

SAN DIEGO CHILDREN'S DISCOVERY MUSEUM
Financial Statements
Years ended June 30, 2025 and 2024
(With Independent Auditor's Report Thereon)

SAN DIEGO CHILDREN’S DISCOVERY MUSEUM
Financial Statements
Years ended June 30, 2025 and 2024

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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 statements of financial position as of June 30, 2025 and 2024, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the San Diego Children's Discovery Museum as of June 30, 2025 and 2024, and the changes in its net assets and its cash flows for the years 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.

DavisFarrLLP

Irvine, California
December 30, 2025

SAN DIEGO CHILDREN'S DISCOVERY MUSEUM

Statement of Financial Position

June 30, 2025 and 2024

	<u>2025</u>	<u>2024</u>
<u>Assets</u>		
Cash and cash equivalents (note 3)	\$ 292,676	\$ 508,541
Accounts receivable	83,925	62,259
Contributions receivable (note 4)	93,555	120,478
Inventory	3,055	462
Prepaid expenses	45,023	22,971
Operating right of use assets, net (note 5)	50,409	-
Land, building and equipment, net (note 6)	<u>2,263,347</u>	<u>2,031,761</u>
 Total Assets	 <u>\$ 2,831,990</u>	 <u>\$ 2,746,472</u>
<u>Liabilities and Net Assets</u>		
Accounts payable	\$ 35,199	\$ 28,174
Accrued vacation payable	46,209	32,685
Accrued expenses - other	54,045	32,517
Deferred revenue (note 7)	176,273	118,996
Advance payable (note 9)	-	100,000
Note payable (note 10)	100,975	-
Operating lease liability (note 5)	<u>51,571</u>	<u>-</u>
 Total Liabilities	 <u>464,272</u>	 <u>312,372</u>
 Net assets:		
Without donor restrictions	2,216,478	2,022,484
With donor restrictions (note 13)	<u>151,240</u>	<u>411,616</u>
 Total Net Assets	 <u>2,367,718</u>	 <u>2,434,100</u>
 Total Liabilities and Net Assets	 <u>\$ 2,831,990</u>	 <u>\$ 2,746,472</u>

See accompanying notes to the financial statements.

SAN DIEGO CHILDREN'S DISCOVERY MUSEUM

Statement of Activities

Year ended June 30, 2025

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Support and Revenue:			
Contributions	\$ 1,005,843	\$ 279,411	\$ 1,285,254
Earned revenue	801,454	-	801,454
Memberships	195,432	-	195,432
In-kind contributions (note 14)	126,533	-	126,533
Special event, net	26,820	-	26,820
Interest income	<u>9,702</u>	<u>-</u>	<u>9,702</u>
Total contributions and earned revenue	2,165,784	279,411	2,445,195
Sales	29,731	-	29,731
Less:			
Cost of good sold	<u>(13,322)</u>	<u>-</u>	<u>(13,322)</u>
Net sales revenue	16,409	-	16,409
Net assets released from restrictions	<u>539,787</u>	<u>(539,787)</u>	<u>-</u>
Total support and revenues	<u>2,721,980</u>	<u>(260,376)</u>	<u>2,461,604</u>
Expenses:			
Program services	1,871,942	-	1,871,942
Supporting services:			
General and administrative	302,130	-	302,130
Fundraising	<u>353,914</u>	<u>-</u>	<u>353,914</u>
Total supporting services expenses	<u>656,044</u>	<u>-</u>	<u>656,044</u>
Total expenses	<u>2,527,986</u>	<u>-</u>	<u>2,527,986</u>
Change in Net Assets	193,994	(260,376)	(66,382)
Net Assets at beginning of year	<u>2,022,484</u>	<u>411,616</u>	<u>2,434,100</u>
Net Assets at end of year	<u>\$ 2,216,478</u>	<u>\$ 151,240</u>	<u>\$ 2,367,718</u>

See accompanying notes to the financial statements.

