



# CHILDREN'S CREATIVITY MUSEUM

## Financial Statements

*June 30, 2013 and 2012*

*With Independent Auditors' Report*

# CHILDREN'S CREATIVITY MUSEUM

(A California Not-For-Profit Corporation)

June 30, 2013

The Children's Creativity Museum (CCM) is a hands-on, interactive arts and technology experience for kids. Our mission is to nurture the 3Cs of 21st-century skills - Creativity, Collaboration and Communication - in all youth and families. We believe that the success of the next generation will hinge not only on what they know, but also on their ability to think and act creatively as global citizens.

Since our founding in 1998, CCM has grown to serve annually more than 150,000 youth, ranging from ages 2 to 18, and their families through our general admissions experience, Children's Creativity Carousel, and various public and educational programs. Additionally, about 6,500 K-12 students in our field trip program learn basic creative and technical skills through the creation of collaborative projects like clay animations, music videos, and fictional newscasts. Our C.I.T.Y. teen internship program annually trains up to 60 teens in customer service, leadership development, and other transferable job skills. More than 25 percent of our programs are fee-waived in order to remove cost as a barrier to participation for youth and families from low-income and under-resourced communities.

Since our re-launch in 2011, we have experienced double-digit growth in weekly attendance, new memberships, and traffic to our website, [www.creativity.org](http://www.creativity.org). We also have been mentioned in widely-followed media channels, including The Wall Street Journal. At the close of the most recent fiscal year (on June 30, 2013), CCM reached a major milestone, surpassing the 83,000-annual-visitor mark, the first time in our 15-year history.

## Fiscal Year 2012-2013 Board of Directors and Staff

Name	Office
Laney Whitcanack	Chair
Mai Mai Wythes	Vice Chair
Bill Rusitzky	Secretary
John Gonzalez	Treasurer
Nate Chang	Director
Mark Davis	Director
Jamie Gardner	Director
Helen Han	Director
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Michael Mankins	Director
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Chris Moeller	Director
Jon Murchinson	Director
Andy Proehl	Director
Christina S. Turner	Director
Melissa Willa	Director

**Executive Director**

Michael Nobleza

# CHILDREN'S CREATIVITY MUSEUM

(A California Not-For-Profit Corporation)  
June 30, 2013 and 2012

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### **CHILDREN'S CREATIVITY MUSEUM**

221 Fourth Street

San Francisco, California 94103

415-820-3320

Web Site Address: [www.creativity.org](http://www.creativity.org)

## **INDEPENDENT AUDITORS' REPORT**

### **The Board of Directors Children's Creativity Museum**

We have audited the accompanying financial statements of Children's Creativity Museum (a California nonprofit organization) which comprise the statements of financial position as of June 30, 2013 and 2012 and the related statements of activities and changes in net assets, cash flows and functional expenses 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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 Children's Creativity Museum as of June 30, 2013 and 2012, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*Regalia & Associates*

**October 10, 2013**  
**Danville, California**

# CHILDREN'S CREATIVITY MUSEUM

## Statements of Financial Position June 30, 2013 and 2012

	Unrestricted Net Assets	Temporarily Restricted Net Assets	2013	2012
<b>ASSETS</b>				
Current assets:				
Cash and cash equivalents	\$ 34,278	34,581	<b>68,859</b>	34,365
Cash reserves	155,649	-	<b>155,649</b>	254,748
Accounts receivable	-	-	-	15,607
Pledges and grants receivable	-	5,585	<b>5,585</b>	64,212
Inventory	33,187	-	<b>33,187</b>	35,620
Prepaid expenses and other assets	17,840	-	<b>17,840</b>	16,507
Total current assets	<u>240,954</u>	<u>40,166</u>	<b><u>281,120</u></b>	<u>421,059</u>
Noncurrent assets:				
Property and equipment, net	132,474	-	<b>132,474</b>	208,031
Total assets	<u>\$ 373,428</u>	<u>40,166</u>	<b><u>413,594</u></b>	<u>629,090</u>
<b>LIABILITIES AND NET ASSETS</b>				
Current liabilities:				
Accounts payable and accrued liabilities	\$ 77,974	-	<b>77,974</b>	73,206
Deferred revenue	16,712	-	<b>16,712</b>	7,069
Total current liabilities	<u>94,686</u>	<u>-</u>	<b><u>94,686</u></b>	<u>80,275</u>
Net assets:				
Unrestricted:				
Board-designated for cash reserves	155,649	-	<b>155,649</b>	190,579
Undesignated	123,093	-	<b>123,093</b>	239,067
Temporarily restricted	-	40,166	<b>40,166</b>	119,169
Total net assets	<u>278,742</u>	<u>40,166</u>	<b><u>318,908</u></b>	<u>548,815</u>
Total liabilities and net assets	<u>\$ 373,428</u>	<u>40,166</u>	<b><u>413,594</u></b>	<u>629,090</u>

