

**SAN DIEGO CHILDREN'S DISCOVERY MUSEUM**  
**Financial Statements**  
**Year ended June 30, 2021**  
**(With Independent Auditor's Report Thereon)**

**SAN DIEGO CHILDREN'S DISCOVERY MUSEUM**  
**Financial Statements**  
**Year ended June 30, 2021**

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## **INDEPENDENT AUDITOR'S REPORT**

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

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the San Diego Children's Discovery Museum which comprise the statement of financial position as of June 30, 2021 and the related statement of activities, functional expenses and cash flows for the year then ended and related notes to the financial statements.

### ***Management's Responsibility 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; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the San Diego Children's Discovery Museum as of June 30, 2021, and the respective changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Report on Summarized Comparative Information***

We have previously audited the San Diego Children's Discovery Museum and Subsidiary's 2020 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated September 16, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2020 is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

DavisFarrLLP

Irvine, California  
November 10, 2021

**SAN DIEGO CHILDREN'S DISCOVERY MUSEUM**

**Statement of Financial Position**

**June 30, 2021**

**(with comparative totals as of June 30, 2020)**

	<u>2021</u>	<u>2020</u>
<u>Assets</u>		
Cash and cash equivalents	\$ 222,570	\$ 259,303
Grants receivable	-	5,593
Pledges receivable, net (note 3)	214,395	295,392
Inventory	8,553	8,500
Prepaid expenses	24,139	17,340
Land, buildings and equipment, net (note 4)	<u>1,880,445</u>	<u>1,921,238</u>
 Total Assets	 <u>\$ 2,350,102</u>	 <u>\$ 2,507,366</u>
<u>Liabilities and Net Assets</u>		
Accounts payable	\$ 35,294	\$ 20,568
Accrued vacation payable	11,145	29,856
Accrued expenses - other	39,714	38,300
Deferred revenue	58,552	68,413
Line of credit payable (note 5)	-	99,373
Paycheck Protection Program (PPP) loans (note 6 and 14)	202,929	201,023
Advances payable - LRDF (note 7)	<u>200,000</u>	<u>200,000</u>
 Total Liabilities	 <u>547,634</u>	 <u>657,533</u>
 Net assets		
Without donor restrictions	1,477,304	1,398,779
With donor restrictions (note 9)	<u>325,164</u>	<u>451,054</u>
 Total Net Assets	 <u>1,802,468</u>	 <u>1,849,833</u>
 Total Liabilities and Net Assets	 <u>\$ 2,350,102</u>	 <u>\$ 2,507,366</u>

See accompanying notes to the financial statements.

**SAN DIEGO CHILDREN'S DISCOVERY MUSEUM**

**Statement of Activities**

**Year ended June 30, 2021**

**(with comparative totals for the year ended June 30, 2020)**

	Without Donor	With Donor	Totals	
	Restrictions	Restrictions	2021	2020
Support and Revenue:				
Contributions	\$ 270,293	\$ 201,685	\$ 471,978	\$ 406,024
Grants	371,454	-	371,454	271,625
Forgiveness of PPP loan	201,023	-	201,023	-
Gifts-in-kind	52,200	-	52,200	228,501
Earned revenue	43,609	-	43,609	415,988
Memberships	18,425	-	18,425	121,524
Forgiveness of debt	-	-	-	30,000
Fundraising events	34,447	-	34,447	75,425
Less: Direct costs of fundraising events	<u>(2,879)</u>	<u>-</u>	<u>(2,879)</u>	<u>(12,974)</u>
Net fundraising revenue	<u>31,568</u>	<u>-</u>	<u>31,568</u>	<u>62,451</u>
Sales	-	-	-	30,147
Less: Cost of good sold	<u>-</u>	<u>-</u>	<u>-</u>	<u>(15,852)</u>
Net sales revenue	<u>-</u>	<u>-</u>	<u>-</u>	<u>14,295</u>
Support provided by expiring restrictions	<u>327,575</u>	<u>(327,575)</u>	<u>-</u>	<u>-</u>
 Total support and revenues	 <u>1,316,147</u>	 <u>(125,890)</u>	 <u>1,190,257</u>	 <u>1,550,408</u>
Expenses:				
Program services	881,851	-	881,851	1,345,798
Supporting services:				
General and administrative	96,306	-	96,306	82,344
Fundraising	<u>259,465</u>	<u>-</u>	<u>259,465</u>	<u>259,999</u>
Total supporting services expenses	<u>355,771</u>	<u>-</u>	<u>355,771</u>	<u>342,343</u>
Total expenses	<u>1,237,622</u>	<u>-</u>	<u>1,237,622</u>	<u>1,688,141</u>
Change in Net Assets	78,525	(125,890)	(47,365)	(137,733)
Net Assets at beginning of year	<u>1,398,779</u>	<u>451,054</u>	<u>1,849,833</u>	<u>1,987,566</u>
Net Assets at end of year	<u>\$ 1,477,304</u>	<u>\$ 325,164</u>	<u>\$ 1,802,468</u>	<u>\$ 1,849,833</u>

