

Bay Area Discovery Museum

Financial Statements

August 31, 2022
(With Comparative Totals for 2021)



TABLE OF CONTENTS

	<u>Page No.</u>
Independent Auditor's Report	1 - 2
Statement of Financial Position	3
Statement of Activities	4
Statement of Functional Expenses	5
Statement of Cash Flows	6
Notes to Financial Statements	7 - 16

INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the accompanying financial statements of Bay Area Discovery Museum (the "Museum"), which comprise the statement of financial position as of August 31, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended and the related notes to the financial statements.

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, 2022, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Bay Area Discovery Museum and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Bay Area Discovery Museum's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Bay Area Discovery Museum's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Bay Area Discovery Museum's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Change in Accounting Principle

As described in Note 2 to the financial statements, the Museum has adopted ASU 2020-07, *Presentation and Disclosure by Not-for-Profit Entities for Contributed Nonfinancial Assets*. Our opinion is not modified with respect to that matter.

Report on Summarized Comparative Information

We have previously audited Bay Area Discovery Museum's 2021 financial statements, and our report dated January 28, 2022 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, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.



Armanino^{LLP}
San Ramon, California

March 29, 2023

Bay Area Discovery Museum
Statement of Financial Position
August 31, 2022
(With Comparative Totals for 2021)

	2022	2021
ASSETS		
Cash and cash equivalents	\$ 2,144,702	\$ 2,156,811
Contributions receivable, net	305,461	223,074
Accounts receivable	148,805	247,091
Contractual tuition and fees receivable	441,444	475,555
Inventory	45,504	26,681
Prepaid and other current assets	108,903	144,979
Employee retention tax credit receivable	1,039,503	-
Cash restricted for long-term purposes	364,445	1,059,550
Contributions receivable restricted for long-term purposes, net	435,678	663,990
Property and equipment, net	20,313,425	21,150,698
Total assets	\$ 25,347,870	\$ 26,148,429
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 570,906	\$ 743,949
Deferred revenue	933,669	763,479
Contractual unearned tuition and fees	441,444	475,555
Loan payable	-	1,299,491
Total liabilities	1,946,019	3,282,474
Net assets		
Without donor restrictions		
Board designated - operating reserve	189,178	189,178
Undesignated	22,165,322	21,678,565
Total without donor restrictions	22,354,500	21,867,743
With donor restrictions	1,047,351	998,212
Total net assets	23,401,851	22,865,955
Total liabilities and net assets	\$ 25,347,870	\$ 26,148,429

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

Bay Area Discovery Museum
Statement of Activities
For the Year Ended August 31, 2022
(With Comparative Totals for 2021)

	Without Donor Restrictions	With Donor Restrictions	2022 Total	2021 Total
Revenues, gains, and other support				
Contributions	\$ 1,969,387	\$ 660,577	\$ 2,629,964	\$ 2,656,988
Employee Retention Tax Credit revenue	1,039,503	-	1,039,503	-
Paycheck Protection Program grant	-	-	-	906,516
In-kind contributions	68,677	-	68,677	76,208
Special events, net of direct expenses of \$62,698	94,670	-	94,670	96,714
Membership dues	1,496,308	-	1,496,308	813,406
Admission fees	1,428,554	-	1,428,554	852,557
Program fees	1,417,859	-	1,417,859	1,298,219
Facility rental income, net	10,200	-	10,200	10,200
Investment income	-	-	-	5,558
Store and cafe sales, net of cost of sales of \$78,068	136,970	-	136,970	56,780
Net assets released from restriction	611,438	(611,438)	-	-
Total revenues, gains, and other support	<u>8,273,566</u>	<u>49,139</u>	<u>8,322,705</u>	<u>6,773,146</u>
Functional expenses				
Program	4,091,572	-	4,091,572	3,901,654
Management and general	2,015,005	-	2,015,005	1,671,708
Fundraising	800,174	-	800,174	687,752
Membership	880,058	-	880,058	707,514
Total functional expenses	<u>7,786,809</u>	<u>-</u>	<u>7,786,809</u>	<u>6,968,628</u>
Change in net assets	486,757	49,139	535,896	(195,482)
Net assets, beginning of year	<u>21,867,743</u>	<u>998,212</u>	<u>22,865,955</u>	<u>23,061,437</u>
Net assets, end of year	<u>\$ 22,354,500</u>	<u>\$ 1,047,351</u>	<u>\$ 23,401,851</u>	<u>\$ 22,865,955</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, 2022
(With Comparative Totals for 2021)

