



Bay Area Discovery Museum

Financial Statements

August 31, 2019
(With Comparative Totals for 2018)

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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, 2019, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Bay Area Discovery Museum as of August 31, 2019, 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.



An independent firm
associated with Moore
Global Network Limited

Change in Accounting Principle

As described in Note 2 to the financial statements, the Museum has adopted ASU 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. Our opinion is not modified with respect to that matter.

Emphasis of Matter

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

Report on Summarized Comparative Information

We have previously audited Bay Area Discovery Museum's 2018 financial statements, and our report dated February 12, 2019 expressed an unmodified opinion on those audited financial statements. As part of our audit of the 2019 financial statements, we also audited the adjustments to the 2018 financial statements to apply the change in accounting principle discussed above. In our opinion, the summarized comparative information presented herein as of and for the year ended August 31, 2018, adjusted for the change in accounting principle discussed above, is consistent, in all material respects, with the audited financial statements from which it has been derived. Also, in our opinion, such adjustments are appropriate and have been properly applied.



Armanino^{LLP}
San Ramon, California

May 5, 2020

Bay Area Discovery Museum
Statement of Financial Position
August 31, 2019
(With Comparative Totals for 2018)

	2019	2018
ASSETS		
Cash and cash equivalents	\$ 1,390,237	\$ 1,626,908
Cash restricted for long-term purposes	5,027,466	4,867,261
Contributions receivable, net	3,878,122	2,275,062
Accounts receivable, net	532,825	382,240
Inventory	16,339	19,248
Prepaid and other current assets	392,688	310,475
Property and equipment, net	10,422,379	7,925,786
Total assets	\$ 21,660,056	\$ 17,406,980
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 664,468	\$ 616,286
Deferred revenue	1,166,616	1,200,404
Total liabilities	1,831,084	1,816,690
Net assets		
Without donor restrictions		
Board designated - operating reserve	240,476	268,210
Undesignated	4,066,631	5,529,539
Total without donor restrictions	4,307,107	5,797,749
With donor restrictions	15,521,865	9,792,541
Total net assets	19,828,972	15,590,290
Total liabilities and net assets	\$ 21,660,056	\$ 17,406,980

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

Bay Area Discovery Museum
Statement of Activities
For the Year Ended August 31, 2019
(With Comparative Totals for 2018)

	Without Donor Restrictions	With Donor Restrictions	2019 Total	2018 Total
Revenues, gains, and other support				
Contributions	\$ 1,284,307	\$ 6,448,307	\$ 7,732,614	\$ 6,636,316
In-kind contributions	93,697	-	93,697	285,026
Special events, net direct expenses \$236,532	377,694	145,406	523,100	475,178
Membership dues	1,282,466	-	1,282,466	1,217,634
Admission fees	1,121,773	-	1,121,773	1,171,159
Program fees	1,912,888	-	1,912,888	1,949,967
Facility rentals, net rental expense \$3,894	25,078	-	25,078	33,780
Investment income (loss)	(799)	-	(799)	6,456
Store and cafe sales, net of cost of sales of \$47,880	85,304	-	85,304	171,556
Net assets released from restriction	<u>864,389</u>	<u>(864,389)</u>	<u>-</u>	<u>-</u>
Total revenues, gains, and other support	<u>7,046,797</u>	<u>5,729,324</u>	<u>12,776,121</u>	<u>11,947,072</u>
Functional expenses				
Program	6,482,518	-	6,482,518	6,481,745
Management and general	910,532	-	910,532	855,318
Fundraising	904,444	-	904,444	813,116
Membership	<u>239,945</u>	<u>-</u>	<u>239,945</u>	<u>169,473</u>
Total functional expenses	<u>8,537,439</u>	<u>-</u>	<u>8,537,439</u>	<u>8,319,652</u>
Change in net assets	(1,490,642)	5,729,324	4,238,682	3,627,420
Net assets, beginning of year	<u>5,797,749</u>	<u>9,792,541</u>	<u>15,590,290</u>	<u>11,962,870</u>
Net assets, end of year	<u>\$ 4,307,107</u>	<u>\$ 15,521,865</u>	<u>\$ 19,828,972</u>	<u>\$ 15,590,290</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, 2019
(With Comparative Totals for 2018)

