

SAN DIEGO CHILDREN'S DISCOVERY MUSEUM
Financial Statements
Year ended June 30, 2022
(With Independent Auditor's Report Thereon)

SAN DIEGO CHILDREN'S DISCOVERY MUSEUM
Financial Statements
Year ended June 30, 2022

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
San Diego Children's Discovery Museum
Escondido, California

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the San Diego Children's Discovery Museum (the "Museum"), a nonprofit organization, which comprise the statement of financial position as of June 30, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the San Diego Children's Discovery Museum as of June 30, 2022, 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 San Diego Children's Discovery Museum 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 the 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 San Diego Children's Discovery Museum's ability to continue as a going concern for one year after the date that the financial statements are 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.

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 Museum'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 Museum'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.

Report on Summarized Comparative Information

We have previously audited the San Diego Children's Discovery Museum's June 30, 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 10, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2021 is consistent, in all material respects, with the audited financial statements from which it has been derived.

DavisFarr LLP

Irvine, California
December 1, 2022

SAN DIEGO CHILDREN'S DISCOVERY MUSEUM

Statement of Financial Position

June 30, 2022

(with comparative totals as of June 30, 2021)

	<u>2022</u>	<u>2021</u>
<u>Assets</u>		
Cash and cash equivalents	\$ 417,007	\$ 222,570
Accounts receivable	22,658	-
Contributions receivable	62,145	11,700
Pledges receivable, net (note 3)	178,181	202,695
Inventory	3,206	8,553
Prepaid expenses	19,042	24,139
Land, buildings and equipment, net (note 4)	<u>1,816,414</u>	<u>1,880,445</u>
Total Assets	<u>\$ 2,518,653</u>	<u>\$ 2,350,102</u>
<u>Liabilities and Net Assets</u>		
Accounts payable	\$ 31,608	\$ 35,294
Accrued vacation payable	21,469	11,145
Accrued expenses - other	17,041	39,714
Deferred revenue	76,983	58,552
Paycheck Protection Program loan (note 6)	-	202,929
Advances payable (note 7)	<u>200,000</u>	<u>200,000</u>
Total Liabilities	<u>347,101</u>	<u>547,634</u>
Net assets		
Without donor restrictions	1,795,524	1,477,304
With donor restrictions (note 9)	<u>376,028</u>	<u>325,164</u>
Total Net Assets	<u>2,171,552</u>	<u>1,802,468</u>
Total Liabilities and Net Assets	<u>\$ 2,518,653</u>	<u>\$ 2,350,102</u>

See accompanying notes to the financial statements.

SAN DIEGO CHILDREN'S DISCOVERY MUSEUM

Statement of Activities

Year ended June 30, 2022

(with comparative totals for the year ended June 30, 2021)

	Without Donor	With Donor	Totals	
	<u>Restrictions</u>	<u>Restrictions</u>	<u>2022</u>	<u>2021</u>
Support and Revenue:				
Contributions	\$ 705,893	\$ 375,010	\$ 1,080,903	\$ 471,978
Earned revenue	337,902	-	337,902	43,609
Grants	217,860	-	217,860	371,454
Forgiveness of PPP loan	202,929	-	202,929	201,023
Memberships	119,018	-	119,018	18,425
Gifts-in-kind contributions	99,800	-	99,800	52,200
Interest income	2,449	-	2,449	-
Fundraising events	-	-	-	34,447
Less: Direct costs of fundraising events	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,879)</u>
Net fundraising revenue	<u>-</u>	<u>-</u>	<u>-</u>	<u>31,568</u>
Sales	15,688	-	15,688	-
Less: Cost of good sold	<u>(11,582)</u>	<u>-</u>	<u>(11,582)</u>	<u>-</u>
Net sales revenue	<u>4,106</u>	<u>-</u>	<u>4,106</u>	<u>-</u>
Support provided by expiring restrictions	<u>324,146</u>	<u>(324,146)</u>	<u>-</u>	<u>-</u>
 Total support and revenues	 <u>2,014,103</u>	 <u>50,864</u>	 <u>2,064,967</u>	 <u>1,190,257</u>
Expenses:				
Program services	1,232,721	-	1,232,721	881,851
Supporting services:				
General and administrative	225,486	-	225,486	96,306
Fundraising	<u>237,676</u>	<u>-</u>	<u>237,676</u>	<u>259,465</u>
 Total supporting services expenses	 <u>463,162</u>	 <u>-</u>	 <u>463,162</u>	 <u>355,771</u>
 Total expenses	 <u>1,695,883</u>	 <u>-</u>	 <u>1,695,883</u>	 <u>1,237,622</u>
 Change in Net Assets	 318,220	 50,864	 369,084	 (47,365)
Net Assets at beginning of year	<u>1,477,304</u>	<u>325,164</u>	<u>1,802,468</u>	<u>1,849,833</u>
Net Assets at end of year	<u>\$ 1,795,524</u>	<u>\$ 376,028</u>	<u>\$ 2,171,552</u>	<u>\$ 1,802,468</u>

See accompanying notes to the financial statements.