See accompanying notes to the financial statements.

**SAN DIEGO CHILDREN'S DISCOVERY MUSEUM**

**Statement of Functional Expenses**

**Year ended June 30, 2021**

**(with comparative totals for the year ended June 30, 2020)**

	Supporting Services				Totals	
	Program	General and Administrative	Fundraising	Subtotal	2021	2020
Salaries and wages	\$ 439,794	\$ 38,815	\$ 173,962	\$ 212,777	\$ 652,571	\$ 841,524
Payroll taxes	39,856	2,559	15,276	17,835	57,691	74,329
Employee benefits	26,713	2,846	10,429	13,275	39,988	47,606
Workers' compensation insurance	6,078	405	1,621	2,026	8,104	16,484
Service fees	4,607	84	1,195	1,279	5,886	23,765
Subtotal	517,048	44,709	202,483	247,192	764,240	1,003,708
Advertising and marketing:						
In-Kind	37,168	-	-	-	37,168	199,623
Other	17,282	-	642	642	17,924	44,405
Bad debt	313	-	4,500	4,500	4,813	6,000
Bank and credit card charges	2,754	752	369	1,121	3,875	16,485
Computer service	15,629	2,933	3,235	6,168	21,797	23,727
Contract services	97,981	25,674	42,376	68,050	166,031	81,091
Depreciation	75,481	1,596	399	1,995	77,476	77,867
Events	-	-	118	118	118	18,231
Exhibits and maintenance	23,462	717	-	717	24,179	46,550
Fundraising	321	-	2,558	2,558	2,879	16,974
Interest	-	4,698	-	4,698	4,698	7,816
Interest in-kind	-	2,914	-	2,914	2,914	3,935
Insurance	7,922	2,999	2,216	5,215	13,137	15,080
Meetings and meals	147	469	190	659	806	2,319
Occupancy	34,127	4,050	606	4,656	38,783	62,650
Office	18,323	4,687	2,652	7,339	25,662	28,050
Outreach and special programs	29,739	-	-	-	29,739	24,469
Staff development	475	25	-	25	500	5,723
Transportation	142	-	-	-	142	10,717
Other	3,537	83	-	83	3,620	5,695
Total expenses	881,851	96,306	262,344	358,650	1,240,501	1,701,115
Less expenses included in Revenue section of the Statement of Activities	-	-	(2,879)	(2,879)	(2,879)	(12,974)
Total expenses included in Expense section of the Statement of Activities	\$ 881,851	\$ 96,306	\$ 259,465	\$ 355,771	\$ 1,237,622	\$ 1,688,141

See accompanying notes to the financial statements.

