



Bay Area Discovery Museum

Financial Statements

August 31, 2020
(With Comparative Totals for 2019)

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees of
Bay Area Discovery Museum
Sausalito, California

We have audited the accompanying financial statements of Bay Area Discovery Museum (a California nonprofit corporation) (the "Museum"), which comprise the statement of financial position as of August 31, 2020, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 these 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 Bay Area Discovery Museum as of August 31, 2020, and the 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.

Emphasis of Matter

As described in Note 12, the World Health Organization declared the novel strain of coronavirus (COVID-19) a global pandemic on March 11, 2020 and recommended containment and mitigation measures worldwide. The ultimate financial impact and duration of these events cannot be reasonably estimated at this time. Our opinion is not modified with respect to that matter.

Report on Summarized Comparative Information

We have previously audited Bay Area Discovery Museum's 2019 financial statements, and our report dated May 5, 2020 expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended August 31, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.



Armanino^{LLP}
San Ramon, California

June 2, 2021

Bay Area Discovery Museum
Statement of Financial Position
August 31, 2020
(With Comparative Totals for 2019)

	2020	2019
ASSETS		
Cash and cash equivalents	\$ 1,365,015	\$ 1,390,237
Cash restricted for long-term purposes	1,603,611	5,027,466
Contributions receivable, net	2,903,361	3,878,122
Accounts receivable, net	371,248	532,825
Inventory	10,951	16,339
Prepaid and other current assets	205,005	392,688
Property and equipment, net	18,095,080	10,422,379
Total assets	\$ 24,554,271	\$ 21,660,056
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 565,647	\$ 664,468
Deferred revenue	577,187	1,166,616
Line of credit	350,000	-
Total liabilities	1,492,834	1,831,084
Net assets		
Without donor restrictions		
Board designated - operating reserve	189,178	240,476
Undesignated	4,137,660	4,066,631
Total without donor restrictions	4,326,838	4,307,107
With donor restrictions	18,734,599	15,521,865
Total net assets	23,061,437	19,828,972
Total liabilities and net assets	\$ 24,554,271	\$ 21,660,056

The accompanying notes are an integral part of these financial statements.

Bay Area Discovery Museum
Statement of Activities
For the Year Ended August 31, 2020
(With Comparative Totals for 2019)

	Without Donor Restrictions	With Donor Restrictions	2020 Total	2019 Total
Revenues, gains, and other support				
Contributions	\$ 1,675,858	\$ 4,313,941	\$ 5,989,799	\$ 7,732,614
Paycheck Protection Program grant	-	868,100	868,100	-
In-kind contributions	89,415	-	89,415	93,697
Special events, net direct expenses of \$209,717	378,804	50	378,854	523,100
Membership dues	1,187,565	-	1,187,565	1,282,466
Admission fees	607,588	-	607,588	1,121,773
Program fees	772,842	-	772,842	1,912,888
Facility rentals, net of rental expense of \$1,889	17,206	-	17,206	25,078
Investment income (loss)	5,455	-	5,455	(799)
Store and cafe sales, net of cost of sales of \$24,528	33,926	-	33,926	85,304
Net assets released from restriction	1,969,357	(1,969,357)	-	-
Total revenues, gains, and other support	<u>6,738,016</u>	<u>3,212,734</u>	<u>9,950,750</u>	<u>12,776,121</u>
Functional expenses				
Program	4,462,686	-	4,462,686	6,482,518
Management and general	1,156,936	-	1,156,936	910,532
Fundraising	673,162	-	673,162	904,444
Membership	425,501	-	425,501	239,945
Total functional expenses	<u>6,718,285</u>	<u>-</u>	<u>6,718,285</u>	<u>8,537,439</u>
Change in net assets	19,731	3,212,734	3,232,465	4,238,682
Net assets, beginning of year	<u>4,307,107</u>	<u>15,521,865</u>	<u>19,828,972</u>	<u>15,590,290</u>
Net assets, end of year	<u>\$ 4,326,838</u>	<u>\$ 18,734,599</u>	<u>\$ 23,061,437</u>	<u>\$ 19,828,972</u>

The accompanying notes are an integral part of these financial statements.

