

# San Jose Museum of Quilts & Textiles

Reviewed Financial Report

June 30, 2014 and 2013

## TABLE OF CONTENTS

	<u>Page</u>
INDEPENDENT ACCOUNTANT'S REVIEW REPORT	1
FINANCIAL STATEMENTS	
Statements of Financial Position	2
Statements of Activities	3
Statements of Cash Flows	4
Statements of Functional Expenses	5-6
Notes to Financial Statements	7-16

## INDEPENDENT ACCOUNTANT'S REVIEW REPORT

Board of Directors  
San Jose Museum of Quilts & Textiles

We have reviewed the accompanying statements of financial position of San Jose Museum of Quilts & Textiles (a nonprofit organization) as of June 30, 2014 and 2013, and the related statements of activities, cash flows, and functional expenses for the years then ended. 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 is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

Our responsibility is to conduct the review in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. Those standards require me us to perform procedures to obtain limited assurance that there are no material modifications that should be made to the financial statements. We believe that the results of our procedures provide a reasonable basis for our report.

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 conformity with accounting principles generally accepted in the United States of America.

Young, Craig & Co. LLP



Raymond H. Skitt, Partner

November 18, 2014

# San Jose Museum of Quilts & Textiles

## Statements of Financial Position

June 30, 2014 and 2013

	2014	2013
<b>ASSETS</b>		
Current Assets		
Cash and cash equivalents (Note B)	\$ 113,699	\$ 81,039
Grants and pledge receivable	87,970	100,800
Inventory	867	1,182
Total current assets	202,536	183,021
Collection (Note D)	-	-
Property and Equipment, net (Note C)	3,795,651	3,880,135
	\$ 3,998,187	\$ 4,063,156
<b>LIABILITIES AND NET ASSETS</b>		
Current Liabilities		
Accounts payable	\$ 10,722	\$ 7,504
Accrued expenses	19,000	15,723
Line of credit (Note E)	74,000	74,318
Current portion of long-term debt (Note F)	142,777	169,000
Total current liabilities	246,499	266,545
Long-Term Debt, net of current (Note F)	805,767	1,501,154
Net Assets		
Unrestricted	2,825,160	2,186,788
Temporarily restricted (Note G)	120,761	108,669
Total net assets	2,945,921	2,295,457
	\$ 3,998,187	\$ 4,063,156

See Notes to Financial Statements and Independent Accountant's Review Report.

# San Jose Museum of Quilts & Textiles

## Statements of Activities For the Years Ended June 30, 2014 and 2013

	2014			2013		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Support and revenue:						
Admissions income	\$ 25,365	\$ -	\$ 25,365	\$ 24,266	\$ -	\$ 24,266
Board contributions	24,060	-	24,060	21,635	-	21,635
Donations, corporate	16,567	-	16,567	29,928	-	29,928
Donations, individual	673,544	87,196	760,740	258,405	27,626	286,031
Donations, in-kind	20,328	-	20,328	14,086	-	14,086
Foundation grants	11,100	30,000	41,100	20,734	50,000	70,734
Fundraising events	7,920	-	7,920	24,239	-	24,239
Gift shop sales	38,690	-	38,690	45,962	-	45,962
Government grants	44,431	-	44,431	54,067	10,737	64,804
Guild support	9,495	1,200	10,695	17,196	-	17,196
Interest income	33	-	33	20	-	20
Forgiveness of debt	216,938	-	216,938	129,000	-	129,000
Membership dues	47,559	-	47,559	48,613	-	48,613
Program service revenue	14,322	-	14,322	24,545	-	24,545
Grant converted to loan	-	-	-	(58,713)	-	(58,713)
Total support and revenue	1,150,352	118,396	1,268,748	653,983	88,363	742,346
Net assets released from restrictions:						
Satisfaction of program restrictions	98,546	(98,546)	-	75,251	(75,251)	-
Satisfaction of property improvement restrictions	7,758	(7,758)	-	26,924	(26,924)	-
	<u>1,256,656</u>	<u>12,092</u>	<u>1,268,748</u>	<u>756,158</u>	<u>(13,812)</u>	<u>742,346</u>
Expenses:						
Program services	428,080	-	428,080	445,327	-	445,327
General and administrative	104,571	-	104,571	128,292	-	128,292
Fundraising	85,633	-	85,633	132,338	-	132,338
Total expenses	<u>618,284</u>	<u>-</u>	<u>618,284</u>	<u>705,957</u>	<u>-</u>	<u>705,957</u>
Increase (decrease) in net assets	638,372	12,092	650,464	50,201	(13,812)	36,389
Net assets, beginning of year	2,186,788	108,669	2,295,457	2,136,587	122,481	2,259,068
Net assets, end of year	<u>\$ 2,825,160</u>	<u>\$ 120,761</u>	<u>\$ 2,945,921</u>	<u>\$ 2,186,788</u>	<u>\$ 108,669</u>	<u>\$ 2,295,457</u>

