



**Bay Area Discovery Museum**

Financial Statements

Year ended August 31, 2016

with

Report of Independent Auditors

## Report of Independent Auditors

To the Board of Trustees of the **Bay Area Discovery Museum**

We have audited the accompanying financial statements of the Bay Area Discovery Museum (Museum), which comprise the statement of financial position as of August 31, 2016, and the related statements of activities and changes in net assets, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

### Responsibility of Management for the Financial Statements

The management of the Museum is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Responsibility of the Auditors

Our responsibility is to express an opinion on the financial statements based on the audit. We conducted the 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 of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures we select depend on our 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, we consider internal control relevant to the preparation and presentation of the financial statements to design audit procedures that are appropriate in the circumstances, but not to express an opinion on the effectiveness of internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant estimates made by the management of the Museum, 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 present fairly, in all material respects, the financial position of the Museum as of August 31, 2016, and the changes in its net assets and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the financial statements of the Museum as of and for the year ended August 31, 2015, and in our report dated December 9, 2015, we expressed an unmodified opinion on those financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended August 31, 2015, is consistent, in all material respects, with the audited financial statements from which the management of the Museum derived it.

**Wilson Markle Stuckey Hardesty & Bott, LLP**

Larkspur, CA

January 20, 2017

**Bay Area Discovery Museum**  
 Statements of Financial Position  
 August 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Assets		
Cash and cash equivalents	\$ 2,355,788	\$ 2,520,090
Pledges receivable, net	967,715	374,275
Accounts receivable	141,479	135,468
Inventory	84,086	80,282
Prepaid expenses	332,321	246,931
Property and equipment, net	<u>7,212,275</u>	<u>7,771,052</u>
 Total assets	 <u><u>\$11,093,664</u></u>	 <u><u>\$11,128,098</u></u>
 Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	\$ 624,733	\$ 459,747
Deferred revenue	<u>658,162</u>	<u>531,715</u>
 Total liabilities	 1,282,895	 991,462
 Net assets		
Unrestricted	8,311,390	9,407,561
Temporarily restricted	<u>1,499,379</u>	<u>729,075</u>
 Total net assets	 <u><u>9,810,769</u></u>	 <u><u>10,136,636</u></u>
 Total liabilities and net assets	 <u><u>\$11,093,664</u></u>	 <u><u>\$11,128,098</u></u>

See accompanying notes.

**Bay Area Discovery Museum**

Statement of Activities and Changes in Net Assets

Year ended August 31, 2016 with comparative totals only for the year ended August 31, 2015

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>2016 Totals</u>	<u>2015 Totals only</u>
Support and revenue				
Contributions	\$1,427,371	\$1,875,505	\$ 3,302,876	\$ 2,191,039
In-kind	143,469	-	143,469	159,818
Special events, net	621,895	-	621,895	688,263
Membership dues	892,091	-	892,091	848,727
Admission fees	991,749	-	991,749	1,282,656
Program fees	1,052,145	-	1,052,145	1,238,555
Facility rentals, net	28,326	-	28,326	42,736
Store sales, net	208,251	-	208,251	230,057
Café sales, net	51,330	-	51,330	46,833
Investment income, net	910	455	1,365	1,825
Net assets released from restrictions				
Satisfaction of usage restrictions	1,105,656	( 1,105,656)	-	-
Total revenues and support	6,523,193	770,304	7,293,497	6,730,509
Expenses				
Program services	5,873,253	-	5,873,253	4,673,841
Supporting services				
Management and general	735,737	-	735,737	1,107,244
Fundraising	878,955	-	878,955	759,399
Membership	131,419	-	131,419	192,667
Total expenses	7,619,364	-	7,619,364	6,733,151
Change in net assets	( 1,096,171)	770,304	( 325,867)	( 2,642)
Net assets, beginning of year	9,407,561	729,075	10,136,636	10,139,278
Net assets, end of year	<u>\$8,311,390</u>	<u>\$1,499,379</u>	<u>\$ 9,810,769</u>	<u>\$10,136,636</u>

See accompanying notes.