Bay Area Discovery Museum
Statement of Functional Expenses
For the Year Ended August 31, 2020
(With Comparative Totals for 2019)

Program	Supporting Services				2020 Total	2019 Total	
	Management and General	Fundraising	Membership	Allocated Indirect			
Salaries	\$ 1,841,460	\$ 596,024	\$ 466,679	\$ 281,065	\$ 211,577	\$ 3,396,805	\$ 4,396,721
Depreciation	76,257	803	-	-	772,724	849,784	803,021
Benefits and payroll taxes	242,849	209,471	74,191	9,497	154,940	690,948	803,774
Professional fees and consultants	141,345	107,044	594	1,600	190,638	441,221	572,704
Advertising	96,778	87	25,473	4,234	40,211	166,783	380,245
Repairs and maintenance	37	-	-	215	178,978	179,230	119,450
Supplies	89,121	5,100	13,532	7,036	22,877	137,666	252,728
Utilities and rent	3,679	1,935	-	-	164,272	169,886	247,506
Technology and telephone	10,543	4,757	4,177	4,771	174,830	199,078	192,816
Travel	51,694	1,238	1,818	30	306	55,086	130,068
Exhibit rental fees	32,045	-	-	-	-	32,045	150,089
Bank fees	3,578	4,302	522	49,418	-	57,820	72,581
Printing and publication	18,635	1,296	15,119	23,852	17,987	76,889	93,867
Insurance	9,077	4,868	-	-	107,534	121,479	82,495
Postage	8,639	2,943	5,634	9,098	4,690	31,004	44,776
Equipment rental	21,485	9,382	969	-	16,209	48,045	78,243
Miscellaneous	26,800	8,350	6,443	85	3,070	44,748	67,577
Training	2,402	1,144	224	-	12	3,782	13,019
Conferences and meetings	11,512	3,522	922	30	-	15,986	35,572
Bad debts	-	-	-	-	-	-	187
Allocated indirect	<u>1,774,750</u>	<u>194,670</u>	<u>56,865</u>	<u>34,570</u>	<u>(2,060,855)</u>	<u>-</u>	<u>-</u>
	<u>\$ 4,462,686</u>	<u>\$ 1,156,936</u>	<u>\$ 673,162</u>	<u>\$ 425,501</u>	<u>\$ -</u>	<u>\$ 6,718,285</u>	<u>\$ 8,537,439</u>

The accompanying notes are an integral part of these financial statements.

Bay Area Discovery Museum
Statement of Cash Flows
For the Year Ended August 31, 2020
(With Comparative Totals for 2019)

	2020	2019
Cash flows from operating activities		
Change in net assets	\$ 3,232,465	\$ 4,238,682
Adjustments to reconcile change in net assets to net cash used in operating activities		
Depreciation	849,784	803,021
Contributions restricted for long-term purposes	(3,748,210)	(5,600,952)
Changes in operating assets and liabilities		
Contributions receivable, net	141,001	12,726
Accounts receivable, net	161,577	(150,585)
Inventory	5,388	2,909
Prepaid and other current assets	187,683	(82,213)
Accounts payable and accrued expenses	(397,211)	(155,316)
Deferred revenue	(589,429)	(33,788)
Net cash used in operating activities	(156,952)	(965,516)
Cash flows from investing activities		
Purchase of property and equipment	(105,518)	(71,465)
Payments on construction in progress	(8,118,577)	(3,024,651)
Net cash used in investing activities	(8,224,095)	(3,096,116)
Cash flows from financing activities		
Proceeds from line of credit	350,000	-
Contributions restricted for long-term purposes	4,581,970	3,985,166
Net cash provided by financing activities	4,931,970	3,985,166
Net decrease in cash and restricted cash	(3,449,077)	(76,466)
Cash and restricted cash, beginning of year	6,417,703	6,494,169
Cash and restricted cash, end of year	\$ 2,968,626	\$ 6,417,703
Cash and restricted cash consisted of the following:		
Cash and cash equivalents	\$ 1,365,015	\$ 1,390,237
Cash restricted for long-term purposes	1,603,611	5,027,466
	\$ 2,968,626	\$ 6,417,703

Supplemental schedule of noncash investing and financing activities

Construction in progress included in accounts payable	\$ 298,390	\$ 203,498
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The accompanying notes are an integral part of these financial statements.