# CHILDREN'S CREATIVITY MUSEUM

## Statement of Activities and Changes in Net Assets Year Ended June 30, 2013

*(with Summarized Financial Information for the Year Ended June 30, 2012)*

		Temporarily		
	Unrestricted	Restricted		
	Net Assets	Net Assets	2013	2012
<i>Changes in net assets:</i>				
Revenue and support:				
<i>Contributions, donations and grants:</i>				
Corporate contributions	\$ 53,861	20,000	73,861	161,357
Foundation grants	82,667	8,333	91,000	135,000
Government - SFRA/City & County of SF	575,000	-	575,000	575,000
Government - other	14,000	6,000	20,000	17,250
Individual contributions	96,781	-	96,781	135,276
In-kind donations	552,446	-	552,446	46,309
<i>Net assets released from restrictions:</i>				
Satisfaction of temporary restrictions	113,336	(113,336)	-	-
Total contributions, donations and grants	1,488,091	(79,003)	1,409,088	1,070,192
<i>Earned revenue:</i>				
Memberships	115,165	-	115,165	86,803
Admissions	337,940	-	337,940	293,669
Carousel	184,204	-	184,204	166,894
Camps, workshops and field trips	53,692	-	53,692	37,551
Facility rentals	118,772	-	118,772	222,709
Museum store	132,703	-	132,703	114,820
Concessions and other income	9,537	-	9,537	10,742
Investment income	537	-	537	846
Total earned revenue	952,550	-	952,550	934,034
Total revenue and support	2,440,641	(79,003)	2,361,638	2,004,226
Expenses:				
Programs:				
Education	598,370	-	598,370	485,840
Exhibits	273,027	-	273,027	310,931
Marketing and outreach	134,011	-	134,011	170,910
Visitor experience	514,898	-	514,898	529,191
Total programs and experience	1,520,306	-	1,520,306	1,496,872
Administration	258,691	-	258,691	214,740
Fundraising	260,102	-	260,102	278,084
Total expenses	2,039,099	-	2,039,099	1,989,696
Increase (decrease) in net assets before in-kind expenses	401,542	(79,003)	322,539	14,530
In-kind expenses	552,446	-	552,446	46,309
Decrease in net assets	(150,904)	(79,003)	(229,907)	(31,779)
Net assets at beginning of year	429,646	119,169	548,815	580,594
Net assets at end of year	\$ 278,742	40,166	318,908	548,815

# CHILDREN'S CREATIVITY MUSEUM

## Statements of Cash Flows Years Ended June 30, 2013 and 2012

	2013	2012
<i>Operating activities:</i>		
Decrease in net assets	\$ (229,907)	(31,779)
Adjustments to reconcile to cash provided by (used for) operating activities:		
Depreciation	76,217	70,004
Loss on disposition of fixed assets	1,241	-
<i>Changes in:</i>		
Accounts receivable	15,607	(8,642)
Pledges and grants receivable	58,627	(57,308)
Inventory	2,433	(4,332)
Prepaid expenses and other assets	(1,333)	(1,047)
Accounts payable and accrued liabilities	4,768	11,874
Deferred revenue	9,643	1,075
Cash used for operating activities	<u>(62,704)</u>	<u>(20,155)</u>
<i>Investing activities:</i>		
Additions to property and equipment	(1,901)	(154,792)
Cash used for investing activities	<u>(1,901)</u>	<u>(154,792)</u>
<i>Financing activities:</i>		
Net adjustments to restricted cash reserves	99,099	(35,072)
Cash provided by (used for) financing activities	<u>99,099</u>	<u>(35,072)</u>
Net increase (decrease) in cash and cash equivalents	34,494	(210,019)
Cash and cash equivalents at beginning of year	<u>34,365</u>	<u>244,384</u>
Cash and cash equivalents at end of year	<u>\$ 68,859</u>	<u>34,365</u>
<i>Additional cash flow information:</i>		
California taxes paid	\$ 150	150
Interest paid	\$ -	-

# CHILDREN'S CREATIVITY MUSEUM

## Notes to Financial Statements June 30, 2013 and 2012

### 1. Organization

Children's Creativity Museum (CCM) is a nonprofit, hands-on, interactive arts and technology experience for kids located in the Yerba Buena cultural district in San Francisco. The museum opened in 1998 as "Zeum" and was renamed to Children's Creativity Museum in 2011. Our mission is to nurture the 3Cs of 21st-century skills - Creativity, Collaboration and Communication - in all youth and families. We believe that the success of the next generation hinges not only on what they know, but also on their ability to think and act creatively as global citizens.