See Notes to Financial Statements and Independent Accountant's Review Report.

# San Jose Museum of Quilts & Textiles

## Statements of Cash Flows For the Years Ended June 30, 2014 and 2013

	2014	2013
Cash Flows From Operating Activities		
Change in net assets	\$ 650,464	\$ 36,389
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	89,301	89,172
Forgiveness of debt	(216,938)	(129,000)
(Increase) decrease in assets:		
Grants and pledge receivable	12,830	(51,512)
Inventory	315	2,668
Increase (decrease) in liabilities:		
Accounts payable	3,218	(1,718)
Accrued expenses	3,277	(6,405)
Net cash provided by (used in) operating activities	542,467	(60,406)
Cash Flows From Investing Activities		
Purchase of furniture	(4,817)	-
Net cash (used in) investing activities	(4,817)	-
Cash Flows From Financing Activities		
Payments on note payables	(504,672)	-
Proceeds from note payables	-	53,713
Net borrowings on line of credit	(318)	10,038
Net cash provided by (used in) financing activities	(504,990)	63,751
Net increase in cash and cash equivalents	32,660	3,345
Cash and Cash Equivalent, beginning of year	81,039	77,694
Cash and Cash Equivalent, end of year	\$ 113,699	\$ 81,039
Supplemental Information		
Cash paid for:		
Interest paid by Museum	\$ 65,739	\$ 72,701
Noncash financing:		
Forgiveness of debt from the City of San Jose	\$ 129,000	\$ 129,000
Forgiveness of debt from individuals	\$ 87,938	\$ -
Grant converted to note payable	\$ -	\$ 58,713

See Notes to Financial Statements and Independent Accountant's Review Report.

# San Jose Museum of Quilts & Textiles

## Statement of Functional Expenses For the Year Ended June 30, 2014

Description	Program	Support		Total	Total Expenses
	Services	Administrative	Fundraising		
Advertising	\$ 1,169	\$ 100	\$ -	\$ 100	\$ 1,269
Bank service charges	3,069	271	1,212	1,483	4,552
Communications	4,456	610	282	892	5,348
Cost of sales	15,665	-	-	-	15,665
Dues and subscriptions	222	945	2,150	3,095	3,317
Employee benefits	1,310	1,499	1,802	3,301	4,611
Insurance	19,920	2,805	347	3,152	23,072
Interest	53,067	7,592	5,080	12,672	65,739
Janitorial	2,550	185	165	350	2,900
Miscellaneous	4,654	894	668	1,562	6,216
Parking	1,735	336	177	513	2,248
Postage	7,983	368	782	1,150	9,133
Printing	1,056	70	5,928	5,998	7,054
Professional services	26,050	37,376	28,874	66,250	92,300
Professional services—donated	5,250	13,678	1,400	15,078	20,328
Property taxes	2,366	247	183	430	2,796
Rent, equipment and facility fees	5,705	578	410	988	6,693
Repairs	10,234	2,667	1,348	4,015	14,249
Salaries and related taxes	147,484	23,012	23,964	46,976	194,460
Security	5,019	434	317	751	5,770
Special events	8,025	-	575	575	8,600
Supplies	2,512	282	192	474	2,986
Training, development and recruiting	179	512	-	512	691
Travel	2,182	74	2,752	2,826	5,008
Utilities	20,453	2,253	1,272	3,525	23,978
Total expenses before depreciation and amortization	352,315	96,788	79,880	176,668	528,983
Depreciation and amortization	75,765	7,783	5,753	13,536	89,301
	<u>\$ 428,080</u>	<u>\$ 104,571</u>	<u>\$ 85,633</u>	<u>\$ 190,204</u>	<u>\$ 618,284</u>

See Notes to Financial Statements and Independent Accountant's Review Report.