Bay Area Discovery Museum
Notes to Financial Statements
August 31, 2020

1. NATURE OF OPERATIONS

The mission of the Bay Area Discovery Museum (the "Museum") is to transform research into early learning experiences that inspire creative problem solving. We believe that providing young children ages 0-10 years old with the high-quality, research-backed early learning experiences they need to be successful is the best investment we can make as a society.

The Museum was incorporated under the laws of the State of California on August 10, 1984, and operates as a nonprofit "public" charity. The Museum's physical campus is located within Fort Baker, a part of the Golden Gate National Recreation Area, in Sausalito, California.

To deliver on its mission, the Museum:

- specializes in early learning during the first decade of children's lives.
- develops proprietary, research-backed educational assets that inform initiatives, exhibits, and programming.
- contributes expert knowledge, proven processes and programs, and research-backed findings to the national early education field.
- champions investment in early childhood and the capabilities of young children.
- provides access initiatives that strive to make early experiences accessible to all children.
- serves as a resource to the community of parents, educators, and adults who raise, teach, and nurture children.

The Museum provides high-quality, research-backed experiences to approximately 400,000 children and caregivers annually through:

- A children's museum with a unique, research-backed educational rationale; dedicated indoor and outdoor play-based learning environments for children 6 months to 10 years old; and research-backed exhibits, programs, and learning goals.
- A research division that synthesizes and transforms research to inform the creation of innovative early learning experiences for children.
- Innovative, research-backed programming that develops 21st century skills through STEM and the Arts.
- School and community partnerships which serve over 22,000 people annually with research-backed, NGSS and Common Core aligned programs for PK-4th Grade teachers and students, also school and community librarians, onsite, online and in schools, including a mobile engineering lab.
- Local and national partnerships that leverage the Museum's expertise and innovative approaches to early learning experiences.

Bay Area Discovery Museum
Notes to Financial Statements
August 31, 2020

1. NATURE OF OPERATIONS (continued)

- A museum-based preschool that develops children’s creative problem-solving skills through a STEM and art-rich, innovative practice that responds to students’ unique curiosities, questions, and interests.
- Camps and classes, with research-backed curriculum that are project-based and hands-on.

The Museum is committed to making its programs and activities accessible to as many members of the community as possible. Each year, approximately 82,800 visitors receive discounted or free access to the Museum and its programs.

Contributions received from individuals, foundations, and corporations comprise approximately half of the annual revenue of the Museum. Historically, the Museum hosts two major fundraising events including:

- Goblin Jamboree, a Halloween festival.
- Creativity Forum, a lecture and luncheon featuring thought-leaders speaking on the topic of children’s learning and development in the early years.

The Museum completed a capital campaign during the year ended August 31, 2020 for the purpose of renovating the Museum's facilities and exhibits. The capital campaign has had a significant impact on the amount of contributions received during the years ending August 31, 2020 and 2019. The entire project is estimated to cost \$18.6M which was fully funded by the capital campaign. Construction began in June 2019. Although the COVID-19 health orders caused a temporary construction stoppage and delays in construction supplies, construction was approximately 75% completed as of August 31, 2020.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting and financial statement presentation

The financial statements and accompanying notes of the Museum have been prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP").

- *Net assets without donor restrictions* - represent the portion of net assets that are not subject to donor-imposed stipulations. These net assets are intended for use by management and the Board of Trustees for general operations.
- *Net assets with donor restrictions* - represents the portion of net assets for which use is limited by donor-imposed stipulations that either expire by the passage of time and/or can be fulfilled and removed by actions of the Museum. Contributions to be held in perpetuity as directed by the donors are also included if applicable. The income from these contributions and support is available to support activities of the Museum as imposed by the donor. The Museum had no net assets restricted by donors to be held in perpetuity at August 31, 2020.

