are recorded at the estimated fair market value at the time the services are rendered. Donated equipment is reflected as a donation in the accompanying financial statements at its estimated value at date of receipt.

Advertising Expenses

The costs of advertising are expensed as incurred. During the year ended June 30, 2019, advertising costs charged to expense totaled \$6,815

Allocated Expenses

Expenses specifically identifiable to a particular program or functional activity are charged to the related program or functional activity as incurred. Shared or indirect expenses are allocated to the program or functional activity based on relative direct expenses.

NOTE 3: OPERATION AGREEMENT WITH THE CITY

Effective July 1, 2019, HSJ and the City entered into a restated and amended agreement whereby the City retained HSJ to operate and maintain the Museum. The agreement with the City was extended and will expire on June 30, 2024. Subject to annual appropriation, as approved by the City's governing board, the restated and amended agreement provides for annual financial support from the City of \$825,000 for each fiscal year through June 30, 2024. The Operation Payment will be adjusted annually as the cost of living in San Jose has increased over the proceeding base period as shown by the CPI for the San Francisco-Oakland-San Jose Area limited to 3% annually.

As previously required under the former agreement, HSJ is also required to maintain a cash reserve fund equal to 25% of HSJ's annual operating budget. Due to insufficient cash flow in the current and previous years, HSJ has not established the cash reserve fund.

**HISTORY SAN JOSE
NOTES TO THE FINANCIAL STATEMENTS
FOR YEAR ENDED JUNE 30, 2019**

NOTE 4: LIQUIDITY AND AVAILABILITY OF RESOURCES

The following reflects HSJ's financial assets as of the statement of financial position date, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the statement of financial position date. Donor-restricted amounts that is available for use within one year:

Cash and Cash Equivalents	\$ 29,114
Receivables	834,993
Restricted Cash	<u>23,427</u>
Total Financial Assets	887,534
Less those unavailable for general expenditures within one year due to:	
Receivables restricted by donors for specific uses to be collected and used within one year	(825,000)
Cash restricted by donors for specific uses	<u>(23,427)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u><u>\$ 39,107</u></u>

HSJ has \$39,107 of financial assets available within one year of the statement of financial position date to meet cash needs for general expenditures including cash available for general expenditures of \$29,114 Receivables of \$9,993 are subject to implied time restrictions but are expected to be collected within one year.

HSJ has a goal to maintain financial assets, which consist of cash and short-term investments, on hand to meet 3 months of normal operating expenses, which are, on average, approximately \$388,000. HSJ has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

NOTE 5 : LEASEHOLD IMPROVEMENTS AND EQUIPMENT

The original cost and accumulated depreciation for the property and equipment were as follows:

Leasehold Improvements	\$	1,168,450
Office Furniture and Equipment		436,713
Museum Equipment		<u>66,606</u>
Total		1,671,769
Less: accumulated depreciation		<u>(1,280,859)</u>
Property and Equipment, net	\$	<u><u>390,910</u></u>

Depreciation expense for the year ended June 30, 2019, was \$44,442.

**HISTORY SAN JOSE
NOTES TO THE FINANCIAL STATEMENTS
FOR YEAR ENDED JUNE 30, 2019**

NOTE 6: NET ASSETS NOT APPROPRIATED FOR EXPENDITURE / ENDOWMENT FUND

Net Assets Not Appropriated for Expenditure consists of the San Jose Historical Museum Fund. It is an endowment fund whose purpose is to promote, receive and accept gifts from members of the History San Jose and friends to be used for the betterment of the San Jose Historical Museum. Restrictions on this Fund have been set forth with the understanding that the principal of donations accumulated shall be held and not distributed. As required by generally accepted accounting principles, Net Assets With Donor Restricted funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Investment Return Objectives, Risk Parameters and Strategies. The Organization has adopted investment and spending policies, approved by the Board of Directors, for endowment assets. The funds shall be invested in a well-diversified asset mix, which may include equity and debt securities, depending on market conditions as determined by a duly appointed Trustee. Based on this strategy, the Organization expects its endowment assets, may over time, generate earnings that can be made available for distribution as necessary without further reducing the principal portion of the Fund.

Spending Policy. The Organization's spending policy for this endowment was set forth by the Board of Directors in the absence of donor-imposed restrictions, particularly on the utilization of earnings generated by the Fund. As such, income generated by the Fund may be appropriated for subsequent reclassification to Net Asset Without Donor Restriction.

Prior to June 30, 2006, the Board, due to prevailing economic conditions that affected the financial stability of the Organization, authorized the utilization of permanently restricted net assets of \$138,425 to fund operations. To date, HSJ has retained \$23,427 of the Endowment Fund in the form of a Certificate of Time Deposit, which is shown as "Restricted Cash" in the Statement of Financial Position.

At June 30, 2019, the unpaid balance of Net Assets Not Appropriated for Expenditure was \$103,799 and is shown as an inter-fund receivables item on the Statement of Financial Position.