# San Jose Museum of Quilts & Textiles

## Statement of Functional Expenses

For the Year Ended June 30, 2013

Description	Program Services	Support		Total	Total Expenses
		Administrative	Fundraising		
Advertising	\$ 3,053	\$ 250	\$ 383	\$ 633	\$ 3,686
Bank service charges	5,737	519	643	1,162	6,899
Communications	11,372	779	806	1,585	12,957
Collections expense	1,884	-	-	-	1,884
Cost of sales	27,738	-	-	-	27,738
Dues and subscriptions	25	600	1,774	2,374	2,399
Employee benefits	1,536	1,536	4,944	6,480	8,016
Facilities	4,866	4,422	328	4,750	9,616
Insurance	18,981	2,662	1,659	4,321	23,302
Interest	61,452	7,291	3,958	11,249	72,701
Miscellaneous	2,380	1,896	13,252	15,148	17,528
Postage	4,258	4,083	1,084	5,167	9,425
Printing	2,981	2,214	7,299	9,513	12,494
Professional services	4,810	40,532	13,546	54,078	58,888
Professional services—donated	4,612	550	1,712	2,262	6,874
Rent, equipment and facility fees	6,499	509	509	1,018	7,517
Repairs	6,089	7,767	(1,177)	6,590	12,679
Salaries and related taxes	161,198	39,192	58,052	97,244	258,442
Security	4,221	343	248	591	4,812
Special events	8,642	42	15,187	15,229	23,871
Supplies	3,487	768	1,749	2,517	6,004
Training, development and recruiting	-	204	320	524	524
Travel	17	695	300	995	1,012
Utilities	23,475	2,666	1,376	4,042	27,517
Total expenses before depreciation and amortization	369,313	119,520	127,952	247,472	616,785
Depreciation and amortization	76,014	8,772	4,386	13,158	89,172
	<u>\$ 445,327</u>	<u>\$ 128,292</u>	<u>\$ 132,338</u>	<u>\$ 260,630</u>	<u>\$ 705,957</u>

See Notes to Financial Statements and Independent Accountant's Review Report.

# San Jose Museum of Quilts & Textiles

Notes to Financial Statements  
For the Years Ended June 30, 2014 and 2013

## Note A. Nature of Organization and Summary of Significant Accounting Policies

### Nature of Organization

San Jose Museum of Quilts & Textiles (the Museum) promotes and celebrates the art, creators, craft, and history of quilts and textiles. It is a California nonprofit corporation founded in 1977 by the Santa Clara Valley Quilt Association; it separated from the Association in 1986.

The Museum occupies a renovated historic 13,400-square-foot property in downtown San Jose, anchoring the south end of the SoFA (South of First Arts) District. It features three galleries, a lecture/ classroom, a museum store, on-site collections storage, an exhibition prep area and offices.

### Exhibitions

During fiscal 2014, the Museum successfully mounted thirteen exhibitions that were provocative, compelling, transformative, fun and had a broad appeal for all our audiences. These exhibitions featured quilts that were both historical and modern as well as wearable art and contemporary textiles.

Highlights of FY14 exhibition schedule included: "Collecting New York Beauty Quilts: Bill Volckening's Passion", traced the life story of an extraordinary American quilt pattern and a collector's singular pursuit and fascinating research surrounding quilts made with this complex and graphic design. Tasty! Food Inspired Quilts offered a whimsical exploration into the intersection of some of our most basic needs: food, warmth, and community. The show was the first in San Jose as part of San Jose Museum of Art's Around the Table Food Festival. Among the quilts featured in Tasty! was a gigantic, lifelike tortilla quilt by San Jose emerging artist Yolanda Guerra, created from her original design of tortilla fabric.

"Fiberart International 2013" was a West Coast premiere of this internationally renowned exhibition that traveled here from Pittsburgh, PA. It is considered the premier platform and benchmark for the latest movements and innovations in the ever-evolving field of fiber art. Pushing the boundaries of fiber art, the exhibit showcased works that were both conceptually groundbreaking and visually stunning. Several recognized Bay Area artists were featured including Joan Schulze, Marie Bergstedt, and Stephanie Metz.