Bay Area Discovery Museum
Notes to Financial Statements
August 31, 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of accounting and financial statement presentation (continued)

Revenues are reported as increases in net assets without donor restrictions unless use of the related asset is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Investment income and gains or losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor restriction or by law.

Revenue recognition

The management of the Museum estimates that the cost of memberships equals the fair value of goods and services received by members. Accordingly, the Museum recognizes membership sales as revenue over the membership period, using the straight-line basis. Virtually all memberships sold cover a period of one year.

The Museum recognizes revenue from admissions and discounted admissions coupons upon the visit to the Museum.

The Museum earns revenue from its various programs, including school and community partnerships, The Discovery School, a variety of museum experience enrichment classes and camps. The Museum recognizes program revenue when the related activity occurs.

The Museum recognizes store revenue upon sale of the merchandise. Estimated returns are not material.

The Museum recognizes cafe revenue over the period the cafe operates and related sales by the cafe during each period.

Cash and cash equivalents

The Museum maintains cash and cash equivalents with major financial institutions. The Museum considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. Cash restricted for long-term purposes consists of cash held for a capital project.

Accounts receivable

Accounts receivable, all due within one year, consist principally of amounts due for various Center for Childhood Creativity ("CCC") consulting, The Discovery School tuition, cafe sales and credit card sales charged near the end of the year. An allowance for doubtful accounts receivable is provided based upon management's judgment including such factors as prior collection history, type of receivable and current aging of receivable. As of August 31, 2020, management determined no allowance was necessary.

Bay Area Discovery Museum
Notes to Financial Statements
August 31, 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Contributions and promises to give

Contributions received are reported as without donor restrictions or with donor restrictions, depending upon donor restrictions, if any.

Contributions, including unconditional promises to give, are recognized as revenues in the period the promise is received. Conditional promises to give, which contain donor-imposed conditions that represent a barrier that must be overcome as well as a right of release from obligation, shall be recognized when the condition or conditions on which they depend are substantially met; that is, when the conditional promise becomes unconditional. Contributions that are promised in one year but are not expected to be collected until after the end of that year are discounted at an appropriate discount rate commensurate with the risks involved. Amortization of any such discounts is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions. Management of the Museum has determined that the discount on long-term contributions receivable was not material and no discount has been recorded as of August 31, 2020.

An allowance for doubtful contributions receivable is provided based upon management's judgment including such factors as prior collection history, type of contribution and current aging of contributions receivable. At August 31, 2020, the allowance for uncollectible contributions receivable was \$22,261.

Contributed goods and services

Contributions of donated noncash assets are recorded at fair value in the period received. Contributions of donated services are recognized if the services received (a) create or enhance long-lived assets, or (b) require specialized skills provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. For the year ended August 31, 2020, the Museum received in-kind goods and services of \$89,415.

The Museum receives a significant amount of donated services from unpaid volunteers who assist in fund-raising and special projects. No donated services from unpaid volunteers have been recognized in the statement of activities because the criteria for recognition have not been satisfied.

Property and equipment

The Museum capitalizes all property and equipment with a cost greater than \$2,500 with an estimated useful life in excess of one year. Property and equipment is carried at cost or, if donated, at the estimated fair value on the date of the contribution. Minor repairs and maintenance are charged against earnings as incurred. Major repairs and maintenance that extend the useful life of the respective asset are capitalized.

Bay Area Discovery Museum
Notes to Financial Statements
August 31, 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property and equipment (continued)

Depreciation and amortization of property and equipment is computed using the straight-line method over the following estimated useful lives:

Land improvements	5 - 39 years
Building improvements	5 - 39 years
Exhibits	5 - 39 years
Equipment	3 - 5 years
Furniture and fixtures	3 - 5 years
Automobiles	5 years

Long-lived assets

The carrying amount of all property and equipment is evaluated at least annually to determine if adjustments to the carrying amount or the useful lives are warranted. No such adjustments were recorded for the year ended August 31, 2020.

Inventory

Inventory consists of products such as educational books, toys, crafts, and museum branded merchandise. Inventory is valued at the lower of cost or net realizable value. The Museum utilizes the first in, first out method of inventory valuation.