**Bay Area Discovery Museum**  
Statement of Functional Expenses  
Year ended August 31, 2016 with comparative totals only for the year ended August 31, 2015

Expenses	Program services	Supporting services			Allocated indirect	2016 Totals	2015 Totals only
		Management and general	Fundraising	Membership			
Salaries	\$2,387,732	\$362,978	\$486,788	\$ 53,849	\$ 368,246	\$3,659,593	\$3,265,229
Benefits and payroll taxes	393,866	81,872	76,695	9,126	66,201	627,760	563,576
Bank fees	60,126	6,351	27,246	25,135	—	118,858	113,695
Changing exhibits	63,909	—	—	—	—	63,909	81,848
Conferences and meetings	22,232	7,718	13,322	—	474	43,746	31,005
Equipment rental and maintenance	45,388	5,894	6,439	1,594	42,427	101,742	77,151
Insurance	28,597	15,829	—	—	—	44,426	44,242
Maintenance and repairs	245,824	6,870	350	—	—	253,044	138,216
Marketing and advertising	17,212	30,719	28,409	—	254,840	331,180	290,455
Postage and shipping	369	5,833	23,705	11,130	38,298	79,335	38,704
Printing and publications	8,805	1,488	25,076	2,923	126,959	165,251	126,411
Professional fees	323,572	69,601	71,801	1,078	175,513	641,565	365,905
Supplies	145,342	1,527	1,651	7,257	1,323	157,100	159,823
Technology and telephone	5,821	—	—	—	139,279	145,100	166,290
Training	7,600	1,492	—	—	830	9,922	12,484
Travel	183,630	1,928	9,682	—	4,540	199,780	147,005
Utilities	209,254	—	—	—	—	209,254	204,374
Youth Museum Exhibit Collaborative	11,500	—	—	—	—	11,500	34,500
Bad debts	—	20,570	—	—	—	20,570	114,308
Depreciation	690,563	803	—	—	39,976	731,342	702,831
Miscellaneous	113	784	1,258	239	1,993	4,387	55,099
Allocated indirect	1,021,798	113,480	106,533	19,088	( 1,260,899)	—	—
<b>Total expenses</b>	<b>\$5,873,253</b>	<b>\$735,737</b>	<b>\$878,955</b>	<b>\$131,419</b>	<b>\$ —</b>	<b>\$7,619,364</b>	<b>\$6,733,151</b>

See accompanying notes.

**Bay Area Discovery Museum**  
 Statements of Cash Flows  
 Years ended August 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Cash flows from operating activities		
Change in net assets	(\$ 325,867)	(\$ 2,642)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities		
Contributions of investments	( 67,287)	( 89,122)
Proceeds from sales of investments	67,755	89,027
(Gain) loss on sale of investments	( 468)	95
Depreciation	731,342	702,831
Changes in current assets and liabilities		
Pledges receivable	( 593,440)	( 187,668)
Accounts receivable	( 6,011)	( 81,138)
Inventory	( 3,804)	( 20,234)
Prepaid expenses	( 85,390)	( 57,596)
Accounts payable and accrued expenses	164,986	24,236
Deferred revenue	126,447	48,071
	<u>8,263</u>	<u>425,860</u>
Net cash provided by operating activities		
Cash flows from investing activities		
Purchases of property and equipment	( 172,565)	( 174,560)
	<u>( 172,565)</u>	<u>( 174,560)</u>
Net cash used by investing activities		
Net change in cash and cash equivalents	( 164,302)	251,300
Cash and cash equivalents, beginning of year	<u>2,520,090</u>	<u>2,268,790</u>
Cash and cash equivalents, end of year	<u><u>\$2,355,788</u></u>	<u><u>\$2,520,090</u></u>

See accompanying notes.

**Bay Area Discovery Museum**  
Notes to Financial Statements  
August 31, 2016

**Note 1 – Nature of activities**

Organization

The mission of the Bay Area Discovery Museum (BADM) is to ignite and advance creative thinking for all children. BADM incorporated under the laws of the State of California on August 10, 1984, and operates as a nonprofit “public” charity. BADM operates a physical campus at Fort Baker, a part of the Golden Gate National Recreation Area, in Sausalito, California.

