



# Children's Creativity Museum

## Financial Statements

**For the years ended  
June 30, 2019 and 2018**

With Independent Auditors' Report Thereon

# Children's Creativity Museum

(A California Not-for-Profit Corporation)

The Children's Creativity Museum (CCM) is a hands-on, interactive arts and technology experience. Our mission is to nurture creativity and collaboration in all children and families. We believe that creative expression, innovation, and critical thinking are core to fostering the next generation.

Located in the Yerba Buena cultural district in the heart of San Francisco, the museum was originally named Zeum. In 2011 the name was changed to the Children's Creativity Museum. During the fiscal year 2017-2018 we served more than 124,000 youth and their families ranging in age from 2 to 12, through our general admission experience, school and summer field trips, camps, workshops and our Creativity Theatre. This surpassed our previous attendance of 123,000 +/-.

As the neighborhood continues to develop and the Yerba Buena/Moscone Center Central Subway stop opens an additional public transit option directly across from the museum, we look forward to continued growth. We work closely with our cultural neighbors through the Yerba Buena Alliance and our greater business and residential neighbors through the Yerba Buena Community Benefit District to make certain we are a known and vital resource.

## Fiscal Year 2018-2019 Board of Directors and Staff

Name	Office
Jon Deane	Chair
Tiffany Zarem	Vice Chair
Rhiana Maidenberg	Secretary
Yumi Clark	Treasurer
Nithin Iyengar	Director
Kim Milosevich	Director
Sunita Mohanty	Director
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Andy Russell	Director
Mala Sharma	Director
Senthil Singaravelu	Director
Paul Smith	Director
Coe Leta Stafford	Director
Paul Wang	Director

### Executive Director

Carol Tang

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RACHEL BERGER, CPA  
ROELEEN JOOSTE, CPA

**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 statement of financial position as of June 30, 2019 and the related statements of activities and changes in net assets, cash flows and functional expenses for the year then ended, and the related notes to the financial statements.

***Management's Responsibility for the Financial Statements***

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

***Auditor's Responsibility***

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

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

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

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Children's Creativity Museum as of June 30, 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.

***Other Matters***

We have previously audited Children's Creativity Museum's June 30, 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated January 11, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2019 is consistent, in all material respects, with the audited financial statements from which it has been derived.

1<sup>st</sup> Draft

Danville, California  
April 26, 2020

# Children's Creativity Museum

## Statement of Financial Position

June 30, 2019

*(with Summarized Financial Information as of June 30, 2018)*

	Net Assets		2019	2018
	Without Donor Restrictions	With Donor Restrictions		
<b>ASSETS</b>				
Current assets:				
Cash and cash equivalents	\$ 57,710	\$ -	\$ 57,710	\$ 67,931
Cash reserves	28,471	60,674	<b>89,145</b>	234,837
Accounts receivable	46,592	-	<b>46,592</b>	73,234
Inventory	6,109	-	<b>6,109</b>	14,749
Prepaid expenses and other assets	32,384	-	<b>32,384</b>	37,874
Total current assets	171,266	60,674	<b>231,940</b>	428,625
Noncurrent assets:				
Property and equipment, net	428,284	-	<b>428,284</b>	229,067
Total assets	599,550	60,674	<b>660,224</b>	\$ 657,692
<b>LIABILITIES AND NET ASSETS</b>				
Current liabilities:				
Accounts payable and accrued liabilities	\$ 212,266	\$ -	\$ 212,266	\$ 147,048
Unearned revenue	56,277	-	<b>56,277</b>	93,080
Loan payable: short-term portion	34,076	-	<b>34,076</b>	23,445
Security deposits payable	500	-	<b>500</b>	500
Total current liabilities	303,119	-	<b>303,119</b>	264,073
Noncurrent liabilities:				
Loan payable: long-term portion	13,789	-	<b>13,789</b>	34,557
Total liabilities	316,908	-	<b>316,908</b>	298,630
Net assets:				
Without donor restrictions:				
Board-designated for cash reserves	28,471	-	<b>28,471</b>	234,837
Undesignated	254,171	-	<b>254,171</b>	113,662
With donor restrictions:				
	-	60,674	<b>60,674</b>	10,563
Total net assets	282,642	60,674	<b>343,316</b>	359,062
Total liabilities and net assets	\$ 599,550	\$ 60,674	<b>\$ 660,224</b>	\$ 657,692