Concentrations of credit risk

The Museum places its cash and investments with high-credit, quality financial institutions. At times, such cash may be in excess of the FDIC insurance limit. Concentration of credit risk for contributions receivable are generally limited due to the dispersion of these items over a wide donor base. The Museum continually monitors its receivables and establishes valuation reserves as considered appropriate.

Two donors comprised 31% of the contributions receivable balance at August 31, 2020. Two donors accounted for 29% of contributions revenue for the year ended August 31, 2020.

Investment income

Investment income consists of interest and dividends earned on cash and cash equivalents.

Deferred revenue

Deferred revenue consists principally of advance collection of The Discovery School tuition for the next school year and the unamortized portion of annual memberships sold. The Museum amortizes deferred revenue from memberships sold into revenue using the straight-line basis.

Bay Area Discovery Museum
Notes to Financial Statements
August 31, 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Advertising costs

Advertising costs are charged to operations when incurred. The Museum incurred advertising costs of \$166,783 for the year ended August 31, 2020.

Functional expenses

The direct costs of providing the Museum's programs and other activities have been presented in the statement of functional expenses. During the year such costs are accumulated into separate groupings as either direct or indirect. Direct costs are recorded as program or supporting services based on the nature of the expense. Indirect or shared costs are allocated among program and support services by a method that measures the relative degree of benefit. Expenses, such as payroll and benefits, have been allocated among program services and supporting services based upon the employees' estimated time spent by function. Facility related costs such as depreciation and maintenance have been allocated based on estimated square footage used by various departments.

Income tax status

The Museum is a qualified charitable organization exempt from federal income and California franchise taxes under the provisions of Sections 501(c)(3) of the Internal Revenue Code and 23701(d) of the California Revenue and Taxation Code, respectively.

The Museum has evaluated its current tax positions and has concluded that as of August 31, 2020, the Museum does not have any significant uncertain tax positions for which a reserve would be necessary.

Use of estimates

The preparation of financial statements in conformity with U.S. GAAP requires Museum management to make estimates and assumptions that affect certain reported amounts and disclosures. Uses of estimates include, but are not limited to, the allocation of functional expenses, the allowance for doubtful accounts and depreciation. Actual results could differ from those estimates.

Summarized financial information

The financial statements include certain prior year summarized comparative information in total, but not by net asset class. Such summarized information does not include sufficient detail to constitute a presentation in conformity with U.S. GAAP. Accordingly, such information should be read in conjunction with the Museum's financial statements for the year ended August 31, 2019, from which the summarized information was derived.

Bay Area Discovery Museum
Notes to Financial Statements
August 31, 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Change in accounting principle

In June 2018, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2018-08, *Contributions Received and Contributions Made*, which clarifies the criteria for evaluating whether a transaction is a contribution or an exchange transaction and whether a contribution is conditional or unconditional. The Museum adopted ASU 2018-08 with a date of the initial application of September 1, 2019, using the modified prospective method. The adoption of ASU 2018-08 did not have a significant impact on the Museum's financial position, results of operations, or cash flows. The Museum has evaluated contributions received and has determined that there is no change as a result of the adoption of the standard.

Reclassifications

Certain amounts in the prior year financial statements have been reclassified to conform to the current year presentation. Such reclassifications had no effect on total assets, liabilities, net assets, changes in net assets, or cash flows from the amounts previously presented.

3. CONTRIBUTIONS RECEIVABLE, NET

Contributions receivable, net consist of the following:

Receivable in less than one year	\$ 2,375,155
Receivable in one to five years	550,467
	2,925,622
Less: allowance for uncollectible contributions	(22,261)
	\$ 2,903,361

4. PROPERTY AND EQUIPMENT, NET

Property and equipment, net consist of the following:

Building improvements	\$ 17,892,473
Exhibits	845,489
Equipment	167,636
Land improvements	297,576
Furniture and fixtures	116,759
Automobiles	12,682
Construction-in-progress	12,448,114
	31,780,729
Accumulated depreciation	(13,685,649)
	\$ 18,095,080

Depreciation expense for the year ended August 31, 2020, was \$849,784.