BADM applies the latest research to develop children who are creative problem solvers equipped to navigate life’s complexities. At its one-of-a-kind location at the base of the Golden Gate Bridge, BADM provides STEM-focused, inquiry-driven activities and experiences that develop creativity and conceptual thinking; critical components of problem solving that are too often missing from early childhood education. BADM also serves the broader community by providing information, models, training and resources for educators and families.

BADM is uniquely positioned to combine research on how children learn best with practical application to deliver the best early childhood education. In 2011, BADM launched the Center for Childhood Creativity (CCC) as its research and advisory division, to bridge the gap between academic research in the fields of neuroscience, education, psychology and creativity studies with the practitioners charged with raising a generation of future innovators.

The CCC provides the cutting-edge research framework behind BADM programming, creating a positive feedback loop: the programs of BADM are based on CCC research frameworks and the CCC accesses the BADM audiences and programs to inform its research endeavors.

The exhibits of BADM bring creative thinking to life for all stages of childhood. Exhibits within BADM include:

- Fab Lab, a high-tech makerspace that opened in 2016
- Discovery Hall, which rotates up to three special exhibitions annually
- Tot Spot, an indoor and outdoor multi-sensory experience for infants and toddlers
- Art Studios, with facilitated art programs and projects for all ages
- Lookout Cove, a 2.5-acre outdoor space complete with an outdoor learning lab
- Bay Hall, a simulation of the San Francisco and Oakland ports

In addition to the exhibits, BADM operates a licensed on-site preschool (The Discovery School), offers school year and summer camps and delivers numerous free, drop-in art and STEM-based programs and family festivals. In addition, BADM has a robust school visit program, including a strong preschool outreach program called Connections. Through the school visit programs, more than 8,500 schoolchildren visit each year and approximately 56,700 visitors receive discounted or free admission. The Discovery Store offers a wide variety of educational,



**Bay Area Discovery Museum**  
Notes to Financial Statements  
August 31, 2016

**Note 1 – Nature of activities (continued)**

interactive and fun products. BADM award-winning birthday parties and site rentals serve 13,000 visitors each year.

Contributions received from individuals, foundations and corporations comprise nearly half of the annual revenue of BADM. Historically, BADM hosts three major fundraising events annually including:

- Goblin Jamboree, a two-day Halloween festival
- Creativity Forum, a lecture and luncheon featuring thought-leaders speaking on the topic of creativity
- Annual Gala

**Note 2 – Summary of significant accounting policies**

Basis of accounting

The Museum prepares its financial statements using accounting principles generally accepted in the United States of America (US-GAAP). The Museum records support when pledged, revenue when earned and expenses when incurring the related obligation.

Fair value

The Museum uses a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority. Level 2 inputs consist of observable inputs other than quoted prices for identical assets. Level 3 inputs consist of unobservable inputs that reflect internal judgments and have the lowest priority. The Museum uses appropriate valuation techniques based on the available inputs to measure fair values. When available, the Museum measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. The Museum only uses Level 3 inputs when Level 1 or Level 2 inputs are not available.

The Museum records all contributions at fair value when promised. For contributions recorded initially at fair value but not revalued, the Museum treats the initial fair value as cost in subsequent financial statements.

Cash and cash equivalents

Cash and cash equivalents consist of amounts on hand and on deposit with a commercial bank available within 90 days of demand.

**Bay Area Discovery Museum**  
Notes to Financial Statements  
August 31, 2016

**Note 2 – Summary of significant accounting policies (continued)**

Pledges receivable and discounts

Pledges receivable (Note 3), consist of uncollected unconditional promises to give. The Museum initially records pledges at fair value. The Museum bases the initial fair value of pledges on the present value of anticipated cash flows, using a discount rate that takes into account the timing (Level 2 – Income) and risk (Level 3 – Cost) of ultimate collection. The Museum records a discount for the difference between the anticipated cash flows and the present value of the anticipated cash flows. The Museum accretes the discount as contribution support as it collects the pledges. As of August 31, 2016 and 2015, the management of the Museum concluded that any discounts of pledges receivable was not material.