	<u>Supporting Services</u>			2022 Total	2021 Total	
	<u>Program</u>	<u>Management and General</u>	<u>Fundraising</u>			<u>Membership</u>
Salaries	\$ 1,828,405	\$ 936,996	\$ 520,872	\$ 371,488	\$ 3,657,761	\$ 3,073,194
Depreciation	838,884	102,729	59,084	163,845	1,164,542	1,200,928
Professional fees	102,853	549,963	28,328	14,498	695,642	786,264
Benefits and payroll taxes	298,721	148,362	84,764	59,229	591,076	535,336
Utilities and rent	219,860	43,597	15,485	42,941	321,883	187,941
Repairs and maintenance	213,355	25,550	14,811	41,072	294,788	235,607
Technology and telephone	184,570	37,244	20,168	31,450	273,432	271,946
Supplies	195,893	14,777	17,746	16,022	244,438	157,222
Advertising	121,277	14,924	8,448	25,525	170,174	106,836
Bank fees	29,386	4,485	22,139	70,279	126,289	100,268
Insurance	-	71,273	-	-	71,273	57,569
Equipment rental	11,114	30,319	572	2,160	44,165	44,144
Printing and publication	6,909	482	2,059	30,454	39,904	47,472
Miscellaneous	10,992	22,412	728	576	34,708	31,080
Travel	22,602	640	174	61	23,477	3,946
Conferences and meetings	4,602	9,554	3,986	3,317	21,459	4,339
Postage	1,085	1,432	24	5,608	8,149	17,263
Training	1,064	266	786	1,533	3,649	-
Exhibit rental fees	-	-	-	-	-	93,500
Bad debts	-	-	-	-	-	13,773
	<u>\$ 4,091,572</u>	<u>\$ 2,015,005</u>	<u>\$ 800,174</u>	<u>\$ 880,058</u>	<u>\$ 7,786,809</u>	<u>\$ 6,968,628</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, 2022
(With Comparative Totals for 2021)

	<u>2022</u>	<u>2021</u>
Cash flows from operating activities		
Change in net assets	\$ 535,896	\$ (195,482)
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	1,164,542	1,200,928
Contributions restricted for long-term purposes	(128,500)	(395,949)
Changes in operating assets and liabilities		
Contributions receivable, net	(84,453)	(38,796)
Accounts receivable	98,286	(110,505)
Contractual tuition and fees receivable	34,111	(240,893)
Inventory	(18,823)	(15,730)
Prepaid and other current assets	36,076	60,026
Employee retention tax credit receivable	(1,039,503)	-
Accounts payable and accrued expenses	(184,909)	57,652
Deferred revenue	170,190	420,954
Contractual unearned tuition and fees	(34,111)	240,893
Net cash provided by operating activities	<u>548,802</u>	<u>983,098</u>
Cash flows from investing activities		
Purchase of property and equipment	(21,698)	(1,896)
Payments on construction in progress	(293,705)	(4,134,000)
Net cash used in investing activities	<u>(315,403)</u>	<u>(4,135,896)</u>
Cash flows from financing activities		
Payments on line of credit	-	(350,000)
Borrowings under loan payable	-	1,999,491
Payments on loan payable	(1,299,491)	(700,000)
Cash received for contributions restricted for long-term purpose	358,878	2,451,042
Net cash provided by (used in) financing activities	<u>(940,613)</u>	<u>3,400,533</u>
Net increase (decrease) in cash, cash equivalents and restricted cash	(707,214)	247,735
Cash, cash equivalents and restricted cash, beginning of year	<u>3,216,361</u>	<u>2,968,626</u>
Cash, cash equivalents and restricted cash, end of year	<u>\$ 2,509,147</u>	<u>\$ 3,216,361</u>
Cash, cash equivalents and restricted cash consisted of the following:		
Cash and cash equivalents	\$ 2,144,702	\$ 2,156,811
Cash restricted for long-term purposes	<u>364,445</u>	<u>1,059,550</u>
	<u>\$ 2,509,147</u>	<u>\$ 3,216,361</u>