Bay Area Discovery Museum
Notes to Financial Statements
August 31, 2020

5. LINE OF CREDIT

The Museum maintained a \$350,000 credit line at a commercial bank with a variable interest rate (variable at the higher of 5% or the Prime Rate plus 1%; 4.25% at August 31, 2020) with payments due monthly. The line matures on July 15, 2021. Receivables, inventory and equipment of the Museum secure the credit line. At August 31, 2020, \$350,000 was outstanding on this line of credit.

In addition, the Museum has a \$3,000,000 construction line of credit to be used for its capital project. The interest rate for this credit line is 4.35% and has a maturity date of June 5, 2024. Receivables, inventory and equipment of the Museum secure the credit line. The management of the Museum believes the Museum complied with all terms of the credit line. At August 31, 2020, the Museum has no balance outstanding on this line of credit.

6. PAYCHECK PROTECTION PROGRAM

On May 21, 2020, the Museum received loan proceeds of \$868,100 from a promissory note issued by Customers Bank, under the Paycheck Protection Program ("PPP") which was established under the Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act") and is administered by the U.S. Small Business Administration. The term on the loan is two years and the annual interest rate is 1.00%. Under the terms of the CARES Act, PPP loan recipients can apply for and be granted forgiveness for all or a portion of the loans granted under PPP. Such forgiveness will be determined based on the use of the loan proceeds for payroll costs, rent and utility expenses and the maintenance of workforce and compensation levels within certain limitations. The Museum believes that it will likely qualify for full forgiveness, but there is uncertainty around the standards and operation of the PPP, and no assurance is provided that the Museum will obtain forgiveness in whole or in part. The Museum believes it has met the PPP's eligibility criteria and has concluded that the PPP loan represents, in substance, a grant that is expected to be forgiven, and accordingly has accounted for the PPP loan as a conditional contribution. Proceeds received under the PPP loan are recognized as revenue when the Museum has incurred expenditures in compliance with the promissory note provisions and when the conditions have been substantially met. The Museum recognized grant revenue totaling \$868,100 during the year ended August 31, 2020 based on qualifying expenditures made under the PPP that are expected to be forgiven.

7. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consisted of the following:

Capital campaign	\$ 18,488,100
Programs and exhibits	<u>246,499</u>
	<u>\$ 18,734,599</u>

Bay Area Discovery Museum
Notes to Financial Statements
August 31, 2020

7. NET ASSETS WITH DONOR RESTRICTIONS (continued)

Net assets with donor restrictions released from restriction during the year were as follows:

Program and exhibits	\$ 1,101,257
Paycheck Protection Program grant	<u>868,100</u>
	<u><u>\$ 1,969,357</u></u>

8. RETIREMENT PLANS

The Museum allows its employees to defer a portion of their salary into a defined contribution plan under section 403(b) of the Internal Revenue Code. In addition, the Museum has the option to match employee contributions. The Museum elected not to make any matching contributions during the year ended August 31, 2020.

9. COMMITMENTS

Effective April 22, 2002, the Museum entered into a Cooperative Agreement ("CA") with the United States of America, Department of the Interior, National Park Service, Golden Gate National Recreational Area ("GGNRA"), replacing a Cooperative Agreement that ran from May 14, 1990 through April 21, 2002.

Under the current CA, the Museum may use certain land, buildings and improvements comprising a portion of the GGNRA known as East Fort Baker through April 21, 2027, to operate its programs.

In July 2018, the Museum received notice from GGNRA that upon substantial completion of phase 1 of the capital improvement project, GGNRA will execute an agreement extension for an additional fifteen years extending the term through April 21, 2042. In May 2021, the GGNRA considered the entire project substantially completed and is preparing the aforementioned extension agreement. The Museum may terminate the CA before its expiration by giving one year's notice to the GGNRA.

The CA allows the GGNRA to charge the Museum for its share of certain operating costs of the GGNRA. Such district service fees are due quarterly in advance. During the year ended August 31, 2020, district service fees totaled \$80,251 and are included with utilities and rent on the accompanying statement of functional expenses. Future payments under the CA for district service fees are not expected to significantly change over the term of the agreement.