Accounts receivable

Accounts receivable (Note 4), all due within one year, consist principally of amounts due for various CCC programs, Café sales (Note 12) and credit card sales charged near the end of the year.

Allowance for uncollectable receivables

The Museum uses the allowance method to account for uncollectable receivables. Under this method, the Museum reviews all receivables for any problems with collectability. If the Museum feels that there may be a problem with collection, it provides for an allowance. When attempts to collect a specific receivable are unsuccessful, the Museum considers the receivable uncollectable and writes it off against the allowance. As of August 31, 2016, the allowance for uncollectable receivables totaled \$10,450. As of August 31, 2015, the management of the Museum concluded that any allowance for uncollectable receivables was not material.

Inventory

Inventory consists of items held for sale by the Discovery Store. The Museum records inventory at the lower of cost, using the first in, first out method, or market.

Property and equipment

Property and equipment (Note 5) consist of leasehold improvements; exhibits; computer, office and display equipment; furniture; and fixtures. The Museum records property and equipment at cost or initially at fair value if received as a contribution. The Museum bases the initial fair value of contributed property and equipment on comparable sales of identical or similar items in markets available to the Museum (Level 2 – Market). The Museum capitalizes only property and equipment purchased or received as a contribution that it intends to use in its operations when the cost or fair value exceeds \$2,500. The Museum calculates estimated depreciation using the straight-line basis over estimated useful lives (or the lesser remaining lease life for leasehold improvements).

**Bay Area Discovery Museum**  
Notes to Financial Statements  
August 31, 2016

**Note 2 – Summary of significant accounting policies (continued)**

Deferred revenue

Deferred revenue consists principally of advance collection of 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.

Contributions and net assets

The Museum records contributions when a donor makes an unconditional promise to provide support. Net assets include cumulative unrestricted and temporarily restricted (Note 6) net assets, net of cumulative expenses. Unrestricted net assets consist of revenue and contributions not restricted to a particular purpose or period by the donor. Temporarily restricted net assets consist of contributions restricted by the donor to a particular purpose or period. Temporarily restricted net assets become unrestricted net assets when the Museum meets the donor purpose or period restrictions.

Contributions in-kind

Contributions in-kind (Note 9) consist principally of professional legal services and on-line advertising. The Museum estimates the fair value of contributed professional legal services and on-line advertising based on the billing rates of the donors (Level 2 – Cost). The Museum only records contributions of in-kind services when the services are of a professional or technical nature requiring expertise or education not available to the Museum and the Museum would have paid for the services if donors had not contributed them.

Revenue

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 admissions and discounted admission coupons when sold.

The Museum earns revenue from its various programs, including camps, birthday parties, Discovery School, special performances and the CCC. The Museum recognizes program revenue when the related activity occurs.

The Museum recognizes Store (Note 11) revenue upon sale of the merchandise. Estimated returns are not material.

The Museum recognizes Café (Note 12) revenue over the period that the Café operates and related sales by the Café during each period.

**Bay Area Discovery Museum**  
Notes to Financial Statements  
August 31, 2016

**Note 2 – Summary of significant accounting policies (continued)**

Net investment income

Net investment income consists of interest and dividends earned on cash, cash equivalents and investments and realized gains and losses on the sale of investments.

Functional expenses

The Museum summarizes the costs of providing its program and supporting activities on a functional basis. The Museum charges direct costs to the activity benefitted and allocates indirect costs among activities. During the years ended August 31, 2016 and 2015, the Museum allocated indirect costs based on estimated space and personnel usage.