Program	Supporting Services				2019 Total	2018 Total	
	Management and General	Fundraising	Membership	Allocated Indirect			
Salaries	\$ 2,476,426	\$ 507,998	\$ 578,791	\$ 118,686	\$ 714,820	\$ 4,396,721	\$ 4,345,806
Depreciation	45,294	7,055	8,455	952	741,265	803,021	815,590
Benefits and payroll taxes	435,940	143,764	73,994	17,443	132,633	803,774	673,937
Professional fees and consultants	232,290	13,719	11,244	1,308	314,143	572,704	696,239
Advertising	290,711	291	10,262	3,907	75,074	380,245	231,592
Repairs and maintenance	512	-	-	90	118,848	119,450	127,653
Supplies	180,954	3,242	8,295	11,845	48,392	252,728	298,197
Utilities and rent	17,258	3,593	-	-	226,655	247,506	230,387
Technology and telephone	16,136	1,865	1,860	3,697	169,258	192,816	189,108
Travel	119,085	2,070	6,048	59	2,806	130,068	128,001
Exhibit rental fees	150,089	-	-	-	-	150,089	137,637
Bank fees	44,520	1,057	13,489	13,515	-	72,581	106,267
Printing and publication	29,092	1,242	26,491	28,575	8,467	93,867	90,317
Insurance	4,211	5,578	-	-	72,706	82,495	49,850
Postage	7,202	2,856	15,319	14,059	5,340	44,776	39,655
Equipment rental	34,389	5,798	4,545	-	33,511	78,243	78,682
Miscellaneous	39,981	-	-	-	27,596	67,577	45,762
Training	5,784	219	6,104	-	912	13,019	5,339
Conferences and meetings	24,596	3,621	6,167	-	1,188	35,572	29,633
Bad debts	-	187	-	-	-	187	-
Allocated indirect	<u>2,328,048</u>	<u>206,377</u>	<u>133,380</u>	<u>25,809</u>	<u>(2,693,614)</u>	<u>-</u>	<u>-</u>
	<u>\$ 6,482,518</u>	<u>\$ 910,532</u>	<u>\$ 904,444</u>	<u>\$ 239,945</u>	<u>\$ -</u>	<u>\$ 8,537,439</u>	<u>\$ 8,319,652</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, 2019
(With Comparative Totals for 2018)

	2019	2018
Cash flows from operating activities		
Change in net assets	\$ 4,238,682	\$ 3,627,420
Adjustments to reconcile change in net assets to net cash used in operating activities		
Depreciation	803,021	815,590
Contributions restricted for long-term purposes	(5,600,952)	(4,295,718)
Changes in operating assets and liabilities		
Contributions receivable, net	(1,603,060)	114,651
Accounts receivable, net	(150,585)	(954,833)
Inventory	2,909	38,459
Prepaid and other current assets	(82,213)	(2,644)
Accounts payable and accrued expenses	(155,316)	(261,318)
Deferred revenue	(33,788)	177,299
Net cash used in operating activities	(2,581,302)	(741,094)
Cash flows from investing activities		
Purchase of property and equipment	(71,465)	(125,106)
Payments on construction in progress	(3,024,651)	(904,111)
Net cash used in investing activities	(3,096,116)	(1,029,217)
Cash flows from financing activities		
Contributions restricted for long-term purposes	5,600,952	4,295,718
Net cash provided by financing activities	5,600,952	4,295,718
Net increase (decrease) in cash	(76,466)	2,525,407
Cash and restricted cash, beginning of year	6,494,169	3,968,762
Cash and restricted cash, end of year	\$ 6,417,703	\$ 6,494,169
Cash and restricted cash consisted of the following:		
Cash and cash equivalents	\$ 1,390,237	\$ 1,626,908
Cash restricted for long-term purposes	5,027,466	4,867,261
	\$ 6,417,703	\$ 6,494,169

Supplemental schedule of noncash investing and financing activities

Construction in progress included in accounts payable	\$ 203,498	\$ 274,724
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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, 2019

1. NATURE OF OPERATIONS

The mission of the Bay Area Discovery Museum (BADM) is to transform research into early learning experiences that inspire creative problem solving. BADM was incorporated under the laws of the State of California on August 10, 1984, and operates as a nonprofit "public" charity. BADM's physical campus is located within Fort Baker, a part of the Golden Gate National Recreation Area, in Sausalito, California.

BADM relies on the latest research to develop programs and experiences that encourage children to become 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 child-directed, hands-on, science, technology, engineering, and math (STEM) activities that necessitate creativity and conceptual thinking—critical components of problem solving that are too often missing from early learning experiences. BADM also serves the broader community by providing information, models, training, and resources to educators and families. The learning outcomes in all programming are based on BADM's research findings, and serve as a case study of that research in action.

