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# **640 HERITAGE PRESERVATION FOUNDATION**

## **FINANCIAL STATEMENTS**

**December 31, 2015**

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**CROSBY & KANEDA**  
Certified Public Accountants

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Dedicated to Nonprofit Organizations

# 640 HERITAGE PRESERVATION FOUNDATION

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Dedicated to Nonprofit Organizations

## **INDEPENDENT ACCOUNTANTS' REVIEW REPORT**

Board of Directors  
640 Heritage Preservation Foundation  
San Francisco, California

We have reviewed the accompanying financial statements of 640 Heritage Preservation Foundation (the Foundation), which comprise the statement of financial position as of December 31, 2015, and the related statements of activities, cash flows and functional expenses for the year then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of Organization management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

### **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.

### **Accountants' Responsibility**

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the American Institute of Certified Public Accountants. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

### **Accountants' Conclusion**

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

  
Certified Public Accountants  
Oakland, California  
April 30, 2017

**640 HERITAGE PRESERVATION FOUNDATION**

**Statement of Financial Position  
December 31, 2015**

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<b>Assets</b>	
Assets	
Cash	\$ 366,375
Accounts receivable	1,225
	<hr/>
Total Assets	\$ 367,600
	<hr/> <hr/>
<b>Liabilities and Net Assets</b>	
Current Liabilities	
Accounts payable and accrued expenses	\$ 2,347
Accrued vacation	1,665
Due to Metropolitan Club (Note 3)	21,180
Total Liabilities	<hr/> 25,192
Contingencies (Note 4)	
Net Assets	
Unrestricted	69,203
Temporarily restricted (Note 5)	273,205
Total Net Assets	<hr/> 342,408
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Total Liabilities and Net Assets	\$ 367,600

See Independent Accountants' Review Report and  
Notes to the Financial Statements

**640 HERITAGE PRESERVATION FOUNDATION**

**Statement of Activities  
For the Year Ended December 31, 2015**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<b>Support and Revenue</b>			
Contributions	\$ 8,670	\$ 39,108	\$ 47,778
Fundraising events, net (Note 6)	630	313,084	313,714
Interest	56		56
Net assets released from donor restriction (Note 5)	<u>310,754</u>	<u>(310,754)</u>	<u>-</u>
Total Support and Revenue	<u>320,110</u>	<u>41,438</u>	<u>361,548</u>
<b>Expenses</b>			
Program	318,754		318,754
Management and general	34,266		34,266
Fundraising	<u>95,636</u>		<u>95,636</u>
Total Expenses	<u>448,656</u>	<u>-</u>	<u>448,656</u>
Change in net assets	(128,546)	41,438	(87,108)
Net Assets, beginning of year	<u>197,749</u>	<u>231,767</u>	<u>429,516</u>
Net Assets, end of year	<u>\$ 69,203</u>	<u>\$ 273,205</u>	<u>\$ 342,408</u>

See Independent Accountants' Review Report and  
Notes to the Financial Statements

**640 HERITAGE PRESERVATION FOUNDATION**

**Statement of Cash Flows  
For the Year Ended December 31, 2015**

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<b>Cash flows from operating activities:</b>	
Change in net assets	\$ (87,108)
Adjustments to reconcile change in net assets to cash provided (used) by operating activities:	
Changes in assets and liabilities:	
Accounts receivable	3,845
Accounts payable and accrued expenses	(3,632)
Accrued vacation	1,665
Due to Metropolitan Club	(2,887)
Net cash provided (used) by operating activities	<u>(88,117)</u>
Net change in cash	(88,117)
Cash, beginning of year	<u>454,492</u>
Cash, end of year	<u><u>\$ 366,375</u></u>

See Independent Accountants' Review Report and  
Notes to the Financial Statements

**640 HERITAGE PRESERVATION FOUNDATION**

**Statement of Functional Expenses  
For the Year Ended December 31, 2015**

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	<u>Program</u>	<u>Management and general</u>	<u>Fundraising</u>	<u>Total</u>
Personnel	\$	\$ 5,478	\$ 85,816	\$ 91,294
Seismic structuring grant	300,000	-	-	300,000
Special grant	18,754	-	-	18,754
Accounting fees	-	15,669	-	15,669
Consultants	-	-	4,486	4,486
Advertising and promotion	-	5,980	-	5,980
Office supplies	-	2,165	22	2,187
Information technology	-	-	649	649
Travel and meals	-	-	4,663	4,663
Insurance	-	2,865	-	2,865
Miscellaneous	-	2,109	-	2,109
Total Expenses	<u>\$ 318,754</u>	<u>\$ 34,266</u>	<u>\$ 95,636</u>	<u>\$ 448,656</u>

See Independent Accountants' Review Report and  
Notes to the Financial Statements

## 640 HERITAGE PRESERVATION FOUNDATION

### Notes to the Financial Statements For the Year Ended December 31, 2015

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#### NOTE 1: NATURE OF ACTIVITIES

640 Heritage Preservation Foundation (the Foundation) is located in San Francisco, California and is a nonprofit public benefit corporation organized exclusively for charitable and educational purposes under section 501(c)(3) of the Internal Revenue Code. The Foundation was formed to preserve and memorialize the history, architecture and heritage of the Woman's Club movement in the early 1900's. It was also formed to research, preserve and restore land, buildings and other articles relating to the history and architecture of woman's athletic clubs with particular reference to the Woman's Athletic Club of San Francisco located at 640 Sutter Street now known as the Metropolitan Club of San Francisco (the Club) and to raise and disburse funds to accomplish these purposes. Resources for the Foundation's activities are primarily provided by contributions from the members of the Club.