## Children's Creativity Museum

Statement of Activities and Changes in Net Assets  
Year Ended June 30, 2019  
(with Summarized Financial Information for the Year Ended June 30, 2018)

	Net Assets		2019 Total	2018 Total
	Without Donor Restrictions	With Donor Restrictions		
<i>Changes in net assets:</i>				
Revenue and support:				
<i>Contributions, donations and grants:</i>				
Foundation and corporate grants	\$ 3,369	\$ 101,500	\$ 104,869	\$ 83,440
Government - SFOCII	600,000	-	600,000	600,000
Government - other	407,345	-	407,345	45,980
Individual contributions	86,381	-	86,381	93,926
In-kind donations	69,333	-	69,333	113,092
<i>Net assets released from restrictions:</i>				
Satisfaction of temporary restrictions	51,389	(51,389)	-	-
Total contributions, donations and grants	1,217,817	50,111	1,267,928	936,438
<i>Earned revenue:</i>				
Memberships	200,628	-	200,628	191,636
Admissions	760,731	-	760,731	756,867
Facility rentals	449,930	-	449,930	378,711
Museum store	16,001	-	16,001	19,482
Other income	2,747	-	2,747	19,879
Investment income	1,336	-	1,336	792
Total earned revenue	1,431,373	-	1,431,373	1,367,367
Total revenue and support	2,649,190	50,111	2,699,301	2,303,805
Expenses:				
Programs:				
Education	568,591	-	568,591	509,748
Exhibits	377,225	-	377,225	276,052
Community outreach	173,431	-	173,431	169,437
Visitor experience	970,001	-	970,001	643,751
Total programs and experience	2,089,248	-	2,089,248	1,598,988
Administration	492,641	-	492,641	481,374
Fundraising	133,158	-	133,158	148,743
Total expenses	2,715,047	-	2,715,047	2,229,105
Increase (decrease) in net assets	(65,857)	50,111	(15,746)	74,700
Net assets at beginning of year	348,499	10,563	359,062	284,362
Net assets at end of year	\$ 282,642	\$ 60,674	\$ 343,316	\$ 359,062

## Children's Creativity Museum

### Statements of Cash Flows Years Ended June 30, 2019 and 2018

	2019	2018
<i>Operating activities:</i>		
Increase (decrease) in net assets	\$ (15,746)	\$ 74,700
Adjustments to reconcile to cash provided by (used for) operating activities:		
Depreciation	62,831	50,508
<i>Changes in:</i>		
Accounts receivable	26,642	(66,161)
Pledges and grants receivable	-	2,500
Inventory	8,640	3,107
Prepaid expenses and other assets	5,490	(957)
Accounts payable and accrued liabilities	65,218	48,611
Unearned revenue	(36,803)	(61,456)
Cash provided by operating activities	116,272	50,852
<i>Investing activities:</i>		
Acquisition of property and equipment	(262,048)	(102,596)
Cash used for investing activities	(262,048)	(102,596)
<i>Financing activities:</i>		
Transfers from (to) restricted cash reserves	145,692	(52,938)
Borrowings	60,039	-
Principal payments to reduce outstanding debt	(70,176)	(23,445)
Cash provided by (used for) financing activities	135,555	(76,383)
Net decrease in cash and cash equivalents	(10,221)	(128,127)
Cash and cash equivalents at beginning of year	67,931	196,058
Cash and cash equivalents at end of year	\$ 57,710	\$ 67,931
<i>Additional cash flow information:</i>		
California registration fee paid	\$ 150	\$ 150
Interest paid	\$ 3,963	\$ 5,392