SAN DIEGO CHILDREN'S DISCOVERY MUSEUM

Statement of Functional Expenses

Year ended June 30, 2022

(with comparative totals for the year ended June 30, 2021)

	Supporting Services				Totals	
	Program	General and Administrative	Fundraising	Subtotal	2022	2021
Salaries and wages	\$ 705,195	\$ 43,124	\$ 165,838	\$ 208,962	\$ 914,157	\$ 652,571
Payroll taxes	53,357	6,660	22,566	29,226	82,583	57,691
Employee benefits	19,945	4,937	19,915	24,852	44,797	39,988
Workers' compensation insurance	5,791	421	1,738	2,159	7,950	8,104
Service fees	5,211	389	1,003	1,392	6,603	5,886
Subtotal	789,499	55,531	211,060	266,591	1,056,090	764,240
Contract services	13,856	106,383	13,339	119,722	133,578	166,031
Advertising - In-Kind	92,908	-	-	-	92,908	37,168
Occupancy	66,183	9,120	699	9,819	76,002	38,783
Depreciation	66,196	996	249	1,245	67,441	77,476
Outreach and special programs	62,405	168	-	168	62,573	29,739
Exhibits and maintenance	47,732	6,616	55	6,671	54,403	24,179
Office	18,294	7,042	2,963	10,005	28,299	25,662
Advertising - Other	24,611	407	1,423	1,830	26,441	17,924
Computer service	16,708	3,435	3,868	7,303	24,011	21,797
Bank and credit card charges	18,826	1,711	-	1,711	20,537	3,875
Staff development	2,435	14,937	775	15,712	18,147	500
Insurance	8,200	3,105	2,295	5,400	13,600	13,137
Meetings and meals	510	8,102	857	8,959	9,469	806
Other	3,183	3,766	6	3,772	6,955	3,738
Interest in-kind	-	4,147	-	4,147	4,147	2,914
Transportation	1,175	20	87	107	1,282	142
Bad debt	-	-	-	-	-	4,813
Fundraising	-	-	-	-	-	2,879
Interest - LOC	-	-	-	-	-	4,698
Total expenses	1,232,721	225,486	237,676	463,162	1,695,883	1,240,501
Less expenses included in Revenue section of the Statement of Activities	-	-	-	-	-	(2,879)
Total expenses included in Expense section of the Statement of Activities	<u>\$ 1,232,721</u>	<u>\$ 225,486</u>	<u>\$ 237,676</u>	<u>\$ 463,162</u>	<u>\$ 1,695,883</u>	<u>\$ 1,237,622</u>

See accompanying notes to the financial statements.

SAN DIEGO CHILDREN'S DISCOVERY MUSEUM

Statement of Cash Flows

Year ended June 30, 2022

(with comparative totals for the year ended June 30, 2021)