"Metamorphosis: Clothing and Identity" was a retrospective of the San Francisco Bay Area Art-to-Wear movement that traced the evolution of the rich history and legacy of this genre from its inception in the 1960s to the current group of second generation designers that are creating their own one-of-a-kind, handmade, artful garments. The exhibition showcased work by influential founders of the Artwear movement, each with their own recognized technique and aesthetic. These artists include: Jean Cacicedo, Marian Clayden, Kaffe Fassett, Ellen Hauptli, Ana Lisa Hedstrom, Ina Kozel, Janet Lipkin, K. Lee Manuel and Yvonne Porcella. Other artists included in the exhibit were: Isaac Amala & Liz Simpson, Michael Cepress, Angelina De Antonis, Laura Raboff, Carol Lee Shanks, Nancy Yodelman, and Wendeanne Ke`aka Stitt.

The hallway exhibition space featured "Tasty Too!" highlighting a few of the remarkable quilts from the 1999 exhibit and catalog Women of Taste, A Collaboration Celebrating Quilt Artists and Chefs (C&T Publishing). Included were Alice Beasley's Bette's Diner, Mary Mashuta's Mixed Greens, and Cherries 3 by Miriam Nathan-Roberts. One large wall was completely covered with over 80 vintage to new pot holders. A complementary show in the Yvonne Porcella Gallery was the small scale 16" x 16 food related quilts created by artists from all over the United States responding to the Tasty! food theme and our Fiber Shot community challenge. Donated to the museum these small Fiber Shot quilts were available for sale to raise money for the museum's programs and encourage collecting. We received more than 72 quilts from local and national artists and sold 45 to date for a \$100 each.

# San Jose Museum of Quilts & Textiles

Notes to Financial Statements  
For the Years Ended June 30, 2014 and 2013

## Note A. Nature of Organization and Summary of Significant Accounting Policies, continued

### Exhibitions, continued

Rounding out the year was "Quilt National 13" (May 2014-July 2014)-the 18th biennial juried exhibition—the quintessential and much anticipated showcase of contemporary art quilts. The quilts selected for Quilt National have never been exhibited or published before their premier showing in 2013 at the Dairy Barn Arts Center in Athens, Ohio.

Total attendance for the year onsite was 12,019. Including off-site attendance at pop-up exhibitions and programs total attendance was 30,843. Total paid attendance was 12,019. Total Free attendance was 18,824. Within that free attendance there were 733 member visits-this doubled from last year. We also saw a big increase in children served onsite at the Museum to 695 with our new school tour program at the Museum.

### Exhibit-related adult programs

The Museum offers adult educational programs in conjunction with exhibitions—including art-making workshops, slide lectures, community forums, gallery walks and symposia for people to engage more meaningfully with artwork on view. The Museum also has participated in South First Fridays, an arts district-wide gallery crawl staged on the first Friday of the month from 7-11pm that is free to the public. On South First Fridays, the Museum activates its event space with diverse programming, including artist demonstrations, and hands on textile making activities.

### K-12 educational outreach programs

The Museum has a new on-site Museum Experience program for school tours who visit the Museum. Children are provided a docent led tour and 30 minute hands-on activity appropriate to age level that meets the California Common Core Standards and 21st Century Skills. Museum Experience inspires students to become thinkers and how to respond to the world around them through the museum's exhibitions and participatory activity. Through this experience students learn how to become effective communicators, respect and work well with others and appreciate cultural diversity and celebrating differences.

### Off-site educational outreach program

The Museum has partnered with Next Door Solutions to Domestic Violence and the Santa Clara Valley Quilt Association to launch "Quilts as Women's Shelter."

The program comprises two sessions each year, each with eighteen to twenty-two weekly classes. The winter/spring session runs from January to June; the summer/fall session from July through mid-November. Classes are held on Wednesday evenings from 6:30 to 8:30 p.m. Over the course of a year, participants learn how to use a sewing machine, including threading the machine and bobbin, use of the machine itself, and how to use the cutting tools required to construct a quilt. They also receive an introduction to basic principles of art such as color theory, line, perspective, shading, and symmetry/asymmetry. This information is provided informally during the classes. With one-on-one assistance from project volunteers and the collective wisdom of program staff, volunteers, and other participants, the women design and create a quilt top; quilt the top, batting and backing on the long-arm quilting machine; and bind the edges to complete the quilt.

