

SAN DIEGO CHILDREN'S DISCOVERY MUSEUM
Financial Statements
Years ended June 30, 2023 and 2022
(With Independent Auditor's Report Thereon)

SAN DIEGO CHILDREN'S DISCOVERY MUSEUM
Financial Statements
Years ended June 30, 2023 and 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 statements of financial position as of June 30, 2023 and 2022, 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, 2023 and 2022, 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 1, 2023

SAN DIEGO CHILDREN'S DISCOVERY MUSEUM

Statement of Financial Position

June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
<u>Assets</u>		
Cash and cash equivalents	\$ 514,300	\$ 417,007
Investments (note 3)	101,635	-
Accounts receivable	98,865	22,658
Contributions receivable (note 4)	147,432	240,326
Inventory	1,547	3,206
Prepaid expenses	13,976	19,042
Land, building and equipment, net (note 5)	<u>1,860,232</u>	<u>1,816,414</u>
 Total Assets	 <u>\$ 2,737,987</u>	 <u>\$ 2,518,653</u>
 <u>Liabilities and Net Assets</u>		
Accounts payable	\$ 75,352	\$ 31,608
Accrued vacation payable	26,265	21,469
Accrued expenses - other	46,567	17,041
Deferred revenue	107,048	76,983
Advances payable (note 7)	<u>200,000</u>	<u>200,000</u>
 Total Liabilities	 <u>455,232</u>	 <u>347,101</u>
Net assets:		
Without donor restrictions	1,905,020	1,795,524
With donor restrictions (note 9)	<u>377,735</u>	<u>376,028</u>
 Total Net Assets	 <u>2,282,755</u>	 <u>2,171,552</u>
 Total Liabilities and Net Assets	 <u>\$ 2,737,987</u>	 <u>\$ 2,518,653</u>

See accompanying notes to the financial statements.

SAN DIEGO CHILDREN'S DISCOVERY MUSEUM

Statement of Activities

Year ended June 30, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenue:			
Contributions	\$ 987,193	\$ 472,242	\$ 1,459,435
Earned revenue	604,502	-	604,502
Memberships	165,302	-	165,302
Gifts-in-kind contributions	80,163	-	80,163
Interest income	5,270	-	5,270
Total contributions and earned revenue	<u>1,842,430</u>	<u>472,242</u>	<u>2,314,672</u>
Sales	14,682	-	14,682
Less: Cost of good sold	<u>(8,212)</u>	-	<u>(8,212)</u>
Net sales revenue	6,470	-	6,470
Net assets released from restrictions	<u>470,535</u>	<u>(470,535)</u>	<u>-</u>
Total support and revenues	<u>2,319,435</u>	<u>1,707</u>	<u>2,321,142</u>
Expenses:			
Program services	1,637,714	-	1,637,714
Supporting services:			
General and administrative	265,106	-	265,106
Fundraising	307,119	-	307,119
Total supporting services expenses	<u>572,225</u>	<u>-</u>	<u>572,225</u>
Total expenses	<u>2,209,939</u>	<u>-</u>	<u>2,209,939</u>
Change in Net Assets	109,496	1,707	111,203
Net Assets at beginning of year	<u>1,795,524</u>	<u>376,028</u>	<u>2,171,552</u>
Net Assets at end of year	<u>\$ 1,905,020</u>	<u>\$ 377,735</u>	<u>\$ 2,282,755</u>

See accompanying notes to the financial statements.

SAN DIEGO CHILDREN'S DISCOVERY MUSEUM

Statement of Activities

Year ended June 30, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenue:			
Contributions	\$ 705,893	\$ 375,010	\$ 1,080,903
Earned revenue	337,902	-	337,902
Grants	217,860	-	217,860
Forgiveness of PPP loan	202,929	-	202,929
Memberships	119,018	-	119,018
Gifts-in-kind contributions	99,800	-	99,800
Interest income	2,449	-	2,449
Total contributions and earned revenue	<u>1,685,851</u>	<u>375,010</u>	<u>2,060,861</u>
Sales	15,688	-	15,688
Less: Cost of good sold	<u>(11,582)</u>	<u>-</u>	<u>(11,582)</u>
Net sales revenue	4,106	-	4,106
Net assets released from restrictions	<u>324,146</u>	<u>(324,146)</u>	<u>-</u>
Total support and revenues	<u>2,014,103</u>	<u>50,864</u>	<u>2,064,967</u>
Expenses:			
Program services	1,232,721	-	1,232,721
Supporting services:			
General and administrative	225,486	-	225,486
Fundraising	<u>237,676</u>	<u>-</u>	<u>237,676</u>
Total supporting services expenses	<u>463,162</u>	<u>-</u>	<u>463,162</u>
Total expenses	<u>1,695,883</u>	<u>-</u>	<u>1,695,883</u>
Change in Net Assets	318,220	50,864	369,084
Net Assets at beginning of year	<u>1,477,304</u>	<u>325,164</u>	<u>1,802,468</u>
Net Assets at end of year	<u>\$ 1,795,524</u>	<u>\$ 376,028</u>	<u>\$ 2,171,552</u>