### 2. Summary of Significant Accounting Policies

#### *Basis of Accounting*

The financial statements of CCM have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables and other liabilities.

#### *Basis of Presentation*

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Accounting Standards Codification (ASC) 958.205, *Presentation of Financial Statements of Not-for-Profit Entities*. Under ASC 958.205, CCM is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets.

#### *Use of Estimates*

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Accordingly, actual results could differ from those estimates.

#### *Support and Revenue Recognition*

CCM records contributions in accordance with the recommendations of ASC 958.605, *Revenue Recognition of Not-for-Profit Entities*. Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor-imposed restrictions.

All donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported on the statement of activities and changes in net assets as net assets released from restrictions. As permitted under ASC 958.605, donor-restricted contributions whose restrictions are met in the same reporting period are reported as unrestricted support.

Contributions of donated noncash assets (in-kind donations) are recorded at their fair values in the period received. Contributions of donated services that create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their fair values in the period received. (continued)



## Notes to Financial Statements

### 2. Summary of Significant Accounting Policies *(continued)*

#### *Inventory*

CCM store inventory is carried at lower of cost or market utilizing the first-in, first-out method and consists of educational toys, games, books and materials to encourage creative expression.

#### *Pledges and Grants Receivable*

Pledges and grants receivable are recorded when the pledges and grants are made and are stated at estimated net realizable value. Pledges and grants receivable amounted to \$5,585 and \$64,212 at June 30, 2013 and 2012, respectively. Management has not established an allowance for doubtful accounts because it believes all amounts will be fully realized.

#### *Property and Equipment*

Property and equipment purchased by CCM is stated at cost. Property and equipment donated to CCM is recorded at estimated fair value as of the date of the gift. The cost of additions and major improvements is capitalized, while maintenance and repairs are charged to expense as incurred. Equipment, furnishings and leasehold improvements are depreciated using the straight-line method over the estimated useful lives of the assets as follows:

Computer equipment and exhibits	3 years
Multimedia equipment	5 years
Office furniture and fixtures	7 years
Theater equipment	10 years
Leasehold improvements	Life of the lease

#### *Income Taxes*

Financial statement presentation follows the recommendations of ASC 740, *Income Taxes*. Under ASC 740, CCM is required to report information regarding its exposure to various tax positions taken by the organization and requires a two-step process that separates recognition from measurement. The first step is determining whether a tax position has met the recognition threshold; the second step is measuring a tax position that meets the recognition threshold. Management believes that CCM has adequately evaluated its current tax positions and has concluded that as of June 30, 2013, CCM does not have any uncertain tax positions for which a reserve or an accrual for a tax liability would be necessary.

CCM has received notification from the Internal Revenue Service and the State of California that it qualifies for tax-exempt status under Section 501(c)(3) of the Internal Revenue Code and Section 23701d of the California Revenue and Taxation Code. This exemption is subject to periodic review by the federal and state taxing authorities and management is confident that the organization continues to satisfy all federal and state statutes in order to qualify for continued tax exemption status. CCM may periodically receive unrelated business income requiring the organization to file separate tax returns under federal and state statutes. Under such conditions, CCM calculates and accrues the applicable taxes payable.

#### *Cash Holdings and Concentration of Credit Risk*

CCM operates a deposit bank account which contains funds that, from time to time, may not be covered with insurance provided by the federal government. Such financial instrument(s) potentially subject CCM to concentrations of credit risk. It is the opinion of management that the solvency of the referenced financial institution is satisfactorily strong and that CCM's financial position will not be compromised.

# CHILDREN'S CREATIVITY MUSEUM

## Notes to Financial Statements

### 3. Cash and Cash Equivalents

Cash and cash equivalents of \$68,859 and \$34,365 at June 30, 2013 and 2012, respectively, include all funds in various depository accounts. CCM considers all highly liquid accounts with a deposit commitment period of three months or less to be cash equivalents.