	<u>2022</u>	<u>2021</u>
Cash flows from operating activities:		
Change in net assets	\$ 369,084	\$ (47,365)
Adjustments to reconcile decrease in net assets to net cash used by operating activities:		
Depreciation	67,441	77,476
Forgiveness of PPP loan	(202,929)	(201,023)
Loss on disposal of property and equipment	2,145	2,924
(Increase) decrease in accounts receivable	(22,658)	-
(Increase) decrease in pledges receivable	24,514	80,997
(Increase) decrease in contributions receivable	(50,445)	5,593
(Increase) decrease in inventory	5,347	(53)
(Increase) decrease in prepaid expenses	5,097	(6,799)
Increase (decrease) in accounts payable	(3,686)	14,726
Increase (decrease) in accrued vacation payable	10,324	(18,711)
Increase (decrease) in accrued expenses - other	(22,673)	1,414
Increase (decrease) in deferred revenue	<u>18,431</u>	<u>(9,861)</u>
Net cash provided (used) by operating activities	<u>199,992</u>	<u>(100,682)</u>
Cash flows from investing activities:		
Purchases of fixed assets	<u>(5,555)</u>	<u>(39,607)</u>
Net cash flows used by investing activities	<u>(5,555)</u>	<u>(39,607)</u>
Cash flows from financing activities:		
Proceeds from PPP loans	-	202,929
Payments on line of credit	<u>-</u>	<u>(99,373)</u>
Net cash flows provided by financing activities	<u>-</u>	<u>103,556</u>
Net increase (decrease) in cash and cash equivalents	194,437	(36,733)
Cash and cash equivalents at beginning of year	<u>222,570</u>	<u>259,303</u>
Cash and cash equivalents at end of year	<u>\$ 417,007</u>	<u>\$ 222,570</u>
Supplemental Disclosure of Cash Flow Information		
Cash paid during the year for:		
Interest	<u>\$ -</u>	<u>\$ 4,698</u>
Noncash Activities		
Forgiveness of PPP loan	<u>\$ 202,929</u>	<u>\$ 201,023</u>
Loss on disposal of property and equipment	<u>\$ 2,145</u>	<u>\$ 2,924</u>

See accompanying notes to the financial statements.

SAN DIEGO CHILDREN'S DISCOVERY MUSEUM

Notes to the Financial Statements

Year ended June 30, 2022

(1) Nature of Organization

San Diego Children's Discovery Museum (SDCDM) was incorporated as a non-profit corporation in January 2000. The mission of SDCCDM is to spark a love of learning so all children can discover their wildest dreams. Its vision is to be the leaders in inventive early childhood learning by inspiring children ages 0-10 years old through supportive educational experiences in STEM (science, technology, engineering and math). SDCCDM is a vital resource for families and schools seeking high-quality impactful early educational experiences that help build early skills essential for future success and health. SDCCDM's exhibits, programs and events encourage curious young learners, nurture social and emotional skills, build foundational fluencies from a young age, and offer forms of play essential for creativity, curiosity, and gross and fine motor skills. The programs are delivered onsite, offsite through the Mobile Children's Museum, and online.

(2) Summary of Significant Accounting Policies

(a) Basis of Accounting

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

(b) Use of Estimates

The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amounts of revenues and expenses during the reporting period and the reported amounts of assets and liabilities at the date of the financial statements. On an ongoing basis, the Museum's management evaluates the estimates and assumptions based upon historical experience and various other factors and circumstances. The Museum's management believes that the estimates and assumptions are reasonable in the circumstances; however, the actual results could differ from those estimates.

(c) Cash and Cash Equivalents

The Museum considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. The carrying amount of the Museum's cash and cash equivalents approximates fair value due to the short maturity of these investments. The Museum maintains cash balances at two financial institutions. Deposit accounts at each bank are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per account.

SAN DIEGO CHILDREN'S DISCOVERY MUSEUM

Notes to the Financial Statements

Year ended June 30, 2022

(Continued)

(2) Summary of Significant Accounting Policies (Continued)

(d) Accounts Receivable

Accounts receivable are primarily amounts due from local school districts and other entities for Museum related programs. Management believes that all outstanding accounts receivable at June 30, 2022 are collectible.

(e) Pledges Receivable

Pledges receivable are unconditional promises to give that are recognized as contributions when the promise is received. Pledges receivable that are expected to be collected in less than one year are reported at net realizable value. Pledges receivable that are expected to be collected in more than one year are recorded at fair value at the date of promise. That fair value is computed using a present value technique applied to anticipated cash flows. Amortization of the resulting discount is recognized as additional contribution revenue. The allowance for uncollectible pledges receivable is determined based on management's evaluation of the collectability of individual promises.

(f) Fair Value Measurements

Certain assets and liabilities are reported at fair value based on a fair value hierarchy that distinguishes between assumptions based on market data (observable inputs) and the Museum's assumptions (unobservable inputs). Determining where an asset or liability falls within that hierarchy depends on the lowest level input that is significant to the fair value measurement as a whole. An adjustment to the pricing method used within either Level 1 or Level 2 inputs could generate a fair value measurement that effectively falls in a lower level in the hierarchy. The hierarchy consists of three broad levels as follows:

Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets.

Level 2 – Pricing inputs are other than quoted prices in active markets, which are either directly or indirectly observable as of the reporting date, and fair value is determined through the use of models or other valuation methodologies.