## Children's Creativity Museum

### Statement of Functional Expenses Year Ended June 30, 2019

*(with Summarized Financial Information for the Year Ended June 30, 2018)*

Expenses	Administration	Fundraising	Education	Exhibits	Community Outreach	Visitor Experience	Total 2019	Total 2018
Salaries	\$ 272,256	\$ 78,471	\$ 409,953	\$ 149,881	\$ 143,416	\$ 481,657	\$ 1,535,634	\$ 1,246,679
Payroll taxes	23,610	6,652	35,647	13,216	12,238	41,219	132,582	110,761
Employee benefits, medical	17,456	4,931	26,338	9,726	9,082	30,069	97,602	89,396
Workers compensation	2,741	773	4,115	1,535	1,425	4,767	15,356	12,930
Intern/Volunteer reimbursement	-	-	1,000	-	-	-	1,000	3,115
Staff development	379	50	2,863	-	-	274	3,566	9,333
Staff appreciation	2,476	-	1,742	73	2,832	1,715	8,838	6,651
Meetings	3,013	421	42	-	290	357	4,123	4,535
Travel and transportation	5,147	-	2,075	1,982	154	1,865	11,223	4,079
Marketing and advertising	603	13	1,163	7	1,715	346	3,847	4,152
Consulting fees - legal	23,916	6,219	-	-	-	-	30,135	45,717
Consulting fees - accounting	48,511	-	-	-	-	-	48,511	47,845
Consulting fees - IT	322	451	613	492	-	1,612	3,490	9,827
Consulting fees - other	6,972	-	2,924	41,222	-	96,821	147,939	15,280
Subcontractors	-	-	-	63,263	-	507	63,770	43,200
Payroll processing fees	7,678	-	-	-	-	-	7,678	6,995
Dues and memberships	5,790	266	722	2,571	1,340	951	11,640	12,041
Management fees	6,241	8,487	11,519	4,244	-	98,388	128,879	119,544
Telecommunications	1,984	2,778	3,770	1,389	-	9,921	19,842	27,899
Supplies and materials	2,466	1,321	24,391	26,814	309	22,384	77,685	80,902
Postage and shipping	252	16	41	52	-	822	1,183	1,928
Printing and publications	161	-	384	-	-	3,195	3,740	9,651
Graphics and signage	-	-	231	4,810	-	920	5,961	2,386
Insurance	11,219	7,567	11,084	3,783	-	27,025	60,678	58,286
Expendable equipment, furnishings, and software	290	-	-	-	630	19,713	20,633	7,229
Equipment rental	834	1,168	1,585	584	-	8,308	12,479	8,984
Repairs and maintenance	1,045	1,316	2,970	2,933	-	11,454	19,718	25,750
Utilities	11,618	9,405	12,764	4,703	-	34,502	72,992	59,750
Service fees	16,087	2,419	6,119	5,268	-	25,948	55,841	58,802
Other taxes, licenses, and fees	1,626	-	3,500	-	-	-	5,126	2,612
Bank fees and finance charges	1,000	-	-	-	-	25,447	26,447	27,412
Interest	3,963	-	-	-	-	-	3,963	5,392
Depreciation	12,977	434	589	38,677	-	10,154	62,831	50,508
Miscellaneous	8	-	447	-	-	78	533	1,145
Cost of sales	-	-	-	-	-	9,582	9,582	8,389
<b>Total Expenses</b>	<b>\$ 492,641</b>	<b>\$ 133,158</b>	<b>\$ 568,591</b>	<b>\$ 377,225</b>	<b>\$ 173,431</b>	<b>\$ 970,001</b>	<b>\$ 2,715,047</b>	<b>\$ 2,229,105</b>



## Notes to Financial Statements June 30, 2019 and 2018

### 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. CCM's mission is to nurture creativity and collaboration in all children and families. CCM believes that creative expression, innovation, and critical thinking are core to fostering the next generation.

### 2. Summary of Significant Accounting Policies

**Basis of Presentation** – The financial statements of CCM have been prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles ("US GAAP").

**Measure of Operations** – The statement of activities reports all changes in net assets, including changes in net assets from operating and nonoperating activities. Operating activities consist of those items attributable to CCM's ongoing operations which include a variety of programmatic activities. Nonoperating activities are limited to resources that generate return from investments and other activities considered to be of a more unusual or nonrecurring nature.

**Cash and Cash Equivalents** – CCM's cash consists of cash on deposit with banks. Cash equivalents represent savings, cash deposits and money market accounts with maturity dates of three months or less from the date of inception.

**Concentrations of Credit Risk** – Financial instruments that potentially subject CCM to concentrations of credit risk consist principally of cash and cash equivalents and deposits. CCM maintains its cash and cash equivalents in various bank accounts that, at times, may exceed federally insured limits. CCM manages deposit concentration risk by placing cash and money market accounts with financial institutions believed to be creditworthy.

To date, CCM has not experienced losses in any of these accounts. Credit risk associated with accounts receivable is considered to be limited due to high historical collection rates and because substantial portions of the outstanding amounts are due from reputable organizations and foundations supportive of CCM's mission.

**Accounts Receivable** – Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Discount amortization, if applicable, is included in contribution revenue. Conditional promises to give are not included as support until the conditions are met.