See accompanying notes to the financial statements.

SAN DIEGO CHILDREN'S DISCOVERY MUSEUM

Statement of Functional Expenses

Year ended June 30, 2023

	Supporting Services			Subtotal	Total
	Program	General and Administrative	Fundraising		
Salaries and wages	\$ 939,300	\$ 29,173	\$ 194,903	\$ 224,076	\$ 1,163,376
Payroll taxes	72,134	6,334	22,987	29,321	101,455
Employee benefits	60,835	9,383	14,689	24,072	84,907
Subtotal	<u>1,072,269</u>	<u>44,890</u>	<u>232,579</u>	<u>277,469</u>	<u>1,349,738</u>
Contract services	2,519	130,360	49,450	179,810	182,329
Occupancy	128,815	14,288	2,585	16,873	145,688
Outreach and special programs	86,225	-	-	-	86,225
Exhibits repair and maintenance	76,687	-	-	-	76,687
Advertising - In-Kind	72,844	-	-	-	72,844
Depreciation	69,605	851	213	1,064	70,669
Advertising - Other	44,338	411	6,323	6,734	51,072
Office	27,258	9,550	4,012	13,562	40,820
Computer service	17,787	4,490	4,178	8,668	26,455
Bank and credit card charges	-	25,499	-	25,499	25,499
Staff development	21,324	710	2,129	2,839	24,163
Insurance	-	20,870	-	20,870	20,870
Other	13,522	3,792	1,643	5,435	18,957
Interest in-kind	-	7,319	-	7,319	7,319
Meetings and meals	1,427	2,076	2,953	5,029	6,456
Transportation	3,094	-	1,054	1,054	4,148
Total expenses	<u>\$ 1,637,714</u>	<u>\$ 265,106</u>	<u>\$ 307,119</u>	<u>\$ 572,225</u>	<u>\$ 2,209,939</u>

See accompanying notes to the financial statements.

SAN DIEGO CHILDREN'S DISCOVERY MUSEUM

Statement of Functional Expenses

Year ended June 30, 2022

	<u>Supporting Services</u>				<u>Total</u>
	<u>Program Services</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Subtotal</u>	
Salaries and wages	\$ 705,195	\$ 43,124	\$ 165,838	\$ 208,962	\$ 914,157
Payroll taxes	53,357	6,660	22,566	29,226	82,583
Employee benefits	25,736	5,358	21,653	27,011	52,747
Subtotal	<u>784,288</u>	<u>55,142</u>	<u>210,057</u>	<u>265,199</u>	<u>1,049,487</u>
Contract services	13,856	106,383	13,339	119,722	133,578
Advertising - In-Kind	92,908	-	-	-	92,908
Occupancy	66,183	9,120	699	9,819	76,002
Depreciation	66,196	996	249	1,245	67,441
Outreach and special programs	62,405	168	-	168	62,573
Exhibits repair and maintenance	47,732	6,616	55	6,671	54,403
Office	18,294	7,042	2,963	10,005	28,299
Advertising - Other	24,611	407	1,423	1,830	26,441
Computer service	16,708	3,435	3,868	7,303	24,011
Bank and credit card charges	18,826	1,711	-	1,711	20,537
Staff development	2,435	14,937	775	15,712	18,147
Insurance	8,200	3,105	2,295	5,400	13,600
Other	8,394	4,155	1,009	5,164	13,558
Meetings and meals	510	8,102	857	8,959	9,469
Interest in-kind	-	4,147	-	4,147	4,147
Transportation	1,175	20	87	107	1,282
Total expenses	<u>\$ 1,232,721</u>	<u>\$ 225,486</u>	<u>\$ 237,676</u>	<u>\$ 463,162</u>	<u>\$ 1,695,883</u>

See accompanying notes to financial statements.