# San Jose Museum of Quilts & Textiles

Notes to Financial Statements  
For the Years Ended June 30, 2014 and 2013

## Note A. Nature of Organization and Summary of Significant Accounting Policies, continued

### Off-site educational outreach program, continued

At the end of each session, the Museum hosts a graduation party to honor the women completing the series of classes. The participants' quilts are displayed in the galleries, and friends and family gather to recognize what the participants have accomplished. The quilt makers have an opportunity to speak publicly about their experiences creating their quilts and taking part in the program. In addition, each graduate is presented with a used sewing machine and related tools and materials, donated by members of Santa Clara Valley Quilt Association and other individuals, so that she may continue to use her newfound skills at home.

### Collections care

The Museum cares for a collection of approximately 850 quilts/textiles and a library with over 700 volumes. The Museum completed an American Association of Museums (AAM) MAP Collections Assessment as a first step towards working towards AAM accreditation. The Museum has also completed a NEH funded collections assessment.

### A summary of the Company's significant accounting policies is as follows

#### Basis of accounting

The accompanying financial statements have been prepared on the accrual basis of accounting whereby unrestricted contributions are recognized when received or earned and expenses are recognized when incurred.

The Museum accordingly 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) based upon the existence or absence of donor-imposed restrictions.

Unrestricted net assets: Net assets that are not subject to donor-imposed restrictions. Temporarily restricted net assets that are released from restriction in the same period as received are presented as unrestricted net assets in these financial statements.

Temporarily restricted net assets: Net assets are subject to donor-imposed stipulations that may or will be met, either by actions of the Museum and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Permanently restricted net assets: Net assets are subject to permanent donor-imposed stipulations that can be removed only by the donor. Currently, the Museum does not have permanently restricted net assets.

#### Income taxes

The Museum has been granted tax-exempt status under Section 501(c)(3) of the Internal Revenue Code and Section 23701(d) of the California Revenue and Taxation Code, and contributions to it are tax deductible. Accordingly, no provision for income taxes is included in the financial statements. The Museum has been classified as a publicly supported organization, which is not a private foundation.

# San Jose Museum of Quilts & Textiles

## Notes to Financial Statements For the Years Ended June 30, 2014 and 2013

### Note A. Nature of Organization and Summary of Significant Accounting Policies, continued

#### Income taxes, continued

The Museum has adopted the provisions of FASB ASC 740-10-25, which requires that a tax position be recognized or derecognized based on a "more likely than not" threshold. This applies to position taken or expected to be taken in a tax return. The Museum does not believe its financial statements include any uncertain tax positions.

The Museum is subject to potential examination by taxing authorities for income tax returns filed in the U.S. federal jurisdiction and the State of California. The tax years that remain subject to potential examination for the U.S. federal jurisdiction is June 30, 2011 and forward. The State of California tax jurisdiction is subject to potential examination for fiscal tax years June 30, 2010 and forward.

#### Management estimates

The preparation of financial statements requires management to make estimates and assumptions that affect certain 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 periods. Accordingly, actual results could differ from those estimates.

#### Grants and pledge receivable

Grants and pledge receivable represent unconditional promises to give by donors or grantors. Current receivables are expected to be collected during the next performance year. The Museum has elected to record bad debt using the direct write-off method. Generally accepted accounting principles (GAAP) require that the allowance method be used to recognized bad debts; however, the effect of using the direct write-off method is not materially different from the results that would have been obtained under the allowance method.

#### Inventory

Inventory is stated at the lower of cost or market.

#### Compensated absences

Accumulated unpaid employee personal time off benefits is recognized as liabilities when employees have earned such compensated absences and to the extent that it is probable that these will be paid upon termination or retirement. As of June 30, 2014 and 2013, compensated absences liabilities were \$10,020 and \$9,827, respectively.

#### Contributions and grants

The Museum reports contributions and grants at the earlier of when pledged or awarded or when received, and considers them available for unrestricted use unless specifically restricted by the donor. Restricted contributions whose restrictions are met in the same reporting period are shown as unrestricted support.

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-free interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue. Conditional promises to give are not included as support until the conditions are substantially met.