SAN DIEGO CHILDREN'S DISCOVERY MUSEUM

Statement of Activities

Year ended June 30, 2024

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Support and Revenue:			
Contributions	\$ 752,381	\$ 407,299	\$ 1,159,680
Earned revenue	773,793	-	773,793
Memberships	198,966	-	198,966
In-kind contributions (note 14)	167,810	-	167,810
Gain on sale of fixed asset	17,000	-	17,000
Interest income	<u>15,531</u>	-	<u>15,531</u>
Total contributions and earned revenue	1,925,481	407,299	2,332,780
Sales	13,193	-	13,193
Less:			
Cost of good sold	<u>(5,748)</u>	-	<u>(5,748)</u>
Net sales revenue	7,445	-	7,445
Net assets released from restrictions	<u>373,418</u>	<u>(373,418)</u>	<u>-</u>
Total support and revenues	<u>2,306,344</u>	<u>33,881</u>	<u>2,340,225</u>
Expenses:			
Program services	1,610,383	-	1,610,383
Supporting services:			
General and administrative	260,302	-	260,302
Fundraising	<u>318,195</u>	-	<u>318,195</u>
Total supporting services expenses	<u>578,497</u>	-	<u>578,497</u>
Total expenses	<u>2,188,880</u>	-	<u>2,188,880</u>
Change in Net Assets	117,464	33,881	151,345
Net Assets at beginning of year	<u>1,905,020</u>	<u>377,735</u>	<u>2,282,755</u>
Net Assets at end of year	<u>\$ 2,022,484</u>	<u>\$ 411,616</u>	<u>\$ 2,434,100</u>

See accompanying notes to the financial statements.

SAN DIEGO CHILDREN'S DISCOVERY MUSEUM

Statement of Functional Expenses

Year ended June 30, 2025

	Supporting Services			Subtotal	Total
	Program	General and Administrative	Fundraising		
Salaries and wages	\$ 1,153,034	\$ 84,579	\$ 257,203	\$ 341,782	\$ 1,494,816
Payroll taxes	86,723	18,804	17,636	36,440	123,163
Employee benefits	108,995	-	9,395	9,395	118,390
Subtotal	<u>1,348,752</u>	<u>103,383</u>	<u>284,234</u>	<u>387,617</u>	<u>1,736,369</u>
Depreciation and amortization	130,957	14,882	2,976	17,858	148,815
Contract services	15,254	75,000	33,975	108,975	124,229
Occupancy	81,539	9,248	1,850	11,098	92,637
Advertising - In-kind	61,850	4,570	12,949	17,519	79,369
Outreach and special programs	65,215	-	-	-	65,215
Advertising - Other	41,324	23,274	-	23,274	64,598
Goods - In-kind	32,564	2,537	7,189	9,726	42,290
Bank and credit card charges	-	35,687	-	35,687	35,687
Staff development	25,371	-	5,737	5,737	31,108
Computer service	29,348	701	1,008	1,709	31,057
Other	22,054	1,019	765	1,784	23,838
Insurance	-	19,760	-	19,760	19,760
Office	7,535	3,985	2,379	6,364	13,899
Interest	2,502	3,932	-	3,932	6,434
Exhibits repair and maintenance	4,123	-	-	-	4,123
Services - In-kind	2,464	192	544	736	3,200
Transportation	1,072	607	206	813	1,885
Meetings and meals	18	1,679	102	1,781	1,799
Interest - In-kind	-	1,674	-	1,674	1,674
Total expenses	<u>\$ 1,879,442</u>	<u>\$ 302,130</u>	<u>\$ 353,914</u>	<u>\$ 656,044</u>	<u>\$ 2,527,986</u>

See accompanying notes to the financial statements.