### 4. Property and Equipment

Property and equipment consist of the following at June 30, 2013 and 2012:

	2013	2012
Computers and Software	\$ 130,184	\$ 165,246
Exhibits	289,276	289,276
Furniture and Fixtures	54,919	72,342
Leasehold improvements	56,714	56,714
Multimedia Equipment	93,329	93,329
Theater Equipment	38,026	38,026
Less: accumulated depreciation	(529,973)	(506,901)
	<u>\$ 132,474</u>	<u>\$ 208,031</u>

Depreciation expense amounted to \$76,217 and \$70,004 for the years ended June 30, 2013 and 2012, respectively. During the year ended June 30, 2013, CCM disposed of partially-depreciated property with an original cost basis of \$53,145, resulting in a loss of \$1,241. During the year ended June 30, 2012, CCM disposed of fully-depreciated property with an original cost basis of \$125,017 with no gain or loss on disposal.

### 5. San Francisco Redevelopment Agency (SFRA)

CCM entered into an operating agreement with the SFRA on July 1, 1997. The agreement charged CCM with the security, operations and maintenance of a youth arts and cultural facility for the City's youth and families on behalf of San Francisco. In February 2012, the California State Legislature enacted legislation that provided for the state to retrieve funds from redevelopment agencies throughout the state in order to address the state's budget crisis. Consequently, the SFRA was dissolved and all of its existing obligations and commitments were transferred to a successor agency, the San Francisco Office of Community Investment and Infrastructure (OCII). Currently, the California State Department of Finance is working to ensure that all of the assets, obligations and agreements that these agencies (including the SFRA) manage are successfully transferred to a new owner who can continue the project, consistent with the dissolution law. The OCII is currently researching various ownership models and engaging the community in the process. In November 2013, the OCII will be submitting their recommendation to the State of California for approval.

While the ownership of Yerba Buena Gardens remains in transition, CCM effectively extended the original 15-year agreement with the former SFRA for another 10 years. The agreement was extended in July 2012, and may be terminated by either party during the term of the agreement upon default by either party. The OCII continues to own the facilities of CCM, which consist of the premises occupied by CCM, the Cafe and the Carousel. CCM operates and maintains the premises for and on behalf of the OCII during the term of the agreement.

(continued)

# CHILDREN'S CREATIVITY MUSEUM

## Notes to Financial Statements

### 5. San Francisco Redevelopment Agency (SFRA) *(continued)*

CCM was previously required to set aside a total of \$150,000 and to place this amount in a special reserve fund to be held in a manner and place and subject to controls to be approved by SFRA at its sole discretion. SFRA waived the funding of this special reserve through June 30, 2004 and established new requirements in the Ninth Amendment for funding two reserve accounts: (a) the Interior Reserve Fund and (b) the Operating Reserve Fund. For the years ended June 30, 2012 and 2011 CCM was required to deposit an amount equal to 3% of the SFRA-approved Security, Operations and Maintenance (SOM) funds into each reserve account.

The OCII distributes quarterly payments to CCM during the following months: July, October, February and May. The OCII is aware that CCM may need to draw upon reserves during times of tight cash flow and replenish the reserves later. In June 2013, CCM temporarily pulled money out of its operating reserve line while waiting for the next cash installment from the OCII. In July 2013, CCM received its scheduled payment from the successor agency and immediately replenished the reserves to their previous balance.

### 6. Note Payable and Line of Credit

At June 30, 2013 CCM had a revolving line of credit account with a financial institution with a \$100,000 total available commitment. The line of credit had no outstanding balance at June 30, 2013 and 2012. The note is secured by CCM's personal property and fixtures and, if utilized, accrues interest at the bank's prime rate plus 3% (6.25% as of June 30, 2013).

### 7. Net Assets

CCM recognizes support from temporarily restricted net assets when the restrictions imposed by the donors have been satisfied or expired. A reconciliation of beginning and ending temporarily restricted net assets is summarized as follows:

	June 30, 2012			June 30, 2013
	Beginning		Released to	Ending
Donor	Balance	Additions	Unrestricted	Balance
Bank of America (Museums on Us)	\$ 7,500	\$ -	\$ 7,500	\$ -
The Campbell Foundation	13,833	-	13,833	-
David B. Gold Foundation	5,000	-	5,000	-
Kimball Foundation	25,000	-	25,000	-
Dean and Margaret Lesher Foundation	15,833	-	10,000	5,833
Joseph R McMicking Foundation	5,833	8,333	5,833	8,333
Microsoft Corporation	9,170	-	9,170	-
Other	2,000	-	2,000	-
Target	20,000	20,000	20,000	20,000
Yerba Buena Community Benefit District	15,000	6,000	15,000	6,000
Totals	\$ 119,169	\$ 34,333	\$ 113,336	\$ 40,166

