



## **Bay Area Discovery Museum**

Financial Statements

August 31, 2021  
(With Comparative Totals for 2020)

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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, 2021, and the related statements of activities, functional expenses, and cash flows for the year 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, 2021, 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.

### **Change in Accounting Principle**

As described in Note 2 to the financial statements, the Museum has adopted ASU 2014-09, *Revenue from Contracts with Customers*. Our opinion is not modified with respect to that matter.

### **Report on Summarized Comparative Information**

We have previously audited Bay Area Discovery Museum's 2020 financial statements, and our report dated June 2, 2021 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, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.



Armanino<sup>LLP</sup>  
San Ramon, California

January 28, 2022

Bay Area Discovery Museum  
Statement of Financial Position  
August 31, 2021  
(With Comparative Totals for 2020)

	2021	2020
<b>ASSETS</b>		
Cash and cash equivalents	\$ 2,070,245	\$ 1,365,015
Cash restricted for long-term purposes	1,059,550	1,603,611
Contributions receivable, net	887,064	2,903,361
Accounts receivable	247,091	136,586
Contractual tuition and fees receivable	475,555	234,662
Inventory	26,681	10,951
Prepaid and other current assets	144,979	205,005
Property and equipment, net	21,150,698	18,095,080
Total assets	\$ 26,061,863	\$ 24,554,271
<b>LIABILITIES AND NET ASSETS</b>		
<b>Liabilities</b>		
Accounts payable and accrued expenses	\$ 657,383	\$ 565,647
Deferred revenue	763,479	342,525
Contractual unearned tuition and fees	475,555	234,662
Line of credit	-	350,000
Loan payable	1,299,491	-
Total liabilities	3,195,908	1,492,834
<b>Net assets</b>		
Without donor restrictions		
Board designated - operating reserve	189,178	189,178
Undesignated	21,678,565	4,137,660
Total without donor restrictions	21,867,743	4,326,838
With donor restrictions	998,212	18,734,599
Total net assets	22,865,955	23,061,437
Total liabilities and net assets	\$ 26,061,863	\$ 24,554,271

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

Bay Area Discovery Museum  
Statement of Activities  
For the Year Ended August 31, 2021  
(With Comparative Totals for 2020)

	Without Donor Restrictions	With Donor Restrictions	2021 Total	2020 Total
Revenues, gains, and other support				
Contributions	\$ 1,853,765	\$ 803,223	\$ 2,656,988	\$ 5,989,799
Paycheck Protection Program grant	-	906,516	906,516	868,100
In-kind contributions	76,208	-	76,208	89,415
Special events, net direct expenses of \$66,994	96,714	-	96,714	378,854
Membership dues	813,406	-	813,406	1,187,565
Admission fees	852,557	-	852,557	607,588
Program fees	1,298,219	-	1,298,219	772,842
Facility rental income, net	10,200	-	10,200	17,206
Investment income	5,558	-	5,558	5,455
Store and cafe sales, net of cost of sales of \$28,303	56,780	-	56,780	33,926
Net assets released from restriction	<u>19,446,126</u>	<u>(19,446,126)</u>	<u>-</u>	<u>-</u>
Total revenues, gains, and other support	<u>24,509,533</u>	<u>(17,736,387)</u>	<u>6,773,146</u>	<u>9,950,750</u>
Functional expenses				
Program	3,901,654	-	3,901,654	4,462,686
Management and general	1,671,708	-	1,671,708	1,156,936
Fundraising	687,752	-	687,752	673,162
Membership	<u>707,514</u>	<u>-</u>	<u>707,514</u>	<u>425,501</u>
Total functional expenses	<u>6,968,628</u>	<u>-</u>	<u>6,968,628</u>	<u>6,718,285</u>
Change in net assets	17,540,905	(17,736,387)	(195,482)	3,232,465
Net assets, beginning of year	<u>4,326,838</u>	<u>18,734,599</u>	<u>23,061,437</u>	<u>19,828,972</u>
Net assets, end of year	<u>\$ 21,867,743</u>	<u>\$ 998,212</u>	<u>\$ 22,865,955</u>	<u>\$ 23,061,437</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, 2021  
(With Comparative Totals for 2020)