# San Jose Museum of Quilts & Textiles

Notes to Financial Statements  
For the Years Ended June 30, 2014 and 2013

## Note A. Nature of Organization and Summary of Significant Accounting Policies, continued

### Museum revenue from activities

Revenue generated by admissions, memberships, store sales and other Museum activities are recorded when received. In-school outreach program fees are recorded as earned when program reservations are received. All such revenue is considered available for unrestricted use unless specifically restricted by the donor.

### Donated materials and services

The Museum records donated materials, excluding collections, as contributions at their estimated fair market value at the date of receipt, and expenses or capitalize them as appropriate. The fair market value of materials is based on amounts charged for comparable goods. All donated materials are reflected as unrestricted support unless the donor places restrictions on how the donated assets must be used.

In addition to donated materials, the Museum receives donated time by volunteers for services of a nonprofessional nature that is not recorded on the books because no objective basis is available to measure the value of such services. No amounts for these volunteer services have been recognized in these financial statements. Donated services of a professional nature are recorded when the value is documented by the provider.

### Advertising

The Museum expenses advertising production costs as they are incurred and advertising communication costs the first time advertising takes place. All costs incurred during the year are reflected in the statement of activities.

### Functional allocation of expenses

The Museum allocates its expenses on a functional basis among its programs and support services. Expenses that can be identified with a specific program and support service are allocated directly according to their natural expenditure classification. Other expenses that are common to several functions are allocated based on square footage or payroll.

### Reclassification

Certain amounts have been reclassified for the year ended June 30, 2013 for comparative purposes to conform to the presentation in the current financial statements. Such reclassifications have no effect on the previously reported net assets or changes in net assets.

# San Jose Museum of Quilts & Textiles

Notes to Financial Statements  
For the Years Ended June 30, 2014 and 2013

## Note B. Cash and Cash Equivalents

The Museum considers all highly liquid investments with maturity of three months or less to be cash equivalents.

	<u>2014</u>	<u>2013</u>
Cash	\$ 80,302	\$ 21,682
Money market	33,397	59,357
	<u>\$ 113,699</u>	<u>\$ 81,039</u>

## Note C. Property and Equipment

Property and equipment are recorded at cost. Donated items are recorded at fair market value at the time of the donation. Property and equipment are depreciated using the straight-line method over their estimated useful lives ranging from three to 40 years. Building improvements are depreciated over their estimated useful life. Property and equipment purchased or received (in kind) with a value over \$5,000 are capitalized.

	<u>2014</u>	<u>2013</u>
Land	1,008,898	1,008,898
Building	804,069	804,069
Building improvements	2,609,530	2,609,530
Equipment	16,334	16,334
Furniture	18,987	14,170
Accumulated depreciation	(662,167)	(572,866)
	<u>\$ 3,795,651</u>	<u>\$ 3,880,135</u>

Depreciation and amortization expenses are \$89,301 and \$89,172 as of June 30, 2014 and 2013, respectively.

# San Jose Museum of Quilts & Textiles

## Notes to Financial Statements

For the Years Ended June 30, 2014 and 2013

### Note D. Museum Collection

The collections, which were acquired through purchases and contributions since the inception, are not recognized as assets on the statement of financial position. Purchases of collection items are recorded as decreases in unrestricted net assets in the year in which the items are acquired or as temporarily or permanently restricted net assets if the assets used to purchase the items are restricted by donors. Contributed collection items are not reflected as assets on the statement of financial position. Proceeds from de-accessions or insurance recoveries are reflected as increases in the appropriate net asset classes.

The purpose of the permanent collection of the Museum is to support the Museum's mission by preserving for the public a tangible cultural resource, holding textiles of historical importance, cultural significance, and artistic excellence. The collection is used as a resource for exhibitions, and as a vehicle for community engagement and education. It is formed by community donation and selective acquisition, and is vetted by a Collections Committee comprised of Museum staff and textile specialists. Collection items are subject to a policy that requires proceeds from their sales to be used exclusively for the benefit of the collection, for its development and upkeep.

### Note E. Line of Credit

The Museum has a revolving line of credit with a maximum borrowing of \$75,000. Interest on the note is payable monthly at the prime rate plus 2.25%. As of June 30, 2014, the interest rate was 5.6%. The line of credit is secured by the furniture, fixtures and equipment. The balance on the line of credit was \$74,000 and \$74,318, respectively.