# CHILDREN'S CREATIVITY MUSEUM

## Notes to Financial Statements

### 8. In-kind Contributions (Donated Services, Materials and Facilities)

CCM recognizes donated services which create and enhance non-financial assets or that require specialized skills (such as professional services which would otherwise need to be purchased if not provided by donation). There are also unpaid volunteers who have made significant contributions of time to various departments or programs of CCM. The value of this contributed time is not reflected in the financial statements because it is not susceptible to objective measurement or valuation and therefore did not meet the criteria for recognition under ASC 958.605.30-11 "*Revenue Recognition of Not-For-Profit Entities.*"

During the years ended June 30, 2013 and 2012, CCM was the recipient of a substantial amount of in-kind contributions which satisfied the provisions of ASC 958.605.30-11 and these donated services, materials and facilities were recorded at their estimated fair market values as program and supporting revenues and expenses. The values of these contributions, as reflected on the statement of activities and changes in net assets are as follows for the years ended June 30, 2013 and 2012:

	2013	2012
Exhibit design and production	\$ 236,800	-
Hospitality	2,000	172
Materials and other	926	-
Professional services	158,467	2,500
Technology	154,253	43,637
Total in-kind contributions received	\$ 552,446	46,309

### 9. Functional Allocation of Expenses

The costs of providing CCM's various programs and other activities have been summarized on a functional basis in the statement of activities and changes in net assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

### 10. Deferred Revenue

Deferred revenue of \$16,712 and \$7,069 at June 30, 2013 and 2012, respectively, represents funds received in advance of facility rentals, summer camps, group sales and other program activities for the following fiscal year. Such amounts have been reflected as short-term liabilities and will be reported as program and activity revenue on the statement of activities and changes in net assets in the subsequent fiscal period.

## Notes to Financial Statements

### 11. 403(b) Annuity Plan

CCM has a 403(b) tax-deferred retirement plan administered by Lincoln Financial Advisors. Employees are permitted to make contributions to the retirement plan under a pre-tax arrangement. There were no employer contributions (matching or otherwise) for the years ended June 30, 2013 and 2012. Distributions from the 403(b) plan are made only pursuant to all applicable laws and regulations.

### 12. Commitments and Contingencies

CCM leases office equipment under rental contracts requiring total monthly rental payments of \$2,331 through April 2017. Minimum annual payments under all equipment leases are as follows: \$27,969 due during the year ending June 30, 2013; \$25,983 due during the year ending June 30, 2014; \$25,585 due during the year ending June 30, 2015; \$25,585 due during the year ending June 30, 2016, and \$21,321 due during the year ending June 30, 2017.

In the normal course of business there are outstanding various commitments and contingent liabilities, such as commitments to enter into contracts and to engage in future projects, which are not entirely reflected in the financial statements. Such commitments and contingencies also include risks associated with various economic and operating factors, which include (a) Grant restrictions and donor conditions which obligate CCM to fulfill certain requirements as set forth in grant instruments, (b) Funding levels which vary based on factors beyond CCM's control, such as generosity of donors and general economic conditions, (c) Employment and service agreements with key management and consulting personnel, and (d) Financial risks associated with funds on deposit at bank and investment brokerage accounts. Management believes that such commitments, contingencies and risks will not have a material adverse effect on the financial statements. Certain of the grants and contracts are subject to audit and final acceptance by the granting agency. Current and prior costs of such grants are subject to adjustment upon such review.

### 13. Compensated Absences (Accrued Payroll and Related Benefits)

Financial statement presentation follows the recommendations of ASC 710.25, *Compensated Absences*. Under ASC 710.25, CCM is required to record a liability for the estimated amounts of compensation for future absences. Employees are permitted to accrue a specific number of hours of vacation which is payable upon termination of the employee. Sick leave is not paid upon termination. Annual leave accruals are recorded in the financial statements as an accrued liability on the statements of financial position based on hourly rates for the subsequent fiscal year. Accrued vacation payable amounted to \$40,743 and \$31,632 as of June 30, 2013 and 2012, respectively.

### 14. Subsequent Events

In compliance with ASC 855, *Subsequent Events*, CCM has evaluated subsequent events through October 10, 2013, the date the financial statements were available to be issued, and, in the opinion of management, there are no subsequent events which need to be disclosed.