Finally, the CA requires the Museum to submit certain reports and plans annually, obtain approval for subcontractors and program pricing and comply with various National Park laws, rules and regulations. The management of the Museum concluded it complied with all the requirements of the CA.

The Museum leases equipment under various non-cancelable operating leases that expire in 2023.

Bay Area Discovery Museum
Notes to Financial Statements
August 31, 2020

9. COMMITMENTS (continued)

The scheduled minimum lease payments under the lease terms are as follows:

<u>Year ending August 31,</u>	
2021	\$ 20,510
2022	13,295
2023	<u>8,457</u>
	<u>\$ 42,262</u>

Rent expense for the year ended August 31, 2020 was \$31,438.

10. RELATED PARTY

The Museum received approximately \$1,123,000 in contributions from board members during the year ended August 31, 2020.

11. LIQUIDITY AND FUNDS AVAILABLE

The Museum's financial assets are available to meet its general expenditures, liabilities and other obligations as they come due. Accounts receivable will be collected within one year and is available for general expenditure. Cash restricted for long-term use and the majority of contributions receivable net will not be available for general expenditure as they are restricted for the Museum's capital campaign project. Approximately \$60,000 of the contributions receivable balance that is expected to be collected in the next year is not capital campaign related and will be available for general expenditures. Monthly, management reviews the Museum's financial position and ensures that a reasonable cash position is being maintained. Additionally, as described in Note 5, the Museum has a \$350,000 line of credit that can be drawn upon for general operations as needed and a \$3,000,000 construction line of credit to be used for its capital project.

The following is a quantitative disclosure which describes financial assets that are available within one year of August 31, 2020 to fund general expenditures and other obligations when they become due:

Cash and cash equivalents	\$ 1,365,015
Non-capital campaign contributions receivable, net	59,874
Accounts receivable, net	<u>371,248</u>
	<u>\$ 1,796,137</u>

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12. RISKS AND UNCERTAINTIES

On March 11, 2020, the World Health Organization declared the novel strain of coronavirus (COVID-19) a global pandemic and recommended containment and mitigation measures worldwide. The COVID-19 outbreak in the United States has caused business disruption through mandated and voluntary closings of businesses and shelter in place orders. While the business disruption is currently expected to be temporary, there is considerable uncertainty around the duration of the closings and shelter in place orders. The Museum closed to the general public beginning March 12, 2020 to comply with mandated shelter in place orders and did not reopen until August 8, 2020. While the Museum was able to reopen, it was required to do so at a reduced capacity to comply with state and local governmental authorities. As a result of the shutdown, the Museum was forced to reduce or furlough a portion of its staff. As noted in Note 6 and Note 13, the Museum took advantage of the government relief programs available and has actively explored various liquidity options. It is probable that this matter will negatively impact the Museum. However, the ultimate financial impact and impact and duration cannot be reasonably estimated at this time.

13. SUBSEQUENT EVENTS

During September 2020, the Museum was again forced to close under health orders, but was allowed to open a few days later as an outdoor museum. All buildings were closed to the public from September through November. During December 2020 and January 2021 the Museum's operations were further restricted when the Museum was allowed to open only as an outdoor playground. The playground status shut down all facilitated activities and required extremely limited interaction between the Museum staff and visitors. BADM was allowed to re-open as an outdoor museum in February 2021 and was allowed to re-open indoor spaces at reduced capacity in March 2021.

In January 2021, the Museum paid down the outstanding \$350,000 line of credit in full. In December 2020 and February 2021, the Museum drew on the construction line of credit. As of June 2, 2021, the total balance outstanding on the construction line of credit amounted to \$1,999,491. As of the financial statement report date, the construction project is approximately 97% completed.

On May 7, 2021, a second draw PPP loan of \$906,516 was received.

Subsequent events have been evaluated through June 2, 2021, the date that these financial statements were available to be issued. Other than the items noted above, there were no subsequent events that would require adjustments to or disclosures in these financial statements.