BADM's physical spaces are designed to bring creative thinking to life for all ages. Specific sites within BADM that support this include:

- Fab Lab, a high-tech makerspace that opened in 2016
- Discovery Hall, which houses up to three special exhibits 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 BADM's Outdoor Learning Lab
- Bay Hall, a simulation of the San Francisco and Oakland ports

In addition to its museum programming and special exhibits, BADM operates The Discovery School (TDS), a licensed on-site preschool. BADM offers school year and summer camps and delivers numerous free, drop-in art and STEM-based programs and family festivals. BADM has a robust tradition of bringing its programming to schools, through field trips, on-site visits, and a comprehensive outreach program called Connections. The Try It Truck, BADM's engineering-lab-on-wheels, also travels directly to learning environments throughout the Bay Area to bring hands-on engineering to children in Pre-K through fifth grade. As the result of these efforts, more than 21,500 schoolchildren engage with BADM programming each year.

BADM also strongly believes in making its programs and activities accessible to as many members of the community as possible. Each year, approximately 82,800 visitors receive discounted or free admission. All those who visit BADM have a unique opportunity to engage with BADM further by booking one of BADM's award-winning birthday parties. In total, site rentals serve 13,000 visitors each year.

Bay Area Discovery Museum
Notes to Financial Statements
August 31, 2019

1. NATURE OF OPERATIONS (continued)

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

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

BADM began a capital campaign in fiscal year 2017 for the purpose of renovating the Museum's facilities and exhibits. The capital campaign has had a significant impact on the amount of contributions received in fiscal years 2019 and 2018.

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, 2019.

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.

Bay Area Discovery Museum
Notes to Financial Statements
August 31, 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

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, camps, birthday parties, The Discovery School, and CCC consulting. The Museum recognizes program revenue when the related activity occurs.

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

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

Cash and cash equivalents

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

Accounts receivable

Accounts receivable, all due within one year, consist principally of amounts due for various CCC consulting, The Discovery School tuition, cafe sales and credit card sales charged near the end of the year. An allowance for doubtful accounts receivable is provided based upon management's judgment including such factors as prior collection history, type of receivable and current aging of receivable. As of August 31, 2019, 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.

Contributions, including unconditional promises to give, are recognized as revenues in the period the promise is received. Conditional promises to give are not recognized until they become unconditional; that is when the conditions on which they depend are substantially met. 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, 2019.

Bay Area Discovery Museum
Notes to Financial Statements
August 31, 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Contributions and promises to give (continued)

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, 2019, the allowance for uncollectible contributions receivable was \$22,261.

Contributed goods and services

Contributions of donated noncash assets are recorded at fair value in the period received. Contributions of donated services are recognized if the services received (a) create or enhance long-lived assets, or (b) require specialized skills provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. For the year ended August 31, 2019, the Museum received in-kind goods and services of \$93,697.

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.

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

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

Long-lived assets

The carrying amount of all property and equipment is evaluated at least annually to determine if adjustments to the carrying amount or the useful lives are warranted. No such adjustments were recorded for the year ended August 31, 2019.

Bay Area Discovery Museum
Notes to Financial Statements
August 31, 2019

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.

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.

One donor comprised 21% of the contributions receivable balance at August 31, 2019. One donor accounted for 14% of contributions revenue for the year ended August 31, 2019.

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.

Advertising costs

Advertising costs are charged to operations when incurred. BADM incurred advertising costs of \$401,525 and \$237,666 for the years ended August 31, 2019 and 2018, respectively.

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.

Bay Area Discovery Museum
Notes to Financial Statements
August 31, 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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, 2019, 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 accounting principles generally accepted in the United States of America 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 contributions receivable 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 accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Museum's financial statements for the year ended August 31, 2018, from which the summarized information was derived.

Change in accounting principle

In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. ASU 2016-14 makes certain improvements to current reporting requirements, including:

1. Reducing the classes of net assets from three (unrestricted, temporarily restricted, and permanently restricted) to two (with donor restrictions and without donor restrictions).
2. Enhancing disclosures about:
 - a. Amounts and purposes of governing board designations, appropriations, and similar actions that result in self-imposed limits on the use of resources without donor-imposed restrictions.
 - b. Composition of net assets with donor restrictions and how the restrictions affect the use of resources.

Bay Area Discovery Museum
Notes to Financial Statements
August 31, 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Change in accounting principle (continued)

- c. Qualitative information about management of liquid resources and quantitative information about the availability of liquid resources to meet cash needs for general expenditures within one year of the statement of financial position date.
 - d. Amounts of expenses by both their natural classification and their functional classification in one location as a separate statement or in the notes to the financial statements.
 - e. Methods used to allocate costs among program and support functions.
 - f. Underwater endowment funds.
3. Reporting investment return net of external and direct internal investment expenses.
4. Use, in the absence of explicit donor stipulations, the placed-in-service approach for reporting expirations of restrictions on gifts of cash or other assets to be used to acquire or construct a long-lived asset and reclassify any amounts from net assets with donor restrictions to net assets without donor restrictions for such long-lived assets that have been placed in service as of the beginning of the period of adoption (thus eliminating the current option to release the donor-imposed restriction over the estimated useful life of the acquired asset).