Program	Supporting Services				Allocated Indirect	2021 Total	2020 Total
	Management and General	Fundraising	Membership				
Salaries	\$ 1,322,552	\$ 479,331	\$ 375,425	\$ 251,196	\$ 644,690	\$ 3,073,194	\$ 3,396,805
Depreciation	-	-	-	-	1,200,928	1,200,928	849,784
Benefits and payroll taxes	209,652	117,464	60,666	41,269	106,285	535,336	690,948
Professional fees and consultants	19,060	691,773	71,356	-	154,122	936,311	441,221
Technology and telephone	510	-	-	1,982	269,454	271,946	199,078
Utilities and rent	-	11,855	-	-	146,324	158,179	169,886
Supplies	82,544	4,275	8,225	2,159	40,953	138,156	137,666
Repairs and maintenance	746	-	-	-	124,501	125,247	179,230
Bank fees	21,648	6,000	54	72,566	-	100,268	57,820
Advertising	76,790	68	1,012	2,927	26,039	106,836	166,783
Exhibit rental fees	93,500	-	-	-	-	93,500	32,045
Insurance	-	57,569	-	-	-	57,569	121,479
Equipment rental	10,488	27,347	-	-	18,419	56,254	48,045
Printing and publication	5,856	-	12,256	29,260	100	47,472	76,889
Miscellaneous	1,215	20,895	4,874	38	2,466	29,488	44,748
Postage	1,132	3,199	1,734	12,461	-	18,526	31,004
Bad debts	-	8,773	5,000	-	-	13,773	-
Travel	2,238	1,533	119	5	51	3,946	55,086
Conferences and meetings	605	1,044	50	-	-	1,699	15,986
Training	-	-	-	-	-	-	3,782
Allocated indirect	2,053,118	240,582	146,981	293,651	(2,734,332)	-	-
	<u>\$ 3,901,654</u>	<u>\$ 1,671,708</u>	<u>\$ 687,752</u>	<u>\$ 707,514</u>	<u>\$ -</u>	<u>\$ 6,968,628</u>	<u>\$ 6,718,285</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, 2021  
(With Comparative Totals for 2020)

	<u>2021</u>	<u>2020</u>
Cash flows from operating activities		
Change in net assets	\$ (195,482)	\$ 3,232,465
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation	1,200,928	849,784
Contributions restricted for long-term purposes	(395,949)	(3,748,210)
Changes in operating assets and liabilities		
Contributions receivable, net	(38,796)	141,001
Accounts receivable	(110,505)	161,577
Contractual tuition and fees receivable	(240,893)	(234,662)
Inventory	(15,730)	5,388
Prepaid and other current assets	60,026	187,683
Accounts payable and accrued expenses	(28,914)	(397,211)
Deferred revenue	420,954	(589,429)
Contractual unearned tuition and fees	<u>240,893</u>	<u>234,662</u>
Net cash provided by (used in) operating activities	<u>896,532</u>	<u>(156,952)</u>
Cash flows from investing activities		
Purchase of property and equipment	(1,896)	(105,518)
Payments on construction in progress	<u>(4,134,000)</u>	<u>(8,118,577)</u>
Net cash used in investing activities	<u>(4,135,896)</u>	<u>(8,224,095)</u>
Cash flows from financing activities		
Proceeds (Payments) on line of credit	(350,000)	350,000
Borrowings under loan payable	1,999,491	-
Payments on loan payable	(700,000)	-
Contributions restricted for long-term purpose	<u>2,451,042</u>	<u>4,581,970</u>
Net cash provided by financing activities	<u>3,400,533</u>	<u>4,931,970</u>
Net increase (decrease) in cash and restricted cash	161,169	(3,449,077)
Cash and restricted cash, beginning of year	<u>2,968,626</u>	<u>6,417,703</u>
Cash and restricted cash, end of year	<u>\$ 3,129,795</u>	<u>\$ 2,968,626</u>
Cash and restricted cash consisted of the following:		
Cash and cash equivalents	\$ 2,070,245	\$ 1,365,015
Cash restricted for long-term purposes	<u>1,059,550</u>	<u>1,603,611</u>
	<u>\$ 3,129,795</u>	<u>\$ 2,968,626</u>

Supplemental schedule of noncash investing and financing activities

Construction in progress included in accounts payable	\$ 120,650	\$ 298,390
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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, 2021

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 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 provides high-quality, research-backed experiences to approximately 300,000 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 provide 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.
- 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 20% of visitors receive discounted or free access to the Museum and its programs.