SAN DIEGO CHILDREN'S DISCOVERY MUSEUM

Statement of Cash Flows

Year ended June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Cash flows from operating activities:		
Change in net assets	\$ 111,203	\$ 369,084
Adjustments to reconcile decrease in net assets to net cash used by operating activities:		
Depreciation	70,669	67,441
Income on investments	(1,635)	-
Forgiveness of PPP loan	-	(202,929)
Gain (loss) on disposal of property and equipment	678	2,145
(Increase) decrease in accounts receivable	(76,207)	(22,658)
(Increase) decrease in contributions receivable	92,894	(25,931)
(Increase) decrease in inventory	1,659	5,347
(Increase) decrease in prepaid expenses	5,066	5,097
Increase (decrease) in accounts payable	43,744	(3,686)
Increase (decrease) in accrued vacation payable	4,796	10,324
Increase (decrease) in accrued expenses - other	29,526	(22,673)
Increase (decrease) in deferred revenue	<u>30,065</u>	<u>18,431</u>
Net cash provided by operating activities	<u>312,458</u>	<u>199,992</u>
Cash flows from investing activities:		
Purchase of investments	(100,000)	-
Purchases of fixed assets	<u>(115,165)</u>	<u>(5,555)</u>
Net cash flows used by investing activities	<u>(215,165)</u>	<u>(5,555)</u>
Net increase (decrease) in cash and cash equivalents	97,293	194,437
Cash and cash equivalents at beginning of year	<u>417,007</u>	<u>222,570</u>
Cash and cash equivalents at end of year	<u>\$ 514,300</u>	<u>\$ 417,007</u>
Supplemental Disclosure of Cash Flow Information		
Noncash Activities:		
Loss on disposal of property and equipment	<u>\$ 678</u>	<u>\$ 2,145</u>
Forgiveness of PPP loan	<u>\$ -</u>	<u>\$ 202,929</u>

See accompanying notes to the financial statements.

SAN DIEGO CHILDREN'S DISCOVERY MUSEUM

Notes to the Financial Statements

Years ended June 30, 2023 and 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

Years ended June 30, 2023 and 2022

(Continued)

(2) Summary of Significant Accounting Policies (Continued)

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

	<u>2023</u>	<u>2022</u>
Demand deposits	\$ 412,814	\$ 417,007
Certificates of deposit		
maturing in less than 90 days	<u>101,486</u>	<u>-</u>
	<u>\$ 514,300</u>	<u>\$ 417,007</u>

(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, 2023 and 2022 are collectible.

(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.

(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.

SAN DIEGO CHILDREN'S DISCOVERY MUSEUM

Notes to the Financial Statements

Years ended June 30, 2023 and 2022

(Continued)

(2) Summary of Significant Accounting Policies (Continued)

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. 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 years ended June 30, 2023 and 2022.

SAN DIEGO CHILDREN'S DISCOVERY MUSEUM

Notes to the Financial Statements

Years ended June 30, 2023 and 2022

(Continued)

(2) Summary of Significant Accounting Policies (Continued)

(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:

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.

SAN DIEGO CHILDREN'S DISCOVERY MUSEUM

Notes to the Financial Statements

Years ended June 30, 2023 and 2022

(Continued)

(2) Summary of Significant Accounting Policies (Continued)

(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

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

	<u>2023</u>	<u>2022</u>
Advertising services	\$72,844	\$92,908
Interest expense – forgiven	7,319	4,147
Goods and other services	-	<u>2,745</u>
Total	<u>\$80,163</u>	<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.

SAN DIEGO CHILDREN'S DISCOVERY MUSEUM

Notes to the Financial Statements

Years ended June 30, 2023 and 2022

(Continued)

(2) Summary of Significant Accounting Policies (Continued)

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

(n) Grant Revenue

Grant revenue is recognized as contributions income and contributions receivable 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.

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.