SAN DIEGO CHILDREN'S DISCOVERY MUSEUM

Statement of Functional Expenses

Year ended June 30, 2024

	Supporting Services				Total
	Program	General and Administrative	Fundraising	Subtotal	
Salaries and wages	\$ 981,911	\$ 52,784	\$ 231,130	\$ 283,914	\$ 1,265,825
Payroll taxes	75,251	16,197	16,344	32,541	107,792
Employee benefits	69,509	5,165	10,619	15,784	85,293
Subtotal	<u>1,126,671</u>	<u>74,146</u>	<u>258,093</u>	<u>332,239</u>	<u>1,458,910</u>
Contract services	4,700	71,510	50,305	121,815	126,515
Outreach and special programs	101,115	-	-	-	101,115
Occupancy	87,995	9,999	2,000	11,999	99,994
Depreciation and amortization	96,435	1,965	983	2,948	99,383
Advertising - In-kind	42,790	14,264	-	14,264	57,054
Advertising - Other	39,408	8,520	-	8,520	47,928
Computer service	40,121	888	178	1,066	41,187
Office	21,274	9,709	1,720	11,429	32,703
Bank and credit card charges	-	28,756	-	28,756	28,756
Insurance	-	25,197	-	25,197	25,197
Staff development	18,646	-	4,380	4,380	23,026
Other	14,376	5,863	121	5,984	20,360
Exhibits repair and maintenance	15,773	-	-	-	15,773
Interest - In-kind	-	6,140	-	6,140	6,140
Meetings and meals	69	2,070	240	2,310	2,379
Goods - In-kind	1,010	271	175	446	1,456
Transportation	-	1,004	-	1,004	1,004
Total expenses	<u>\$ 1,610,383</u>	<u>\$ 260,302</u>	<u>\$ 318,195</u>	<u>\$ 578,497</u>	<u>\$ 2,188,880</u>

See accompanying notes to the financial statements.

SAN DIEGO CHILDREN'S DISCOVERY MUSEUM

Statement of Cash Flows

Year ended June 30, 2025 and 2024

	<u>2025</u>	<u>2024</u>
Cash flows from operating activities:		
Change in net assets	\$ (66,382)	\$ 151,345
Adjustments to reconcile decrease in net assets to net cash used by operating activities:		
Depreciation and amortization	148,815	99,383
Donated Exhibit	-	(104,616)
Forgiveness of advances payable	(100,000)	(100,000)
(Increase) decrease in accounts receivable	(21,666)	36,606
(Increase) decrease in contributions receivable	26,923	26,954
(Increase) decrease in inventory	(2,593)	1,085
(Increase) decrease in prepaid expenses	(22,052)	(8,995)
(Increase) decrease in right of use asset	(70,159)	-
Increase (decrease) in accounts payable	7,025	(47,178)
Increase (decrease) in accrued vacation payable	13,524	6,420
Increase (decrease) in accrued expenses - other	21,528	(14,050)
Increase (decrease) in right of use liability	51,571	-
Increase (decrease) in deferred revenue	<u>57,277</u>	<u>11,948</u>
Net cash provided by operating activities	<u>43,811</u>	<u>58,902</u>
Cash flows from investing activities:		
Purchases of property and equipment	(360,651)	(166,296)
Proceeds from sale of investments	<u>-</u>	<u>101,635</u>
Net cash flows used by investing activities	<u>(360,651)</u>	<u>(64,661)</u>
Cash flows from financing activities:		
Proceeds from issuance of notes payable	103,983	-
Payments on note payable	<u>(3,008)</u>	<u>-</u>
Net cash flows provided by financing activities	<u>100,975</u>	<u>-</u>
Net decrease in cash and cash equivalents	(215,865)	(5,759)
Cash and cash equivalents at beginning of year	<u>508,541</u>	<u>514,300</u>
Cash and cash equivalents at end of year	<u>\$ 292,676</u>	<u>\$ 508,541</u>
Supplemental Disclosure of Cash Flow Information		
Noncash Activities:		
Forgiveness of LRDF loan	<u>\$ 100,000</u>	<u>\$ 100,000</u>
Donated Exhibit	<u>\$ -</u>	<u>\$ 104,616</u>

See accompanying notes to the financial statements.