Contributions received from individuals, foundations, and corporations comprise approximately 40% of the annual revenue of the Museum. The Museum hosts two major fundraising events including Goblin Jamboree, a Halloween festival, and Creativity Forum, a lecture and luncheon.

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 Museum continued to receive contributions and pledge payments during the year ended August 31, 2021.

Bay Area Discovery Museum  
Notes to Financial Statements  
August 31, 2021

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, 2021.

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, a variety of museum experience enrichment classes and camps. The Museum recognizes program revenue when the related activity occurs.

The Museum recognizes tuition and fees from The Discovery School during the year in which the related services are provided to students. The performance obligation of delivering educational services is simultaneously received and consumed by the students; therefore, the revenue is recognized ratably over the course of the academic year. Payment for tuition may be required before the start of the academic year. All amounts received prior to the commencement of the academic year are deferred and fully recognized as revenue within the next fiscal year.

Bay Area Discovery Museum  
Notes to Financial Statements  
August 31, 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

Contractual tuition and fees receivable include tuition and fee amounts due under fully executed and non-cancelable student enrollment agreements, net of applicable discounts and financial aid, for the upcoming 2021-2022 school year. Contractual unearned tuition and fees include unearned tuition and fee amounts that will be collected in the next nine months and will be satisfied through the performance obligations of delivering educational services to students during the upcoming 2021-2022 school year.

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 school and community partnerships, 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, 2021, management determined no allowance was necessary.

Contributions and promises to give

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

Bay Area Discovery Museum  
Notes to Financial Statements  
August 31, 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Contributions and promises to give (continued)

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, 2021.

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, 2021, the allowance for uncollectible contributions receivable was \$36,033.

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, 2021, the Museum received in-kind goods and services of \$76,208.

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, 2021

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
BOLD improvements	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, 2021.

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.

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, 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Advertising costs

Advertising costs are charged to operations when incurred. The Museum incurred advertising costs of \$106,836 for the year ended August 31, 2021.

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, 2021, 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, 2020, from which the summarized information was derived.

Bay Area Discovery Museum  
Notes to Financial Statements  
August 31, 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Change in accounting principle

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standard Update ("ASU") 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which provides a five-step analysis of contracts to determine when and how revenue is recognized and replaces most existing revenue recognition guidance in U.S. GAAP. The core principle of the new guidance is that an entity should recognize revenue to reflect the transfer of goods and services to customers in an amount equal to the consideration the entity receives or expects to receive. ASU 2014-09 is effective for annual reporting periods beginning after December 15, 2019. The Museum has adopted the standard as of September 1, 2020.

The adoption of ASU 2014-09 did not have a significant impact on the Museum's financial position, result of operations, or cash flows. The majority of the Museum's program revenue arrangements consist of a single performance obligation to transfer goods or services. Revenue recognized over time primarily consists of performance obligations that are satisfied within one year or less. Based on the Museum's evaluation of its contracts with customers, the timing and amount of revenue recognized previously is consistent with how revenue is recognized under the new standard. No changes were required to previously reported revenue as a result of the adoption of this standard. In addition, the Museum recognized contractual tuition and fees receivable offset by contractual unearned tuition and fees for amounts due under fully executed non-cancelable student enrollment agreements as of August 31, 2021.

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	\$ 628,864
Receivable in one to five years	<u>294,233</u>
	923,097
Less: allowance for uncollectible contributions	<u>(36,033)</u>
	<u>\$ 887,064</u>

Bay Area Discovery Museum  
Notes to Financial Statements  
August 31, 2021

4. PROPERTY AND EQUIPMENT, NET

Property and equipment, net consist of the following:

Building improvements	\$ 16,305,550
Exhibits	832,964
Equipment	169,532
BOLD improvements	16,566,404
Land improvements	297,576
Furniture and fixtures	116,759
Automobiles	12,682
Construction-in-progress	<u>127,370</u>
	34,428,837
Accumulated depreciation	<u>(13,278,139)</u>
	<u>\$ 21,150,698</u>

Depreciation expense for the year ended August 31, 2021, was \$1,200,928.