Supplemental schedule of noncash investing and financing activities

Property and equipment included in accounts payable	\$ 11,439	\$ 120,650
---	-----------	------------

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

Bay Area Discovery Museum
Notes to Financial Statements
August 31, 2022

1. NATURE OF OPERATIONS

At the Bay Area Discovery Museum (the "Museum"), we envision a world where every child grows and thrives through joyful play. So every day, we create playful learning experiences that inspire a passion for discovery in every child. Because when children thrive, families and our communities thrive.

To ensure children are provided with high-quality learning experiences, the Museum:

- specializes in creating playful learning environments and experiences for children from 6 months to 8 years old and the adults who care for them.
- serves as a resource to the community of parents, educators, and adults who raise, teach, and nurture children.
- partners with community organizations to ensure play-based learning opportunities are accessible to all young children and their families.
- develops research-backed educational assets that inform initiatives, exhibits, and programming.

The Museum provides high-quality, research-backed playful learning experiences to children through:

- A children's museum with unique indoor and outdoor play-based learning environments and activities for children 6 months to 8 years old and the adults who care for them.
- Innovative play-based STEAM-rich learning programs onsite and offsite, including a mobile engineering lab that travels to schools, libraries and community events across the region, and seasonal camps and classes that take full advantage of the Museum's unique location by the ocean and in a national park.
- School and community partnerships designed to ensure play-based learning opportunities are accessible to the families and children who need them most.
- A museum-based preschool that develops children's creative problem-solving skills through a Reggio Emilia-inspired STEAM-based program that responds to students' unique curiosities, questions and interests.
- A Research and Evaluation department that synthesizes and transforms research to inform the creation of our programming.

Contributions received from individuals, foundations, corporations and government grants 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.

Bay Area Discovery Museum
Notes to Financial Statements
August 31, 2022

1. NATURE OF OPERATIONS (continued)

The Museum completed a capital campaign during the year ended August 30, 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, 2022 related to the project.

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, 2022.

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.

Change in accounting principle

In September 2020, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. Under this ASU, a not-for-profit entity is required to present contributed nonfinancial assets as a separate line-item in the statement of activities, apart from contributions of cash and other financial assets as well as include enhanced disclosures surrounding the nature and valuation techniques of the contributed nonfinancial assets. The Museum adopted ASU 2020-07 with a date of the initial application of September 1, 2021. The adoption of ASU 2020-07 did not have a significant impact on the Museum's financial position, results of operations, or cash flows.

Bay Area Discovery Museum
Notes to Financial Statements
August 31, 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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. Approximately 95% of 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.

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 2022-2023 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 2022-2023 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, cash equivalents and restricted cash

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.

Bay Area Discovery Museum
Notes to Financial Statements
August 31, 2022

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, 2022.

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, 2022, the allowance for uncollectible contributions receivable was \$25,466.

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, 2022, management determined no allowance was necessary.

In-kind 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, 2022, the Museum received in-kind services of \$68,677.

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.

Bay Area Discovery Museum
Notes to Financial Statements
August 31, 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

Property and equipment

The Museum capitalizes all property and equipment with a cost greater than \$5,000 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.

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

Building improvements	5 - 39 years
Exhibits	5 - 39 years
Land improvements	5 - 39 years
Furniture and fixtures	3 - 5 years
Equipment	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, 2022.

Concentrations of credit risk

The Museum places its cash and cash equivalents with high-credit, quality financial institutions. At times, such cash may be in excess of the Federal Deposit Insurance Corporation ("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.

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, 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Advertising costs

Advertising costs are charged to operations when incurred. The Museum incurred advertising costs of \$170,174 for the year ended August 31, 2022.

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, 2022, 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, 2021, from which the summarized information was derived.

Bay Area Discovery Museum
Notes to Financial Statements
August 31, 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Reclassifications

Certain amounts in the prior year financial statements have been reclassified to conform to the current year presentation. Net assets and changes in net assets are unchanged due to these reclassifications.