SAN DIEGO CHILDREN'S DISCOVERY MUSEUM

Notes to the Financial Statements

Years ended June 30, 2025 and 2024

(1) Nature of Organization

San Diego Children's Discovery Museum (Museum) was incorporated as a non-profit corporation in January 2000. The mission of the Museum 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 STREAM (science, technology, reading, engineering, art, and math). The Museum 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. The Museum'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 and offsite through the Mobile Children's Museum.

(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 three 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

Years ended June 30, 2025 and 2024

(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, 2025 and 2024 are collectible.

In June 2016, the Financial Accounting Standards Board (FASB) issued guidance Accounting Standard Codification (ASC) Number 326 which significantly changed how entities will measure credit losses for most financial assets and certain other instruments that aren't measured at fair value through net income. The most significant change in this standard is a shift from the incurred loss model to the expected loss model. Under the standard, disclosures are required to provide users of the financial statements with useful information in analyzing an entity's exposure to credit risk and the measurement of credit losses. Financial assets held by the Museum that are subject to the guidance in FASB ASC 326 were accounts receivable.

The Museum adopted the standard effective June 30, 2024. The impact of the adoption was not considered material to the financial statements and primarily resulted in new disclosures only. The Museum's current allowance for credit losses is \$0.

(e) Contributions Receivable

Contributions receivable are unconditional promises to give that are recognized as contributions when the promise is received. Contributions receivable that are expected to be collected in less than one year are reported at net realizable value. Contributions 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 contributions receivable is determined based on management's evaluation of the collectability of individual promises. Management believes that all outstanding contributions receivable at June 30, 2025 and 2024 are collectable.

(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).

SAN DIEGO CHILDREN'S DISCOVERY MUSEUM

Notes to the Financial Statements

Years ended June 30, 2025 and 2024

(Continued)

(2) Summary of Significant Accounting Policies (Continued)

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.

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.

SAN DIEGO CHILDREN'S DISCOVERY MUSEUM

Notes to the Financial Statements

Years ended June 30, 2025 and 2024

(Continued)

(2) Summary of Significant Accounting Policies (Continued)

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 \$5,000 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 years ended June 30, 2025 and 2024.

(i) 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:

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 for 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.

SAN DIEGO CHILDREN'S DISCOVERY MUSEUM

Notes to the Financial Statements

Years ended June 30, 2025 and 2024

(Continued)

(2) Summary of Significant Accounting Policies (Continued)

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.

(j) 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.

(k) 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.

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.

(l) In-kind Contributions

Contributed nonfinancial assets include donated professional services, donated equipment, and other in-kind contributions which are recorded at the respective fair values of the goods or services received (Note 14). The Museum does not sell donated gifts-in-kind.

SAN DIEGO CHILDREN'S DISCOVERY MUSEUM

Notes to the Financial Statements

Years ended June 30, 2025 and 2024

(Continued)

(2) Summary of Significant Accounting Policies (Continued)

In addition to contributed nonfinancial assets, volunteers contribute significant amounts of time to program services, administration, and fundraising and development activities; however, the financial statements do not reflect the value of these contributed services because they do not meet recognition criteria prescribed by generally accepted accounting principles. Contributed goods are recorded at fair value at the date of donation.

(m) Revenue and Revenue Recognition

Revenue is recognized from admissions, membership dues, and gift shop sales when the performance obligations of transferring the products, and providing the services are met. Gift shop sales are recognized at the time of purchase. Membership dues, which are nonrefundable, are recognized over the membership period. Payments are required at the time of sale or start of the membership period. Amounts received in advance are deferred to the applicable period.