SAN DIEGO CHILDREN'S DISCOVERY MUSEUM

Notes to the Financial Statements

Years ended June 30, 2023 and 2022

(Continued)

(2) Summary of Significant Accounting Policies (Continued)

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 years ended June 30, 2023 and 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, 2023 and 2022, 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) Investments and Fair Value Measurements

Fair values of assets measured on a recurring basis at June 30, 2023 are as follows:

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Certificates of deposit	\$ -	\$ 203,121	\$ -	\$ 203,121

SAN DIEGO CHILDREN'S DISCOVERY MUSEUM

Notes to the Financial Statements

Years ended June 30, 2023 and 2022

(Continued)

(4) Contributions Receivable

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

	<u>2023</u>	<u>2022</u>
Less than one year	\$ 35,000	\$ 95,060
One to five years	140,000	175,000
More than five years	<u>-</u>	<u>10,000</u>
	175,000	280,060
Less reduction for present value	<u>(27,568)</u>	<u>(39,734)</u>
Total	<u>\$ 147,432</u>	<u>\$ 240,326</u>

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

	<u>2023</u>	<u>2022</u>
Contributions receivable at beginning of year	\$ 240,326	\$ 202,695
Payments received	(105,060)	(35,000)
Additions	-	62,145
Change in present value	<u>12,166</u>	<u>10,486</u>
Contributions receivable at year end	<u>\$ 147,432</u>	<u>\$ 240,326</u>

No allowance for doubtful accounts was considered necessary at June 30, 2023 and 2022 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) Property and Equipment

Property and equipment at June 30 are summarized as follows:

	<u>2023</u>	<u>2022</u>
Building and Improvements	\$ 1,266,087	\$1,266,087
Land	749,240	749,240
Exhibits	221,279	235,194
Vehicles	176,580	68,162
Furniture and Equipment	25,828	105,700
Technology	<u>25,224</u>	<u>35,502</u>
	2,464,238	2,459,885
Less: Accumulated depreciation	<u>(604,006)</u>	<u>(643,471)</u>
Net property and equipment	<u>\$ 1,860,232</u>	<u>\$1,816,414</u>

Depreciation expenses were \$70,669 and \$67,441 for the years ended June 30, 2023 and 2022, respectively.

SAN DIEGO CHILDREN'S DISCOVERY MUSEUM

Notes to the Financial Statements

Years ended June 30, 2023 and 2022

(Continued)

(6) 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, 2023 was 9.5%. As of June 30, 2023 and 2022, there was no outstanding balance.

(7) 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 \$550,000, leaving a principal balance due of \$200,000 at June 30, 2023. The due date is July 19, 2025. Contributed interest of \$7,319 and \$4,147 was forgiven for the years ended June 30, 2023 and 2022, respectively. It was calculated using the IRS Applicable Federal Rate mid-term quarterly rates ranging from 3.1% to 4.25% and 1.71% to 3.07% for 2023 and 2022, respectively.

(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 are as follows:

Financial assets:	<u>2023</u>	<u>2022</u>
Cash and cash equivalents	\$ 412,814	\$ 417,007
Investments	203,121	-
Accounts receivable, net	98,865	22,658
Contributions receivable, net	<u>147,432</u>	<u>240,326</u>
Total financial assets	862,232	679,991
Less financial assets held to meet donor-imposed restrictions:		
Purpose restricted net assets	(230,303)	(135,702)
Less financial assets not available within one year:		
Contributions receivable	<u>(112,432)</u>	<u>(145,266)</u>
Amount available for general expenditures within one year	<u>\$ 519,497</u>	<u>\$ 399,023</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 6 for additional details on the line of credit.

SAN DIEGO CHILDREN'S DISCOVERY MUSEUM

Notes to the Financial Statements

Years ended June 30, 2023 and 2022

(Continued)

(9) Net Assets with Donor Restrictions

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

	<u>2023</u>	<u>2022</u>
Purpose restrictions, available for spending	\$ 230,303	\$ 135,702
Time restrictions:		
Contributions receivable, net, which are unavailable for spending until due	<u>147,432</u>	<u>240,326</u>
Total net assets with donor restrictions	<u>\$ 377,735</u>	<u>\$ 376,028</u>

(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, 2023 and 2022, two entities accounted for approximately 100% and 76% of total contributions receivable, respectively. Approximately 77% of total contributions and grants were from federal COVID relief and foundation grants for the year ended June 30, 2022. There were no such concentrations for the year ended June 30, 2023.

(11) 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. Beginning July 1, 2022, the Museum will match 50% of employee contributions up to a maximum of 3.0%. The employer contribution for the year ended June 30, 2023 was \$5,770.

(12) Subsequent Events

Subsequent events have been evaluated by management through December 1, 2023, 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.