**SAN DIEGO CHILDREN'S DISCOVERY MUSEUM**

**Statement of Cash Flows**

**Year ended June 30, 2021**

**(with comparative totals for the year ended June 30, 2020)**

	<u>2021</u>	<u>2020</u>
Cash flows from operating activities:		
Change in net assets	\$ (47,365)	\$ (137,733)
Adjustments to reconcile decrease in net assets to net cash used by operating activities:		
Depreciation	77,476	77,867
Forgiveness of PPP loan	(201,023)	-
Forgiveness of advances payable	-	(30,000)
Loss on disposal of property and equipment	2,924	-
(Increase) decrease in accounts receivable	-	13,966
(Increase) decrease in unconditional promises to give	80,997	79,884
(Increase) decrease in grants receivable	5,593	(680)
(Increase) decrease in inventory	(53)	4,832
(Increase) decrease in prepaid expenses	(6,799)	(1,902)
Increase (decrease) in accounts payable	14,726	(42,969)
Increase (decrease) in deferred revenue	(9,861)	(6,966)
Increase (decrease) in accrued vacation payable	(18,711)	2,652
Increase (decrease) in accrued expenses - other	1,414	(21,682)
Net cash used by operating activities	<u>(100,682)</u>	<u>(62,731)</u>
Cash flows from investing activities:		
Purchases of fixed assets	<u>(39,607)</u>	<u>(43,197)</u>
Net cash flows used by investing activities	<u>(39,607)</u>	<u>(43,197)</u>
Cash flows from financing activities:		
Proceeds from PPP loans	202,929	201,023
Proceeds from line of credit	-	99,373
Payments to line of credit	<u>(99,373)</u>	<u>(65,484)</u>
Net cash flows provided by financing activities	<u>103,556</u>	<u>234,912</u>
Net increase (decrease) in cash and cash equivalents	(36,733)	128,984
Cash and cash equivalents at beginning of year	<u>259,303</u>	<u>130,319</u>
Cash and cash equivalents at end of year	<u>\$ 222,570</u>	<u>\$ 259,303</u>
Supplemental Disclosure of Cash Flow Information		
Cash paid during the year for:		
Interest	<u>\$ 4,698</u>	<u>\$ 7,816</u>
Noncash Activities		
Forgiveness of PPP loan	<u>\$ 201,023</u>	<u>\$ -</u>
Loss on disposal of property and equipment	<u>\$ 2,924</u>	<u>\$ -</u>

See accompanying notes to the financial statements.



# **SAN DIEGO CHILDREN'S DISCOVERY MUSEUM**

## **Notes to the Financial Statements**

**Year ended June 30, 2021**

### **(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 inspire children to learn about our world through exploration, imagination, and experimentation. The Museum fills a community need by offering a wholesome, educational, and appealing gathering place and mobile experience for families, schools, libraries, and other groups that serve children. Programs and exhibits cultivate lifelong learning and develop diverse understandings of the world.

The Children's Discovery Museum Holdings, LLC (Holdings) was incorporated as a single-member LLC in July 2011 to hold SDCCDM land, building, and improvements located at 320 North Broadway in Escondido, California. Effective July 16, 2020, Holdings was dissolved and the LLC Termination - Certificate of Cancellation was filed with the California Secretary of State. All final returns required pursuant to the California Revenue and Taxation Code have been filed with the California Franchise Tax Board. Holdings was consolidated with the Museum financial statements through June 30, 2020. All of the Holdings net assets were transferred to the Museum effective July 16, 2020.

As a result of the COVID-19 virus, SDCCDM's facility and mobile fleet closed to the public from March 13, 2020 through April 18, 2021. During this period, Museum staff provided online experiences for its consumers until its reopening.

### **(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.

# SAN DIEGO CHILDREN'S DISCOVERY MUSEUM

## Notes to the Financial Statements

Year ended June 30, 2021

(Continued)

### (2) Summary of Significant Accounting Policies (Continued)

#### (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.

#### (d) Accounts Receivable

Accounts receivable are primarily amounts due from local school districts and other entities for Museum related programs. During the fiscal year, \$4,813 of accounts were deemed uncollectible. Management believes that all outstanding accounts receivable at June 30, 2021 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. Management has determined that no allowance for doubtful accounts is deemed necessary as of June 30, 2021.