Revenue from off-site educational and mobile museum programs, as well as rentals, are recognized when the related services are provided, which typically occurs at a point in time. Off-site educational program revenue is recognized on the date of the visit, mobile museum revenue is recognized on the date of the event. These activities represent earned revenue from exchange transactions, and payments received in advance are recorded as deferred revenue until the performance obligations are satisfied.

Special events revenue is comprised of an exchange element based upon the direct benefits donors receive and a contribution element for the difference. The Museum recognizes special events revenue equal to the fair value of direct benefits to donors when the special event takes place. The Museum recognizes the contribution element of special event revenue immediately, unless there is a right of return if the special event does not take place.

(n) 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.

SAN DIEGO CHILDREN'S DISCOVERY MUSEUM

Notes to the Financial Statements

Years ended June 30, 2025 and 2024

(Continued)

(2) Summary of Significant Accounting Policies (Continued)

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.

(o) Tax Status

The Museum 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.

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 years ended June 30, 2025 and 2024.

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.

SAN DIEGO CHILDREN'S DISCOVERY MUSEUM

Notes to the Financial Statements

Years ended June 30, 2025 and 2024

(Continued)

(2) Summary of Significant Accounting Policies (Continued)

Management has determined that the Museum has no uncertain tax positions at June 30, 2025 and 2024, 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.

(3) Cash and Investments

Cash and cash equivalents consists of the following at June 30:

	<u>2025</u>	<u>2024</u>
Cash	\$ 132,699	\$ 295,680
Certificates of deposit	<u>159,977</u>	<u>212,861</u>
	<u>\$ 292,676</u>	<u>\$ 508,541</u>

Fair values of assets measured on a recurring basis at June 30 are as follows:

<u>2025</u>	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	<u>Total</u>
Certificates of Deposit	\$ -	\$ 159,977	\$ -	\$ 159,977

<u>2024</u>	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	<u>Total</u>
Certificates of Deposit	\$ -	\$ 212,861	\$ -	\$ 212,861

SAN DIEGO CHILDREN'S DISCOVERY MUSEUM

Notes to the Financial Statements

Years ended June 30, 2025 and 2024

(Continued)

(4) Contributions Receivable

Contributions Receivable at June 30 are expected to be collected as follows:

	<u>2025</u>	<u>2024</u>
Less than one year	\$ 35,000	\$ 20,000
One to five years	<u>70,000</u>	<u>120,000</u>
	105,000	140,000
Less reduction for present value	<u>(11,445)</u>	<u>(19,522)</u>
Total	<u>\$ 93,555</u>	<u>\$ 120,478</u>

Changes in Contributions Receivable for the years ended June 30 were as follows:

	<u>2025</u>	<u>2024</u>
Contributions receivable at beginning of year	\$ 120,478	\$ 147,432
Payments received	(35,000)	(85,000)
Additions	-	50,000
Change in present value	<u>8,077</u>	<u>8,046</u>
Contributions receivable at year end	<u>\$ 93,555</u>	<u>\$ 120,478</u>

No allowance for credit losses was considered necessary at June 30, 2025 and 2024 because management believes that all amounts are collectible. The present value discount was imputed for long-term contributions receivable at 6.0% rate based on the deemed credit worthiness of the donor.

(5) Operating Right of Use Assets, Net and Lease Liabilities

On July 31, 2024, the Museum entered into a new operating lease agreement with Cox Communications for internet and related equipment services. The lease term is 36 months, with fixed monthly payments and no purchase option at the end of the term. In accordance with ASC 842, the Museum recognized a right-of-use asset and corresponding lease liability of \$45,919 at lease commencement. The discount rate applied was 4.34%, based on the risk-free rate election. Lease expense for the year ended June 30, 2025, included amortization of \$15,306 and interest expense of \$1,684.

On August 28, 2024, the Museum entered into a new operating lease agreement with Konica Minolta for copier equipment. The lease term is 60 months, with monthly payments of \$420 and a fair market value purchase option at the end of the term. At commencement, the Museum recorded a right-of-use asset and lease liability of \$24,240, using a discount rate of 3.96% under the risk-free rate election. Lease expense for the year ended June 30, 2025, included amortization of \$4,444 and interest expense of \$818.