**HISTORY SAN JOSE
NOTES TO THE FINANCIAL STATEMENTS
FOR YEAR ENDED JUNE 30, 2019**

NOTE 6: NET ASSETS NOT APPROPRIATED FOR EXPENDITURE / ENDOWMENT FUND (CONTINUED)

Changes in endowment net assets as of June 30, 2019 are as follows:

	<u>Not Appropriated for Expenditure</u>	<u>Total Net Endowment Funds</u>
Donor-Restricted Endowment Funds	\$ 127,226	\$ 127,226

Changes in endowment net assets as of June 30, 2019 are as follows:

	<u>Not Appropriated for Expenditure</u>	<u>Total Net Endowment Assets</u>
Endowment Net Assets, Beginning of Year	\$ 127,226	\$ 127,226
Investment Income	47	47
Appropriated for expenditure	(47)	(47)
Endowment Net Assets, End of Year	<u>\$ 127,226</u>	<u>\$ 127,226</u>

NOTE 7: NET ASSETS RESTRICTED FOR SPECIFIC PURPOSES

Net assets restricted for specific purposes at June 30, 2019 are comprised as follows:

Sims Bequest	\$ 2,630
History Park Signage	8,664
Printers' Guild	5,864
Farm Labor Cottages	46,264
Trolley Barn	13,660
FY19 – 20 Valley Event	17,550
FY19 – 20 Operation Funds – City of San Jose	<u>825,000</u>
Total Temporarily Restricted Net Assets	<u>\$ 919,632</u>

Net Assets with Donor Restrictions are residual amounts of certain grants for specific projects as directed by the donors. Over the years, these projects are either in progress or under continued supervision by HSJ Management.

Included in Net Assets with Donor Restrictions is the receivable for the FY2019-2020 Operating Funds of \$825,000 expected to be collected from the City of San Jose within the next fiscal year.

**HISTORY SAN JOSE
NOTES TO THE FINANCIAL STATEMENTS
FOR YEAR ENDED JUNE 30, 2019**

NOTE 7: NET ASSETS RESTRICTED FOR SPECIFIC PURPOSES (CONTINUED)

The remaining \$94,632 are residual amounts of certain grants for specific projects as directed by the donors. Over the years, these projects are either ongoing or under continued supervision by HSJ Management. They are shown as an inter-fund receivable/payable on the Statement of Financial Position.

NOTE 8: IN-KIND SUPPORT

For the year ended June 30, 2019, HSJ received the following in-kind support:

City of San Jose:		
Occupancy - facilities	\$	48,000
Other:		
In-Kind Match		<u>2,259</u>
Total In-Kind Support	\$	<u><u>50,259</u></u>

During fiscal year 2019, HSJ received donated time and services from non-specialized volunteers. During 2019, there were approximately 245 volunteers who donated approximately 29,412 hours of service.

Note 9: RETIREMENT PLAN

HSJ has established a 401(k) retirement plan for all eligible employees. Under the terms of the plan, all employees who are at least 18 years of age and have completed one year of service may participate. Each participant may elect to contribute the statutory limit as prescribed by the Internal Revenue Code. HSJ may make matching contributions up to 3% of participant compensation. HSJ contributions vest over six years. During 2019, HSJ made \$9,889 in contributions to the plan.

Note 10: CAPITAL LEASE

HSJ leases its telephone system under a capital lease expiring in July 2020. The economic substance of the lease is that HSJ is financing the acquisition of the assets through the lease, and, accordingly, it is recorded in HSJ's assets and liabilities.

The following is an analysis of the leased asset included in Fixed Assets:

Capital Lease: Telephone System	\$	25,779
Less: Accumulated Depreciation		<u>(10,312)</u>
Capital Lease Fixed Asset	\$	<u><u>15,467</u></u>

**HISTORY SAN JOSE
NOTES TO THE FINANCIAL STATEMENTS
FOR YEAR ENDED JUNE 30, 2019**

Note 10: CAPITAL LEASE (CONTINUED)

Future minimum payments for the lease mentioned above along with their present value as of June 30, 2019 is as follows:

Year Ended June 30, 2020:	\$ <u>9,798</u>
Total Minimum Lease Payments	\$ <u>9,798</u>

Note 11: LINE OF CREDIT / LOAN PAYABLE

HSJ has a line of credit with Heritage Bank providing up to \$40,000 through May 4, 2020. Borrowings are at the bank's index rate of 8.00% and are secured by HSJ's assets. The agreement requires HSJ to meet certain financial covenants and ratios. The line of credit is subject to annual bank review. As of June 30, 2019, \$40,000 had been drawn down and was outstanding.

HSJ has a loan with Nonprofits Insurance Alliance of California providing up to \$50,000 through December 12, 2019. Borrowings are at a fixed interest rate of 6.0%. As of June 30, 2019, \$29,530 had been drawn down and was outstanding.

Note 12: SUBSEQUENT EVENTS

The management of HSJ has evaluated its subsequent events through October 18, 2019, the date the financial statements were available to be issued.