Income taxes

The Internal Revenue Service (IRS) and State of California Franchise Tax Board approved the Museum as exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code (IRC) and from California bank and corporation taxes under Section 23701(d) of the California Revenue and Taxation Code. In addition, the IRS approved the Museum to receive contributions that qualify for the charitable contribution deduction under IRC Section 170(b)(1)(A) and as a publicly supported organization as described in IRC Section 509(a)(1). Accordingly, donors are entitled to the maximum charitable contribution deduction allowed by law. The management of the Museum concluded that no activities of the Museum jeopardized its exemption from income taxes, its classification as a “public charity” or subjected the Museum to taxes on unrelated business income. Consequently, the Museum did not provide for any income taxes.

The management of the Museum considers certain tax positions taken by the Museum. A tax position is a position taken in a previously filed tax return or a position the management of the Museum expects to take in a future tax return that figures in measuring current or deferred income tax assets and liabilities for interim or annual periods. A tax position encompasses, but is not limited to, the status of an entity, including its status as a pass-through or tax-exempt entity. Accordingly, it is possible that tax positions taken on tax returns and related amounts recognized herein could vary.

The Museum files tax returns with the IRS and California. As of August 31, 2016, open tax periods subject to future examination by taxing authorities cover periods from September 1, 2012 through August 31, 2016.

Use of estimates

The preparation of financial statements in conformity with US-GAAP requires the management of the Museum to make estimates and assumptions that affect reported amounts and disclosures. Actual results could differ from those estimated.

**Bay Area Discovery Museum**  
Notes to Financial Statements  
August 31, 2016

**Note 2 – Summary of significant accounting policies (continued)**

Risks and contingencies

Cash and cash equivalents held by the commercial bank exceeded federal deposit insurance limits at various times during the years ended August 31, 2016 and 2015.

During the year ended August 31, 2016, contributions received from one nonprofit organization totaled approximately 12% of contributions.

During the year ended August 31, 2015, contributions received from various affiliates of one corporation totaled approximately 26% of total contributions and CCC program fees totaled approximately 25% of total program fees.

The Museum receives certain support and revenue that may be subject to audit or review by the donors and contractors. The management of the Museum concluded that the Museum complied with all aspects of related grant and contract provisions and that disallowed costs, if any, would be immaterial.

Comparative totals

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with US-GAAP. Accordingly, read such information in conjunction with the financial statements of the Museum as of and for the year ended August 31, 2015, from which the Museum derived the prior year summarized comparative information. The Museum reclassified certain prior year amounts to conform to the current year presentation.

Subsequent events

The Museum evaluated subsequent events for recognition and disclosure through January 20, 2017, the date the financial statements were available for issuance.

On October 4, 2016, the Museum received a contribution totaling \$1,000,000, which was conditional as of August 31, 2016.

**Bay Area Discovery Museum**  
Notes to Financial Statements  
August 31, 2016

**Note 3 – Pledges receivable**

As of August 31, 2016 and 2015, pledges receivable totaled as follows:

	<u>2016</u>	<u>2015</u>
Association of Children’s Museums	\$ –	\$ 15,000
Victoria Barret	100,000	–
Battery Foundation	125,000	–
Disney Worldwide Services, Inc.	25,000	165,000
The Horace W. Goldsmith Foundation	–	50,000
Institute of Museum and Library Services	74,980	30,764
Michael McKinnon	100,000	–
National Center for Civic Innovation	152,000	–
Other donors less than 10% each	<u>401,185</u>	<u>113,961</u>
Total pledges receivable	978,165	374,725
Less allowance for uncollectable pledges receivable	<u>10,450</u>	<u>–</u>
Pledges receivable, net	<u>\$967,715</u>	<u>\$374,275</u>

Pledges receivable due during the years ending August 31 total as follows:

2017	\$608,165
2018	217,500
2019	62,500
2020	55,000
2021	30,000
2022	5,000

**Note 4 – Accounts receivable**

As of August 31, 2016 and 2015, accounts receivable totaled as follows:

	<u>2016</u>	<u>2015</u>
Children's Council of San Francisco	\$ –	\$ 22,400
Disney Worldwide Services, Inc. and affiliates	5,693	32,007
Other CCC clients	9,000	17,275
Café sales (Note 12)	13,588	6,795
Credit card and other	<u>113,198</u>	<u>56,991</u>
Total accounts receivable	<u>\$141,479</u>	<u>\$135,468</u>