#### NOTE 2: SIGNIFICANT ACCOUNTING POLICIES

##### **Basis of Accounting**

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP).

##### **Basis of Presentation**

The Foundation presents information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. The three classes are differentiated by donor restrictions.

*Unrestricted net assets* – consist of resources which have not been specifically restricted by a donor. Unrestricted net assets may be designated for specific purposes by the Foundation or may be limited by contractual agreements with outside parties.

*Temporarily restricted net assets* – represent contributions whose use is limited by donor-imposed stipulations that expire by the passage of time or can be fulfilled and removed by actions of the Foundation pursuant to those stipulations.

*Permanently restricted net assets* – represent contributions whose use is limited by donor-imposed stipulations that require the gift to be invested in perpetuity. The income from such invested assets, including realized and unrealized gains, is generally available to support the activities of the Foundation. Donors may also restrict all or part of the income and/or appreciation from these investments to permanently restricted net assets, resulting in increases/decreases to these net assets. There were no permanently restricted net assets as of December 31, 2015.

##### **Contributions**

Contributions, including unconditional promises to give, are recognized as revenues in the period the promise is received. Conditional promises to give are not recognized until they become unconditional; that is when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value at the date of contribution. Contributions to be received after one year are



## 640 HERITAGE PRESERVATION FOUNDATION

### Notes to the Financial Statements For the Year Ended December 31, 2015

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discounted at an appropriate rate commensurate with the risks involved. Amortization of the discount is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions.

Unrestricted contributions and grants are recorded as unrestricted revenue when received. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor.

All donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

#### **Stewardship Campaign**

The Foundation raises funds for the purpose of assisting the Club in paying down the principal portion of a construction loan relating to the essential seismic structuring and life safety improvements. Grants are approved at the discretion of the Foundation Board.

#### **Income Taxes**

The Internal Revenue Service and the California Franchise Tax Board have determined that the Foundation is exempt from federal and state income taxes under Internal Revenue Code Section 501(c)(3) and the California Revenue and Taxation Code Section 23701(d). The Foundation has evaluated its current tax positions as of December 31, 2015 and is not aware of any significant uncertain tax positions for which a reserve would be necessary. The Foundation's tax returns are generally subject to examination by federal and state taxing authorities for three and four years, respectively after they are filed.

#### **Contributed Services**

Contributed services are reflected in the financial statements at the fair value of the services received only if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Foundation. There were no contributed services that met the criteria for recognition for the year ended December 31, 2015.

#### **Estimates**

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

#### **Fair Value Measurements**

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The Foundation determines the fair values of its assets and liabilities

## 640 HERITAGE PRESERVATION FOUNDATION

### Notes to the Financial Statements For the Year Ended December 31, 2015

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based on a fair value hierarchy that includes three levels of inputs that may be used to measure fair value.

Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Organization has the ability to access at the measurement date.

Level 2 - Inputs other than quoted market prices that are observable for the asset or liability, either directly or indirectly.

Level 3 - Unobservable inputs for the assets or liability.

The Foundation had no assets or liabilities recorded at fair value on December 31, 2015.

#### **Concentration of Credit Risk**

At times, the Foundation may have deposits in excess of federally insured limits. The risk is managed by maintaining all deposits in high quality financial institutions.

#### **Property and Equipment**

All acquisitions of property and equipment in excess of \$5,000 and all expenditures for repairs and maintenance, renewals, and betterments that materially prolong the useful lives of assets are capitalized. Property and equipment are stated at cost or, if donated, at the approximate fair value at the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives on the property and equipment. The Foundation had no property and equipment that met this capitalization policy at December 31, 2015.

#### **Functional Allocation of Expenses**

The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

#### **Subsequent Events**

The Foundation has evaluated subsequent events and has concluded that as of April 30, 2017 the date that the financial statements were available to be issued, there were no significant subsequent events to disclose.

#### **NOTE 3: RELATED PARTY TRANSACTIONS**

The Foundation reimburses the Club for the Executive Director's salary and benefits, as well as for a portion of other program and support service expenses. The Foundation owed the Club \$21,180 of reimbursable expenses at December 31, 2015.

For the year ended December 31, 2015 the Foundation granted the Club \$300,000 to pay down the principal portion of the Club's construction loan.

#### **NOTE 4: CONTINGENCIES**

Grant awards require the fulfillment of certain conditions as set forth in the instrument of grant. Failure to fulfill the conditions could result in the return of the funds to the grantors. The Foundation deems this contingency remote since by accepting the grants

640 HERITAGE PRESERVATION FOUNDATION

Notes to the Financial Statements  
For the Year Ended December 31, 2015

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and their terms, it has accommodated the objectives of the Foundation to the provisions of the grants. The Foundation's management is of the opinion that the Foundation has complied with the terms of all grants.

**NOTE 5: TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets consisted of the following as of December 31, 2015:

Bliss & Faville manuscript	\$ 19,246
640 Heritage seismic structuring	<u>253,959</u>
Total	<u>\$ 273,205</u>

Temporarily restricted net assets were released from donor restriction by satisfying the purposes specified by donors as follows during the year ended December 31, 2015:

Bliss & Faville manuscript	\$ 10,754
640 Heritage seismic structuring	<u>300,000</u>
Total	<u>\$ 310,754</u>

**NOTE 6: FUNDRAISING EVENTS**

Fundraising events consisted of a centennial gala and fashion show. Activity for such events was as follows for the year ended December 31, 2015:

Admissions	\$ 162,983
Sponsorships	247,156
Auction receipts	98,195
Raffle receipts	1,800
Costs of direct participant benefits	<u>(196,420)</u>
Total	<u>\$ 313,714</u>