Level 3 – Pricing inputs are unobservable for the instrument and include situations where there is little, if any, market activity for the instrument. The inputs into the determination of fair value require significant management judgment or estimation.

SAN DIEGO CHILDREN'S DISCOVERY MUSEUM

Notes to the Financial Statements

Year ended June 30, 2022

(Continued)

(2) Summary of Significant Accounting Policies (Continued)

In some instances, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such instances, an instrument's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. Market price is affected by a number of factors, including the type of instrument and the characteristics specific to the instrument, as well as the effects of market, interest and credit risk. Instruments with readily available active quoted prices or for which fair value can be measured from actively quoted prices generally will have a higher degree of market price observability and a lesser degree of judgment used in measuring fair value. It is reasonably possible that changes in values of these instruments will occur in the near term and that such changes could materially affect amounts reported in the Museum's financial statements.

(g) Inventory

Inventory consists primarily of items for resale in the gift shop and is valued at the lower of cost (first-in, first-out method) and net realizable value.

(h) Property and Equipment

Property and equipment owned by the Museum are recorded at cost, or in the case of donated items, at estimated fair value at the date of the gift. Maintenance and repairs are expensed when incurred and betterments are capitalized. Property and equipment are depreciated using the straight-line method over their estimated useful lives of five to thirty-nine years. It is the policy of the Museum to capitalize assets with cost of \$1,000 and greater with a useful life of more than one year.

Property and equipment are reviewed for impairment when a significant change in the asset's use or another indicator of possible impairment is present. No impairment losses were recognized in the financial statements for the year ended June 30, 2022.

(i) Membership Dues

Deferred revenue consists of payments for memberships received in advance. Membership dues are recognized on a pro-rata basis over the annual membership period.

(j) Net Assets

The financial statements report net assets and changes in net assets in two classes that are based upon the existence or absence of restrictions on use that are placed by its donors, as follows:

SAN DIEGO CHILDREN'S DISCOVERY MUSEUM

Notes to the Financial Statements

Year ended June 30, 2022

(Continued)

(2) Summary of Significant Accounting Policies (Continued)

Net Assets Without Donor Restrictions

Net assets without donor restrictions are resources available to support operations. The only limits on the use of these net assets are the broad limits resulting from the nature of the Museum, the environment in which it operates, the purposes specified in its corporate documents and its application for tax-exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into in the course of its operations.

Net Assets With Donor Restrictions

Net assets with donor restrictions are resources that are restricted by a donor for use for a particular purpose or in a particular future period. Some donor-imposed restrictions are temporary in nature, and the restrictions will expire when the resources are used in accordance with the donor's instructions or when the stipulated time has passed. Other donor-imposed restrictions are perpetual in nature; the Museum must continue to use the resources in accordance with the donor's instructions.

The Museum's unspent contributions are included in this class if the donor limited their use. When a donor's restriction is satisfied, either by using the resources in the manner specified by the donor or by the passage of time, the expiration of the restriction is reported in the financial statements by reclassifying the net assets from net assets with donor restrictions to net assets without donor restrictions.

(k) Classification of Transactions

All revenues and net gains are reported as increases in net assets without donor restrictions in the Statement of Activities unless the donor specified the use of the related resources for a particular purpose or in a future period. All expenses and net losses are reported as decreases in net assets without donor restrictions.

(l) Accounting for Contributions

Contributions, including unconditional promises to give, are recognized when received. All contributions are reported as increases in net assets without donor restrictions unless use of the contributed assets is specifically restricted by the donor. Amounts received that are restricted by the donor to use in future periods or for specific purposes are reported as increases in net assets with donor restrictions.

SAN DIEGO CHILDREN'S DISCOVERY MUSEUM

Notes to the Financial Statements

Year ended June 30, 2022

(Continued)

(2) Summary of Significant Accounting Policies (Continued)

Unconditional promises with payments due in future years have an implied restriction to be used in the year the payment is due, and therefore are reported as restricted until the payment is due, unless the contribution is clearly intended to support activities of the current fiscal year. Conditional promises, such as matching grants, are not recognized until they become unconditional, that is, until all conditions on which they depend are substantially met.

(m) Gifts-in-Kind Contributions

For the year ended June 30, 2022, gifts-in-kind contributions recognized in the statement of activities included:

Advertising services	\$ 92,908
Interest expense – forgiven	4,147
Goods and other services	<u>2,745</u>
Total	<u>\$ 99,800</u>

The Museum recognized contributed nonfinancial assets within revenue, including contributed services, forgiven interest, and goods and other services. Unless otherwise noted, contributed nonfinancial assets did not have donor-imposed restrictions.