SAN DIEGO CHILDREN'S DISCOVERY MUSEUM

Notes to the Financial Statements

Years ended June 30, 2025 and 2024

(Continued)

(5) Operating Right of Use Assets, Net and Lease Liabilities (Continued)

The Museum recorded the following related to right of use assets, net and leases payable as of June 30, 2025:

	Right-of-use assets, net	Leases payable
Internet lease	\$ 30,613	\$ 31,134
Copier lease	<u>19,796</u>	<u>20,437</u>
	<u>\$ 50,409</u>	<u>\$ 51,571</u>

The future minimum lease payments under non-cancelable leases with terms greater than one year are listed below as of June 30, 2025:

Year Ending June 30, _____	Lease Payments Due
2026	\$ 20,760
2027	20,760
2028	5,040
2029	5,040
2030	3,307
Thereafter	<u>-</u>
Total	54,907
Less: interest	<u>(3,336)</u>
Present value of leases payable	<u>\$ 51,571</u>

Amortization expense was \$19,750 for the year ended June 30, 2025.

(6) Land, Building and Equipment

Property and equipment at June 30 are summarized as follows:

	<u>2025</u>	<u>2024</u>
Vehicles	\$ 222,979	\$ 210,583
Furniture and Equipment	37,610	37,610
Technology	46,772	45,512
Exhibits	479,854	360,681
Solar Energy System	103,983	-
Land	749,240	749,240
Building and Improvements	<u>1,421,533</u>	<u>1,297,694</u>
	3,061,971	2,701,320
Less: Accumulated depreciation	<u>(798,624)</u>	<u>(669,559)</u>
Net property and equipment	<u>\$ 2,263,347</u>	<u>\$ 2,031,761</u>

Depreciation expense was \$129,065 and \$99,383 for the years ended June 30, 2025 and 2024, respectively.

SAN DIEGO CHILDREN'S DISCOVERY MUSEUM

Notes to the Financial Statements

Years ended June 30, 2025 and 2024

(Continued)

(7) Deferred Revenue

At June 30, 2025, the Museum recorded \$176,273 of deferred revenue. Of this amount, \$88,051 relates to membership revenue. Memberships are typically sold on an annual basis, and the Museum satisfies its performance obligations over the life of the membership, as members receive access to the Museum's exhibits and programs. Revenue is recognized ratably over the membership term.

Deferred revenue includes amounts related to mobile museum programs, special events, and summer camps. Revenue is recognized as the Museum fulfills its obligations by providing access to mobile museums, hosting events, or delivering camp programs. Revenue is recognized when the performance obligations are satisfied or when the special event takes place. At June 30, 2025, the Museum recorded \$88,222 of deferred revenue related to mobile museum programs, special events, and summer camps.

(8) 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 is U.S. Prime Rate plus 1% with an annual interest rate floor of 4.25%. The interest rate at June 30, 2025 was 9.5%. As of June 30, 2025 and 2024, there was no outstanding balance.

(9) Advances Payable

The Linden Root Dickinson Foundation (LRDF) provided the Museum with 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 \$750,000, leaving no principal balance due at June 30, 2025. Contributed interest of \$1,674 and \$6,140 was forgiven for the years ended June 30, 2025 and 2024, respectively. It was calculated using the IRS Applicable Federal Rate mid-term quarterly rates ranging from 3.65% to 4.42% and 3.91% to 4.92% for 2025 and 2024, respectively.

(10) Notes Payable

On May 23, 2023, the Museum entered into a financing agreement with CollectiveSun Lending, LLC for the acquisition of a solar energy system. The agreement includes a promissory note totaling \$103,983, bearing a simple annual interest rate of 4.99%. The note matures on October 1, 2034.