### Note F. Notes Payable

The Museum had notes payable at June 30, as follows:

	2014	2013
The Museum has a commercial loan with the city of San Jose. The loan is secured by the property. \$129,000 is to be forgiven annually over 10 years. Maturity is November 2014.	\$ 129,000	\$ 258,000
The Museum has an unsecured loan with a Community Foundation. The loan bears a 3.5% annual rate. Maturity is September 2014.	13,777	53,713
The Museum has eight private loans with individuals. All loans bear an interest of 5% annually, are secured by the property and are interest only. Maturity is February 28, 2015. Nine loans were settled as of June 30, 2014.	805,767	1,358,441
	948,544	1,670,154
Less current portion	142,777	169,000
	<u>\$ 805,767</u>	<u>\$ 1,501,154</u>

# San Jose Museum of Quilts & Textiles

Notes to Financial Statements  
For the Years Ended June 30, 2014 and 2013

## Note F. Notes Payable, continued

Annual payments as of June 30, excluding interest, are payable as follows:

2015	\$	819,544
2016		-
2017		-
2018		-
2019		-
	<u>\$</u>	<u>819,544</u>

The interest expense is \$65,739 and \$72,701 as of June 30, 2014 and 2013, respectively.

## Note G. Temporarily Restricted Net Assets

Temporarily restricted net assets are available for subsequent purposes or periods, subject to donor-imposed restrictions:

	<u>2014</u>	<u>2013</u>
Capital fund	\$ 59,941	\$ 7,758
Donor specific programs	60,820	100,911
	<u>\$ 120,761</u>	<u>\$ 108,669</u>

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors as follows for the year ended June 30:

	<u>2014</u>	<u>2013</u>
Capital fund	\$ 7,758	\$ 26,924
Donor specific programs	98,546	75,251
	<u>\$ 106,304</u>	<u>\$ 102,175</u>

# San Jose Museum of Quilts & Textiles

## Notes to Financial Statements

For the Years Ended June 30, 2014 and 2013

### Note H. Donated Materials and Services

Donated materials and services total \$20,328 and \$14,086 for the years ended June 30, 2014 and 2013, respectively. These amounts are recognized and expensed during the year, according to generally accepted accounting principles. A portion of the donated material was recognized in inventory:

	2014	2013
Professional services	\$ 20,328	\$ 6,874
Supplies	-	7,212
	\$ 20,328	\$ 14,086

Expenses include the following in-kind contributions for the years ended June 30:

	2014			
	Programs	Administrative	Fundraising	Total
Professional services	\$ 5,250	\$ 13,678	\$ 1,400	\$ 20,328
	\$ 5,250	\$ 13,678	\$ 1,400	\$ 20,328
	2013			
	Programs	Administrative	Fundraising	Total
Supplies	\$ 1,786	\$ 426	\$ 5,000	\$ 7,212
Professional services	4,612	550	1,712	6,874
	\$ 6,398	\$ 976	\$ 6,712	\$ 14,086

Volunteers provided 4,970 and 4,327 hours of services during the years ended June 30, 2014 and 2013, respectively. These services included staffing of the Museum reception area, assisting in exhibit preparation, performing as education outreach assistants and providing other needed assistance. No value was recorded for these services.

### Note I. Concentrations

One individual represents 54 percent of individual contributions for the current year.

Two individuals represent 32 percent of individual contributions for the prior year.

**San Jose Museum of Quilts & Textiles**  
Notes to Financial Statements  
For the Years Ended 2014 and 2013

**Note J. Related Party**

One Board member had a note payable with the Museum for \$50,000; this note was forgiven as of June 30, 2014. One ex-employee has a note payable with the Museum for \$30,000 as of June 30, 2014.

One Board member has a note payable with the Museum for \$50,000 and one ex-employee has a note payable with the Museum for \$30,000 as of June 30, 2013.

**Note K. Retirement Plan**

The Museum has established a retirement plan for its employees in accordance with Section 403(b) of the Internal Revenue Code. Employees are eligible upon hire to defer up to 15 percent of their compensation subject to maximum limits allowed under Section 403(b). The Museum does not provide any contributions to the plan.

**Note L. Subsequent Events**

In preparing these financial statements, the Museum has evaluated events and transactions for potential recognition or disclosure through November 18, 2014, the date the financials were available to be issued. The Museum is not aware of any subsequent events which would require recognition or disclosure in the financial statements.