The contributed advertising services were provided by KPBS, a local public television system. Contributed services are valued and reported at the estimated fair value in the financial statements based on current rates for similar advertising services.

The contributed interest expense is forgiven interest related to the advance payable discussed further in Note 7.

(n) Grant Revenue

Grant revenue is recognized when the qualifying costs are incurred for cost-reimbursement grants or contracts or when a unit of service is provided for performance grants.

SAN DIEGO CHILDREN'S DISCOVERY MUSEUM

Notes to the Financial Statements

Year ended June 30, 2022

(Continued)

(2) Summary of Significant Accounting Policies (Continued)

(o) Expense Recognition and Allocation

The cost of providing the Museum's programs and other activities is summarized on a functional basis in the Statement of Activities and Statement of Functional Expenses. Expenses that can be identified with a specific program or support service are charged directly to that program or support service. Costs common to multiple functions have been allocated among the various functions benefited using a reasonable allocation method that is consistently applied, as follows:

- Salaries and wages, benefits, and payroll taxes are allocated based on activity reports prepared by key personnel.
- Occupancy, depreciation, and interest are allocated on a square foot basis dependent on the programs and supporting activities occupying the space.
- Telephone and internet services, insurance, and supplies and miscellaneous expenses that cannot be directly identified are allocated on the basis of employee headcount for each program and supporting activity.

General and administrative expenses include those costs that are not directly identifiable with any specific program, but which provide for the overall support and direction of the Museum.

Fundraising costs are expensed as incurred, even though they may result in contributions received in future years. The Museum generally does not conduct its fundraising activities in conjunction with its other activities. In the few cases in which it does, such as when the annual report or donor acknowledgements contain requests for contributions, joint costs have been allocated between fundraising and general and administrative expenses in accordance with standards for accounting for costs of activities that include fundraising. Additionally, advertising costs are expensed as incurred.

(p) Tax Status

SDCDM is exempt from federal income and California franchise taxes under Section 501(c)(3) of the Internal Revenue Code ("IRC") and Section 23701(d) of the State Revenue and Taxation Code, respectively.

SAN DIEGO CHILDREN'S DISCOVERY MUSEUM

Notes to the Financial Statements

Year ended June 30, 2022

(Continued)

(2) Summary of Significant Accounting Policies (Continued)

The Museum remains subject to taxes on any net income which is derived from a trade or business regularly carried on and unrelated to its exempt purpose. In the opinion of management, there is no unrelated business income for the year ended June 30, 2022.

The Museum follows accounting standards generally accepted in the United States of America related to the recognition of uncertain tax positions as part of the Statement of Activities, when applicable. Management has determined that the Museum has no uncertain tax positions at June 30, 2022 and, therefore, no amounts have been accrued.

Contributions to the Museum are tax deductible to donors under Section 170 of the IRC. The Museum is not classified as a private foundation.

(q) Prior Year Data

Selected information regarding the prior year has been included in the accompanying financial statements. This information has been included for comparison purposes only and does not represent a complete presentation in accordance with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Museum's prior year financial statements, from which this selected financial data was derived.

(3) Pledges Receivable

Pledges receivable at June 30, 2022 are expected to be collected as follows:

Less than one year	\$ 32,915
One to five years	175,000
More than five years	<u>10,000</u>
	217,915
Less reduction for present value	<u>(39,734)</u>
Total	<u>\$ 178,181</u>

Changes in pledges receivable for the year ended June 30, 2022 were as follows:

Pledges receivable at beginning of year	\$ 202,695
Payments received	(35,000)
Change in present value	<u>10,486</u>
Pledges receivable at year end	<u>\$ 178,181</u>

SAN DIEGO CHILDREN'S DISCOVERY MUSEUM

Notes to the Financial Statements

Year ended June 30, 2022

(Continued)

(3) Pledges Receivable (Continued)

No allowance for doubtful accounts was considered necessary at June 30, 2022 because management believes that all amounts are collectible. The present value discount was imputed for long-term pledges at 6.0% rate based on the deemed credit worthiness of the donor.