The amendments have been applied on a retrospective basis in 2019.

3. CONTRIBUTIONS RECEIVABLE, NET

Contributions receivable, net consist of the following:

Receivable in less than one year	\$ 1,281,793
Receivable in one to five years	2,618,590
	3,900,383
Less: allowance for uncollectible contributions	(22,261)
	\$ 3,878,122

Bay Area Discovery Museum
Notes to Financial Statements
August 31, 2019

4. PROPERTY AND EQUIPMENT, NET

Property and equipment, net consist of the following:

Building improvements	\$ 17,594,560
Exhibits	484,379
Equipment	296,733
Land improvements	223,176
Furniture and fixtures	136,277
Automobiles	12,682
Construction-in-progress	<u>4,886,782</u>
	23,634,589
Accumulated depreciation	<u>(13,212,210)</u>
	<u><u>\$ 10,422,379</u></u>

Depreciation expense for the year ended August 31, 2019, was \$803,021.

5. LINE OF CREDIT

The Museum maintained a \$350,000 credit line at a commercial bank with a variable interest rate (variable at the higher of 5% or the Prime Rate plus 1%; 6.25% at August 31, 2019) with payments due monthly. The line matures on June 5, 2020. Receivables, inventory and equipment of the Museum secure the credit line. At August 31, 2019, the Museum has no balance outstanding on this line of credit.

In addition, the Museum has a \$3,000,000 construction line of credit to be used for its capital project. The interest rate for this credit line is 4.35% and has a maturity date of June 5, 2024. Receivables, inventory and equipment of the Museum secure the credit line. The management of the Museum believes the Museum complied with all terms of the credit line. At August 31, 2019, the Museum has no balance outstanding on this line of credit.

6. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consisted of the following:

Capital campaign	\$ 15,059,339
Programs and exhibits	<u>462,526</u>
	<u><u>\$ 15,521,865</u></u>

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

Program and exhibits	<u><u>\$ 864,389</u></u>
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Bay Area Discovery Museum
Notes to Financial Statements
August 31, 2019

7. 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, 2019.

8. 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. 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, 2019, district service fees totaled \$134,824 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 contracts with various children's museums to host traveling exhibits at various dates through 2020. The museum has remaining amounts due under those contracts totaling:

Year ending August 31,

2020	\$ <u>38,250</u>
	<u>\$ 38,250</u>

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

Bay Area Discovery Museum
Notes to Financial Statements
August 31, 2019

8. COMMITMENTS (continued)

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

<u>Year ending August 31,</u>	
2020	\$ 24,633
2021	20,510
2022	13,295
2023	<u>8,457</u>
	<u><u>\$ 66,895</u></u>

Rent expense for the year ended August 31, 2019 was \$37,329.

9. RELATED PARTY

The Museum received approximately \$2,414,845 in contributions from board members during the year ended August 31, 2019.

10. LIQUIDITY AND FUNDS AVAILABLE

The Museum's financial assets are available to meet its general expenditures, liabilities and other obligations as they come due. Accounts receivable will be collected within one year and is available for general expenditure. Cash restricted for long-term use and the majority of contributions receivable net will not be available for general expenditure as they are restricted for the Museum's capital campaign project. Approximately \$532,000 of the contributions receivable balance that is expected to be collected in the next year is not capital campaign related and will be available for general expenditures. Monthly, management reviews the Museum's financial position and ensures that a reasonable cash position is being maintained.

The following is a quantitative disclosure which describes financial assets that are available within one year of August 31, 2019 to fund general expenditures and other obligations when they become due:

Cash and cash equivalents	\$ 1,390,237
Cash restricted for long-term use	5,027,466
Contributions receivable, net	3,878,122
Accounts receivable, net	<u>532,825</u>
	10,828,650
Donor restricted funds for capital campaign (not including amounts expended as construction-in-progress)	<u>(10,172,557)</u>
	<u><u>\$ 656,093</u></u>

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11. SUBSEQUENT EVENTS

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. At this time it is not known when the Museum will be able to reopen. As a result, the Museum has been forced to reduce or furlough a portion of its staff. The Museum is taking advantage of the government relief programs available and has actively explored various liquidity options. It is probable that this matter will negatively impact the Museum. However, the ultimate financial impact and impact and duration cannot be reasonably estimated at this time.

The Museum has evaluated subsequent events through May 5, 2020, the date the financial statements were available to be issued. As of this date, no other subsequent events have occurred that would have a material impact on the presentation of the Museum's financial statements.