3. CONTRIBUTIONS RECEIVABLE, NET

Contributions receivable, net consist of the following:

Receivable in less than one year	\$ 586,332
Receivable in one to five years	180,273
	<u>766,605</u>
Less: allowance for uncollectible contributions	<u>(25,466)</u>
	<u><u>\$ 741,139</u></u>

4. PROPERTY AND EQUIPMENT, NET

Property and equipment, net consist of the following:

Building improvements	\$ 26,534,192
Exhibits	6,529,512
Land improvements	1,039,132
Furniture and fixtures	99,413
Equipment	53,101
Automobiles	12,682
Construction-in-progress	10,150
	<u>34,278,182</u>
Accumulated depreciation	<u>(13,964,757)</u>
	<u><u>\$ 20,313,425</u></u>

Depreciation expense for the year ended August 31, 2022, was \$1,164,542.

5. 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 was 4.35% and had a maturity date of June 5, 2024. The Museum paid off the loan in full in April 2022.

Bay Area Discovery Museum
Notes to Financial Statements
August 31, 2022

6. EMPLOYEE RETENTION TAX CREDIT

The Employee Retention Tax Credit ("ERC"), a refundable tax credit against certain employment taxes allowed to an eligible employer for qualifying wages, was established by the CARES Act and was subsequently amended through additional legislation. The Museum determined it was eligible to apply for the ERC and calculated a total ERC of \$1,039,503 for the wages paid during the period January 1, 2021 through September 30, 2021. As the ERC refund relates to salaries and wages paid during 2021 and as collection of the refund was considered probable as they met all stipulations, the Museum recognized revenue and a corresponding receivable for the calculated ERC as of and for the year ended August 31, 2022. The Museum has not received the ERC refund as of the date the financial statements were available to be issued.

7. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consisted of the following:

Capital campaign	\$ 690,186
Programs and exhibits	<u>357,165</u>
	<u>\$ 1,047,351</u>

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

Program and exhibits	\$ 451,048
Capital campaign	<u>160,390</u>
	<u>\$ 611,438</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, 2022.

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.

Bay Area Discovery Museum
Notes to Financial Statements
August 31, 2022

9. COMMITMENTS (continued)

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, 2022, district service fees totaled \$155,186 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 at various dates through 2026.

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

<u>Year ending August 31,</u>	
2023	\$ 31,846
2024	19,270
2025	17,350
2026	<u>2,148</u>
	<u>\$ 70,614</u>

Rental expense for leased equipment for the year ended August 31, 2022 was \$35,175 and is included in equipment rental in the statement of functional expenses.

10. RELATED PARTY

The Museum received approximately \$639,000 in contributions from board members during the year ended August 31, 2022.

Bay Area Discovery Museum
Notes to Financial Statements
August 31, 2022

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 are 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, 2022 to fund general expenditures and other obligations when they become due:

Cash and cash equivalents	\$ 2,144,702
Contributions receivable due within one year, net	586,332
Accounts receivable	148,805
Contractual tuition and fees receivable	<u>441,444</u>
	<u>\$ 3,321,283</u>

The Museum entered into a line of credit subsequent to year-end (see Note 13), and the borrowing limit of up to \$500,000 is available for use if needed.

12. IN-KIND CONTRIBUTIONS

During the year ended August 31, 2022, in-kind contributions consisted of donated legal and other services that were valued at \$68,677. Donated legal and other services are valued at the estimated fair value based on current rates for similar or identical services.

The donated legal and other services received during the year ended August 31, 2022 included no donor restrictions. Donated legal services include services from attorneys advising the Museum on various strategic, administrative and legal matters. Donated other services include outsourced recruiting services from consultants.

13. SUBSEQUENT EVENTS

Subsequent events have been evaluated through March 29, 2023, the date that the financial statements were available to be issued. Other than the item noted below, there were no subsequent events that would require adjustments to or disclosures in these financial statements.

On December 23, 2022, the Museum entered into an agreement with a commercial bank for a revolving line of credit in the amount of \$500,000 with an interest rate equal to the Prime Rate plus 0.25% that matures on January 10, 2024. As of the date that the financial statements were available to be issued, the Museum has not drawn on the line of credit.