(4) Property and Equipment

Property and equipment at June 30, 2022 are summarized as follows:

Building and Improvements	\$ 1,259,493
Land	749,240
Exhibits	235,194
Furniture and Equipment	147,796
Vehicles	<u>68,162</u>
	2,459,885
Less: Accumulated depreciation	<u>(643,471)</u>
Net property and equipment	<u>\$ 1,816,414</u>

Depreciation expense was \$67,441 for the year ended June 30, 2022.

(5) Line of Credit

The Museum has a Variable Rate with Preferred Rate Reduction Nondisclosable Revolving Line of Credit for \$250,000 due on November 15, 2025. The base rate (U.S. Prime Rate with an annual interest rate floor of 4.25%) is U.S. Prime Rate plus 1%. The interest rate at June 30, 2022 was 5.75%. As of June 30, 2022, there was no outstanding balance.

(6) Paycheck Protection Program Loan

On February 25, 2021, the Museum received loan proceeds in the amount of \$202,929 from the U.S. Small Business Administration (SBA) pursuant to the Paycheck Protection Program (PPP) and an additional advanced grant of \$10,000. The PPP, established as part of the Coronavirus Aid, Relief and Economic Security Act (CARES Act), provides for loans to qualifying businesses for amounts up to 2.5 times of the average monthly payroll expenses of the qualifying business. The loans and accrued interest are forgivable after up to 24 weeks as long as the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its payroll levels. The Museum has used the proceeds for purposes consistent with the PPP. On August 25, 2021 the loan was forgiven.

SAN DIEGO CHILDREN'S DISCOVERY MUSEUM

Notes to the Financial Statements

Year ended June 30, 2022

(Continued)

(7) Advances Payable

The Linden Root Dickinson Foundation (LRDF) provided the Museum non-interest bearing cash advances totaling \$750,000 in prior years, which were used to fund leasehold improvements and operating expenses. Since the initial Advance Agreement, dated July 19, 2011, LRDF has provided loan forgiveness in the amount of \$550,000, leaving a principal balance due of \$200,000 at June 30, 2022. While the unsecured advances of \$200,000 were payable on July 19, 2021, LRDF has extended the due date until July 19, 2023. Contributed interest of \$4,147 for the year ended June 30, 2022 was forgiven. It was calculated using the IRS Applicable Federal Rate mid-term quarterly rates ranging from 1.71% to 3.07%.

(8) Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of June 30, 2022 are as follows:

Financial assets:

Cash and cash equivalents	\$ 417,007
Accounts receivable, net	22,658
Contributions receivable	62,145
Pledges receivable, net	<u>178,181</u>
Total financial assets	679,991
Less financial assets held to meet donor-imposed restrictions:	
Purpose restricted net assets	(197,847)
Less financial assets not available within one year:	
Pledges receivable	<u>(145,266)</u>
Amount available for general expenditures within one year	<u>\$ 336,878</u>

As part of the Museum's liquidity management plan, the Museum maintains a revolving line of credit of \$250,000 to cover short-term cash needs. See note 5 for additional details on the line of credit.

(9) Net Assets with Donor Restrictions

Net assets with donor restrictions consisted of the following at June 30, 2022:

Purpose restrictions, available for spending	\$ 197,847
Time restrictions:	
Pledges receivable, net, which are unavailable for spending until due, some of which are also purpose restricted	<u>178,181</u>
Total net assets with donor restrictions	<u>\$ 376,028</u>

SAN DIEGO CHILDREN'S DISCOVERY MUSEUM

Notes to the Financial Statements

Year ended June 30, 2022

(Continued)

(10) Concentrations of Risk

The Museum relies on contributions and grants and is subject to the economic risks that affect donors and grantors abilities to support the Museum. As of June 30, 2022, two entities accounted for approximately 76% of total pledges receivable. For the year ended June 30, 2022, approximately 77% of total contributions and grants was from federal COVID relief and foundation grants.

(11) Related Party

The Museum utilizes Culture Insurance Group as its insurance and risk management agent. A member of the Museum Board is a key employee/owner at Culture Insurance Group.

(12) Employee Benefits

The Museum has a 401(k) Profit Sharing Plan covering all employees after 90 days of service. The Plan provides that employee who have attained the age of 18 and completed 90 days of service may voluntarily contribute up to 10% of their earning to the Plan, up to the maximum contribution allowed by the IRS.

(13) Subsequent Events

Subsequent events have been evaluated by management through December 1, 2022, which is the date the financial statements were available to be issued. Events occurring after that date have not been evaluated to determine whether a change in the financial statements would be required.