#### (f) Grants Receivable

Grants receivable are primarily unsecured non-interest bearing amounts due from grantors on cost reimbursement or performance grants. Management believes that all outstanding amounts are collectible in full; therefore, there is no allowance for uncollectible grants receivable recorded.

# SAN DIEGO CHILDREN'S DISCOVERY MUSEUM

## Notes to the Financial Statements

Year ended June 30, 2021

(Continued)

### (2) Summary of Significant Accounting Policies (Continued)

#### (g) 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.

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.

#### (h) 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.

# SAN DIEGO CHILDREN'S DISCOVERY MUSEUM

## Notes to the Financial Statements

Year ended June 30, 2021

(Continued)

### (2) Summary of Significant Accounting Policies (Continued)

#### (i) 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, 2021.

#### (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:

##### *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

Year ended June 30, 2021

(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.

#### (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.

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

The Museum receives contributions in a form other than cash or investments. Such gifts are recorded as contributions at the date of gift and as expenses when the donated items are placed into service or distributed. If the Museum receives a contribution of land, buildings, or equipment, the contributed asset is recognized as an asset at its estimated fair value at the date of gift, provided that the value of the asset and its estimated useful life meets the Museum's capitalization policy.

# SAN DIEGO CHILDREN'S DISCOVERY MUSEUM

## Notes to the Financial Statements

Year ended June 30, 2021

(Continued)

### (2) Summary of Significant Accounting Policies (Continued)

The Museum benefits from advertising services provided by KPBS, a local public television system. Accounting standards allow recognition of contributed services only if (a) the services create or enhance nonfinancial assets or (b) the services would have been purchased if not provided by contribution, require specialized skills, and are provided by individuals possessing those skills.

Aggregate donated services, interest and items with an estimated fair value of \$52,200 met those criteria and are included in in-kind contributions in the Statement of Activities.

#### (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.

#### (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.

# **SAN DIEGO CHILDREN'S DISCOVERY MUSEUM**

## **Notes to the Financial Statements**

**Year ended June 30, 2021**

**(Continued)**

### **(2) Summary of Significant Accounting Policies (Continued)**

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.

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, 2021.

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, 2021 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 consolidated financial statements, from which this selected financial data was derived.

## SAN DIEGO CHILDREN'S DISCOVERY MUSEUM

### Notes to the Financial Statements

Year ended June 30, 2021

(Continued)

#### (3) Pledges Receivable

Pledges receivable at June 30, 2021 are expected to be collected as follows:

Less than one year	\$ 51,700
One to five years	177,915
More than five years	<u>35,000</u>
	264,615
Less reduction for present value	<u>(50,220)</u>
Total	<u>\$ 214,395</u>

Changes in pledges receivable for the year ended June 30, 2021 were as follows:

Pledges receivable at beginning of year	\$ 295,392
New pledges	11,700
Payments received	(78,792)
Adjustments	(10,000)
Change in present value	<u>(3,905)</u>
Pledges receivable at year end	<u>\$ 214,395</u>

No allowance for doubtful accounts was considered necessary at June 30, 2021 because management believes that all amounts are collectible. The present value discount was imputed for long-term pledges at 6% rate based on the deemed credit worthiness of the donor.

#### (4) Property and Equipment

Property and equipment at June 30, 2021 are summarized as follows:

Building and Improvements	\$ 1,259,493
Land	749,240
Exhibits	235,194
Furniture and Equipment	149,058
Vehicles	<u>68,162</u>
	2,461,147
Less: Accumulated depreciation	<u>(580,702)</u>
Net property and equipment	<u>\$ 1,880,445</u>

Depreciation expense was \$77,476 for the year ended June 30, 2021.