**Bay Area Discovery Museum**  
Notes to Financial Statements  
August 31, 2016

**Note 5 – Property and equipment**

As of August 31, 2016 and 2015, property and equipment totaled as follows:

	<u>2016</u>	<u>2015</u>
Leasehold improvements	\$17,484,037	\$17,453,953
Exhibits	252,928	252,928
Equipment, furniture and fixtures	<u>294,586</u>	<u>152,104</u>
Property and equipment, at cost	18,031,551	17,858,985
Less accumulated depreciation	<u>10,819,276</u>	<u>10,087,933</u>
Property and equipment, net	<u>\$ 7,212,275</u>	<u>\$ 7,771,052</u>

**Note 6 – Credit line**

A commercial bank provides a \$350,000 credit line to the Museum. Interest (variable at the higher of 5.00% or the Prime Rate plus 2.00%, with a 3.50% Prime Rate as of August 31, 2016) is due monthly and principal is due at maturity on November 15, 2017. Receivables, inventory and equipment of the Museum secure the credit line. As of August 31, 2016 and 2015, the Museum had no outstanding borrowings under the credit line. The management of the Museum believes that the Museum complied with all terms of the credit line during the period September 1, 2015 through January 20, 2017.

**Bay Area Discovery Museum**  
Notes to Financial Statements  
August 31, 2016

**Note 7 – Temporarily restricted net assets**

As of and during the year ended August 31, 2016, temporarily restricted net assets reconciled as follows:

<u>Activity</u>	<u>Beginning</u>	<u>Additions</u>	<u>Releases</u>	<u>Ending</u>
Artist in Residence	\$ 47,408	\$ 29	\$ 20,672	\$ 26,765
Board Directed Initiatives	65,650	–	–	65,650
Board Operating Reserve	208,491	–	–	208,491
Capital Campaign	–	569,267	215,570	353,697
Center for Childhood Creativity	178,376	130,734	259,110	50,000
Connections	47,407	150,500	187,907	10,000
Digital Library Creation	–	100,000	49,264	50,736
Early Childhood Education Fab Lab	125,000	470,430	336,975	258,455
Facilities	–	75,000	11,581	63,419
Mobile Engineering Lab	–	380,000	14,792	365,208
Operations	9,990	–	1,680	8,310
Special Events	5,000	–	5,000	–
Willow Sculpture/Peek-a-boo Palace	<u>41,753</u>	<u>–</u>	<u>3,105</u>	<u>38,648</u>
Totals	<u>\$729,075</u>	<u>\$1,875,960</u>	<u>\$1,105,656</u>	<u>\$1,499,379</u>

As of and during the year ended August 31, 2015, temporarily restricted net assets reconciled as follows:

<u>Activity</u>	<u>Beginning</u>	<u>Additions</u>	<u>Releases</u>	<u>Ending</u>
Artist in Residence	\$ 74,723	\$ 47	\$ 27,362	\$ 47,408
Board Directed Initiatives	65,650	–	–	65,650
Board Operating Reserve	208,271	220	–	208,491
Center for Childhood Creativity	555,182	397,427	774,233	178,376
Connections	76,314	294,921	323,828	47,407
Early Childhood Education Fab Lab	–	125,000	–	125,000
Operations	40,212	–	30,222	9,990
Special Events	11,450	5,000	11,450	5,000
Willow Sculpture/Peek-a-boo Palace	<u>56,753</u>	<u>–</u>	<u>15,000</u>	<u>41,753</u>
Totals	<u>\$1,088,555</u>	<u>\$822,615</u>	<u>\$1,182,095</u>	<u>\$729,075</u>



**Bay Area Discovery Museum**  
Notes to Financial Statements  
August 31, 2016

**Note 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 IRC. In addition, the Museum has the option to match employee contributions. However, during the years ended August 31, 2016 and 2015, the Museum did not match any deferrals.