Repayment commenced in November 2024. For the fiscal year ended June 30, 2025, the Museum made principal payments totaling \$3,008 and recognized interest expense of \$3,416. As of June 30, 2025, the outstanding principal balance on the note was \$100,975.

SAN DIEGO CHILDREN'S DISCOVERY MUSEUM

Notes to the Financial Statements

Years ended June 30, 2025 and 2024

(Continued)

(11) Notes Payable (Continued)

The following table summarizes the scheduled maturities of the Museum's note payable as of June 30, 2025:

<u>Year Ending June 30,</u>	<u>Principal Payments Due</u>
2026	\$ 4,704
2027	37,330
2028	6,850
2029	7,200
2030	7,568
Thereafter	<u>37,323</u>
Total	<u>\$ 100,975</u>

(12) 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 are as follows:

	<u>2025</u>	<u>2024</u>
Financial assets:		
Cash and cash equivalents	\$ 292,676	\$ 508,541
Accounts receivable	83,925	62,259
Contributions receivable	<u>93,555</u>	<u>120,478</u>
Total financial assets	470,156	691,278
Less financial assets held to meet donor-imposed restrictions:		
Purpose restricted net assets	(57,685)	(291,138)
Less financial assets not available within one year:		
Contributions receivable	<u>(23,555)</u>	<u>(100,478)</u>
Amount available for general expenditures within one year	<u>\$ 388,916</u>	<u>\$ 299,662</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 8 for additional details on the line of credit.

SAN DIEGO CHILDREN'S DISCOVERY MUSEUM

Notes to the Financial Statements

Years ended June 30, 2025 and 2024

(Continued)

(13) Net Assets with Donor Restrictions

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

	<u>2025</u>	<u>2024</u>
Purpose restrictions, available for spending	\$ 57,685	\$291,138
Time restrictions:		
Contributions receivable, net, which are unavailable for spending until due	<u>93,555</u>	<u>120,478</u>
Total net assets with donor restrictions	<u>\$ 151,240</u>	<u>\$411,616</u>

(14) In-Kind Contributions

For the years ended June 30, in-kind contributions recognized in the Statements of Activities included:

	<u>2025</u>	<u>2024</u>
Advertising services	\$ 79,368	\$ 57,054
Goods and Other Services	45,491	1,010
Interest expense	1,674	6,140
Exhibits	-	<u>103,606</u>
Total	<u>\$ 126,533</u>	<u>\$ 167,810</u>

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

The advertising services were Google search ads. 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 interest related to the advance payable discussed further in note 9.

(15) 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. Three entities accounted for 100% of total contributions receivable as of June 30, 2025 and 2024, respectively.

SAN DIEGO CHILDREN'S DISCOVERY MUSEUM

Notes to the Financial Statements

Years ended June 30, 2025 and 2024

(Continued)

(16) Employee Benefits

The Museum has a 401(k) Profit Sharing Plan covering all employees after 90 days of service. The Plan provides that employees 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. The Museum will match 50% of employee contributions up to a maximum of 3.0%. The employer contributions were \$12,743 and \$9,558 for the years ended June 30, 2025 and 2024, respectively.

(17) Subsequent Events

Subsequent events have been evaluated by management through December 30, 2025, which is the date the financial statements were available to be issued.

In July 2025, the Organization legally changed its name from San Diego Children's Discovery Museum to Children's Museum of Discovery. This change occurred after the fiscal year ended June 30, 2025 and does not have an impact on the financial statements.

On November 12, 2025, the Museum entered into a new revolving line of credit agreement with Banner Bank for a maximum borrowing capacity of \$250,000. The line of credit is unsecured, bears interest at a variable rate equal to the U.S. Prime Rate plus 2.00%, reduced by a 1.00% preferred rate reduction (initial rate of 8.00%), and matures on November 15, 2028. The agreement requires monthly interest payments and includes an annual fee of \$625. The Museum intends to use this line of credit for general operating purposes.