# SAN DIEGO CHILDREN'S DISCOVERY MUSEUM

## Notes to the Financial Statements

Year ended June 30, 2021

(Continued)

**(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, 2022. The base rate (U.S. Prime Rate with an annual interest rate floor of 5.0%) is added to the margin of 2.0% reduced by 1.0% preferred rate reduction. The interest rate at June 30, 2021 was 5.0%. As of June 30, 2021, there was no outstanding balance. Interest expense incurred during the year ended June 30, 2021 was \$4,698.

**(6) Paycheck Protection Program (PPP) Loan**

In April 2020, the Museum received loan proceeds in the amount of \$201,023 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 June 25, 2021 the loan was forgiven.

On February 25, 2021, the Museum received additional loan proceeds in the amount of \$202,929 under the Paycheck Protection Program (PPP). The Museum has used the proceeds for purposes consistent with the PPP and has applied for forgiveness. See note 14 for additional information.

**(7) Advances Payable – LRDF**

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, 2021. 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 \$2,914 for the year ended June 30, 2021 was calculated using the AFR mid-term quarterly rates ranging from 1.01%-2.47%.

# SAN DIEGO CHILDREN'S DISCOVERY MUSEUM

## Notes to the Financial Statements

Year ended June 30, 2021

(Continued)

### (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, 2021 are as follows:

Financial assets:

Cash and cash equivalents	\$ 222,570
Pledges receivable, net	<u>214,395</u>
Total financial assets	436,965

Less financial assets held to meet donor-imposed restrictions:

Purpose restricted net assets	(110,769)
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Less financial assets not available within one year:

Pledges receivable	<u>(162,695)</u>
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Amount available for general expenditures within one year	<u>\$ 163,501</u>
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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.

### (9) Net Assets with Donor Restrictions

Net assets with donor restrictions consisted of the following at June 30, 2021:

Purpose restrictions, available for spending	\$ 110,769
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Time restrictions:

Pledges receivable, net, which are unavailable for spending until due, some of which are also purpose restricted	<u>214,395</u>
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Total net assets with donor restrictions	<u>\$ 325,164</u>
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### (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, 2021, four entities accounted for approximately 82% of total pledges and grants receivable. For the year ended June 30, 2021, four entities accounted for approximately 78% of total revenue and support.

# **SAN DIEGO CHILDREN'S DISCOVERY MUSEUM**

## **Notes to the Financial Statements**

**Year ended June 30, 2021**

**(Continued)**

**(11) Uncertainties**

As a result of the spread of the COVID-19 coronavirus, economic uncertainties have arisen which negatively impacted the Museum including the temporary closure of the Museum to the public from March 13, 2020, through April 18, 2021, and related furloughs of certain Museum staff. Although the Museum has reopened to the public, with evolving State and County requirements as well as vaccine and other medical developments, management is not presently able to determine the potential outcome or impairment, if any to the Museum as of the date of the issuance of the financial statements.

**(12) Contingent Asset**

As a result of the COVID-19 pandemic, Congress passed the CARES Act which resulted in an Employee Retention Credit, a refundable tax credit against certain employment taxes equal to 50% of qualified wages. The Museum filed an amended Form 941, the Employer's Quarterly Federal Tax Return for the quarters ended September 30, 2020 and December 31, 2020 to claim the refundable credit. The Museum believes it has met the criteria to qualify for the credit and upon approval by the Internal Revenue Service (IRS) of the amended tax returns, expects to receive refunds of approximately \$70,000. However, no revenue has been recognized during the fiscal year ended June 30, 2021.

**(13) 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.

**(14) Subsequent Events**

Subsequent events have been evaluated by management through October 8, 2021, which is the date the financial statements were available to be issued. On August 30, 2021, the Museum received confirmation that the \$202,929 PPP loan received on February 25, 2021 and discussed in Note 6 has been forgiven. Additionally, the Museum received \$176,076 on August 17, 2021 and \$189,003 on October 6, 2021 from the Shuttered Venue Operators Grant program established by the Economic Aid to Hard-Hit Small Businesses, Nonprofits and Venues Act in response to the COVID-19 pandemic.