**Note 9 – In-kind contributions**

During the years ended August 31, 2016 and 2015, the estimated fair value of goods and services contributed to the Museum, total as follows:

	<u>2016</u>	<u>2015</u>
Legal	\$ 18,900	\$37,894
On-line advertising	<u>121,447</u>	<u>121,924</u>
In-kind services	140,347	159,818
Other in-kind goods	<u>3,122</u>	<u>5,775</u>
Total in-kind	<u>\$143,469</u>	<u>\$165,593</u>

**Note 10 – Special events**

During the year ended August 31, 2016, special event contributions, revenue and direct donor-benefit costs, totaled as follows:

<u>Event</u>	<u>Contributions and revenue</u>	<u>Direct donor- benefit costs</u>	<u>Net</u>
Creativity Forum	\$493,629	\$112,169	\$381,460
PlayDate	300,651	136,592	164,059
Goblin Jamboree	<u>114,117</u>	<u>37,741</u>	<u>76,376</u>
Totals	<u>\$908,397</u>	<u>\$286,502</u>	<u>\$621,895</u>

**Bay Area Discovery Museum**  
Notes to Financial Statements  
August 31, 2016

**Note 10 – Special events (continued)**

During the year ended August 31, 2015, special event contributions, revenue and direct donor-benefit costs, totaled as follows:

<u>Event</u>	<u>Contributions and revenue</u>	<u>Direct donor- benefit costs</u>	<u>Net</u>
Creativity Forum	\$ 591,502	\$145,997	\$445,505
PlayDate	361,407	154,059	207,348
Goblin Jamboree and Snow Days	<u>76,758</u>	<u>41,348</u>	<u>35,410</u>
Totals	<u>\$1,029,667</u>	<u>\$341,404</u>	<u>\$688,263</u>

During the year ended August 31, 2015, contributions to Creativity Forum received from various affiliates of one corporation totaled approximately 13% of total contributions to Creativity Forum.

**Note 11 – Store sales**

During the year ended August 31, 2016, gross sales and cost of goods sold of the store totaled \$447,428 and \$239,177, respectively. In addition, direct operating costs of the store, included in program expenses, totaled \$162,249.

During the year ended August 31, 2015, gross sales and cost of goods sold of the store totaled \$481,992 and \$251,935, respectively. In addition, direct operating costs of the store, included in program expenses, totaled \$215,189.

**Note 12 – Café sales**

A contractor runs Café operations under a Food Service Provider Agreement (FSPA) that runs through June 30, 2018. Under the FSPA, the contractor remits to the Museum a variable percentage of the gross sales of the Café monthly with a minimum monthly contribution of \$3,000. The contractor may extend the new FSPA for one, three-year period.

During the years ended August 31, 2016 and 2015, remittances of the variable percentage of the gross sales plus operating expense reimbursements totaled \$65,241 and \$61,037, respectively.

**Bay Area Discovery Museum**  
Notes to Financial Statements  
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**Note 13 – 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 Recreation Area (GGNRA), replacing a Cooperative Agreement that ran from May 14, 1990 through April 21, 2002.

Under the 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. The Museum may apply annually, beginning five years before the expiration of the CA, for up to five five-year extensions of the CA, which the GGNRA may grant at its discretion. The GGNRA may terminate the CA after the initial term or earlier under certain circumstances. The Museum may terminate the CA before its expiration by giving at least one year of notice to the GGNRA.

In lieu of rent or lease payments, 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 years ended August 31, 2016 and 2015, such District Service fees totaled \$122,417 and \$116,876, respectively, and are included with utilities.

Finally, the CA requires the Museum to submit certain reports and plans annually, obtain approval for subcontracts 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 contracts with various children’s museums to host traveling exhibits at various times from January 21, 2017 through September 6, 2020. During the years ending August 31, the Museum has remaining amounts due under those contracts totaling:

2017	\$45,000
2018	95,000
2019	32,500
2020	38,250

During the year ended August 31, 2016, two former vendors of the Museum made claims for breach of contract and unpaid fees. The management of the Museum, in consultation with legal counsel, believes that the claims are without merit. Accordingly, the Museum has not accrued any estimated costs or losses related to the claims.