5. LINE OF CREDIT

The Museum maintained a \$350,000 credit line at a commercial bank. In January 2021, the Museum paid down their outstanding \$350,000 line of credit in full. The line matured on July 15, 2021 and the Museum did not renew the line.

6. LOAN PAYABLE

The Museum had a \$3,000,000 construction line of credit to be used for its capital project that was converted to a term loan on June 5, 2021. The interest rate for this term loan is 4.35% and has a maturity date of June 5, 2024. The Museum's current payment plan is structured to pay off the term loan by December 2022. Interest expense for the year ended August 31, 2021 was \$7,340. The loan agreement contains various financial covenants. At August 31, 2021, the Museum was not in compliance with all financial covenants. At August 31, 2021, the Museum has a balance outstanding of \$1,299,491 was outstanding on this term loan.

The future maturities of the term loan are as follows:

<u>Year ending August 31,</u>	
2022	\$ 958,974
2023	<u>340,517</u>
	<u>\$ 1,299,491</u>



Bay Area Discovery Museum  
Notes to Financial Statements  
August 31, 2021

7. 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 ("SBA"). The term on the loan was two years and the annual interest rate was 1.00%. On May 3, 2021, the Museum received a second round PPP Loan in the amount of \$906,516 from a promissory note issued by Customers Bank. The term of the loan is five years and the annual interest rate is 1%. Payments of principal and interest are deferred until the earlier of the date on which the amount of forgiveness is determined or sixteen months after the loan is disbursed. 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 applied for and was granted full forgiveness of the first PPP loan on September 22, 2021. The Museum believes that it will likely qualify for a significant portion of the second PPP loan to be forgiven, 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 second 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 \$906,516 during the year ended August 31, 2021 based on qualifying expenditures made under the second PPP loan that are expected to be forgiven.

8. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consisted of the following:

Capital campaign	\$ 722,076
Programs and exhibits	<u>276,136</u>
	<u>\$ 998,212</u>

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

Program and exhibits	\$ 434,683
Paycheck Protection Program grant	906,516
Capital campaign	<u>18,104,927</u>
	<u>\$ 19,446,126</u>

Bay Area Discovery Museum  
Notes to Financial Statements  
August 31, 2021

9. 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, 2021.

10. 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, 2021, district service fees totaled \$58,931 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.

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

Year ending August 31,

2022	\$	13,295
2023		<u>8,457</u>
	\$	<u><u>21,752</u></u>

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10. COMMITMENTS (continued)

Rent expense for the year ended August 31, 2021 was \$32,481.

11. RELATED PARTY

The Museum received approximately \$923,000 in contributions from board members during the year ended August 31, 2021.

12. 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. Contribution receivables expected to be collected within the next year will be available for general expenditure. Monthly, management reviews the Museum's financial position and ensures that a reasonable cash position is being maintained.

The following is a quantitative disclosure which describes financial assets that are available within one year of August 31, 2021 to fund general expenditures and other obligations when they become due:

Cash and cash equivalents	\$ 2,070,245
Contributions receivable, net	628,864
Accounts receivable	<u>722,646</u>
	<u><u>\$ 3,421,755</u></u>

13. 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 in 2020, the Museum was forced to reduce or furlough a portion of its staff. As noted in Note 7, the Museum took advantage of the government relief programs available and has actively explored various liquidity options.

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13. RISKS AND UNCERTAINTIES (continued)

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 2020. 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. The Museum 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. Since then the Museum continues to cap hourly attendance.

COVID-19 has and could continue to adversely affect the economies and financial markets of many countries, namely the U.S., resulting in an economic downturn that could affect the Museum in a variety of ways. The Museum cannot anticipate all of the ways in which COVID-19 could adversely impact its operations. Although the Museum is continuing to monitor and assess the effects of the COVID-19 pandemic on its operations, the ultimate impact of the COVID-19 outbreak, the CARES Act and other governmental initiatives is highly uncertain and subject to change.

14. SUBSEQUENT EVENTS

Subsequent events have been evaluated through January 28, 2022, the date that the financial statements were available to be issued. Other than the items noted below, there were no subsequent events that would require adjustments to or disclosures in these financial statements.

In September 2021, the Museum received full legal forgiveness of the first PPP loan from the SBA. See Note 7.