**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 expressions.

Notes to Financial Statements  
June 30, 2019 and 2018

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

**Fair Value Measurements** – Fair value is defined as the price that would be received to sell an asset in the principal or most advantageous market for the asset in an orderly transaction between market participants on the measurement date. Fair value should be based on the assumptions market participants would use when pricing an asset. US GAAP establishes a fair value hierarchy that prioritizes investments based on those assumptions.

The fair value hierarchy gives the highest priority to quoted prices in active markets (observable inputs) and the lowest priority to an entity's assumptions (unobservable inputs). CCM groups assets at fair value in three levels, based on the markets in which the assets and liabilities are traded and the reliability of the assumptions used to determine fair value. These levels are:

Level 1

Unadjusted quoted market prices for identical assets or liabilities in active markets as of the measurement date.

Level 2

Other observable inputs, either directly or indirectly, including:

- Quoted prices for similar assets/liabilities in active markets;
- Quoted prices for identical or similar assets in non-active markets;
- Inputs other than quoted prices that are observable for the asset/liability; and,
- Inputs that are derived principally from or corroborated by other observable market data.

Level 3

Unobservable inputs that cannot be corroborated by observable market data.

In some cases, the inputs used to measure the fair value of an asset or a liability might be categorized within different levels of the fair value hierarchy. In those cases, the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. Assessing the significance of a particular input to entire measurement requires judgment, taking into account factors specific to the asset or liability. The categorization of an asset within the hierarchy is based upon the pricing model of the asset and does not necessarily correspond to our assessment of the quality, risk or liquidity profile of the asset or liability.

**Property and Equipment** – CCM's policy is to record acquisitions of property and equipment at cost or, if donated, at fair market value on the date of donation.

Costs of maintenance and repairs are expensed currently. CCM reviews the carrying values of all assets for impairment whenever events or circumstances indicate that the carrying value of an asset may not be recoverable from the estimated economic utility and/or future cash flows expected to result from its use and eventual disposition.

(*continued*)

Notes to Financial Statements  
June 30, 2019 and 2018

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

**Property and Equipment** *(continued)* – Depreciation expense is calculated 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** – CCM is organized as a California nonprofit corporation and has been recognized by the IRS as exempt from federal income taxes under IRC Section 501(a) as organizations described in IRC Section 501(c)(3), qualify for the charitable contribution deduction under IRC Sections 170(b)(1)(A)(vi) and (viii), and has been determined not to be private foundations under IRC Sections 509(a)(1) and (3), respectively. CCM is required to annually file a Return of Organization Exempt from Income Tax (Form 990) with the IRS. In addition, the entities are subject to income tax on net income that is derived from business activities that are unrelated to their exempt purpose. CCM files an Exempt Organization Business Income Tax Return (Form 990-T) with the IRS to report its unrelated business taxable income, if any.

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. The exemptions are subject to periodic review by the federal and state taxing authorities and management is confident that CCM continues to satisfy all federal and state statutes in order to qualify for continued tax exemption status.

**Revenue and Revenue Recognition** – Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met. When applicable, revenue earned under a contractual arrangement (an “exchange transaction”) is recognized when earned and therefore measured as services are provided.

Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Contributions that are restricted by the donor are reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the contribution is recognized.

**Comparative Financial Information** – CCM’s financial statements include certain prior-year summarized comparative information in total but not by functional category. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America (GAAP). Accordingly, such information should be read in conjunction with our audited financial statements for the year ended June 30, 2018, from which the summarized information was derived.

Notes to Financial Statements  
June 30, 2019 and 2018

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

**Functional Allocation of Expenses** – The costs of providing program and other activities have been summarized on a functional basis in the statements of activities and changes in net assets. Accordingly, certain costs have been allocated among services and supporting services benefited. Such allocations are determined by management on an equitable basis. A majority of expenses (such as salaries and wages, rent and utilities, insurance, and other overhead) have been allocated based on time and effort using CCM's payroll allocations. Other expenses (such as professional services and other direct costs) have been allocated in accordance with the specific services received from vendors.

**Reclassifications** – Certain prior year amounts have been reclassified to conform to fiscal year 2019 presentation. These changes had no impact on previously reported changes in net assets.

**Net Assets** – Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Thus, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions

Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board has the ability to designate, from net assets without donor restrictions, net assets for an operating reserve and board-designated endowment, and it has opted to do so as of June 30, 2019. As of June 30, 2019 and 2018, Board-designated operating reserve amounted to \$89,145 and \$234,837, respectively.

Net Assets With Donor Restrictions

Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions can be perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue when the assets are placed in service. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

**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 that affect certain reported amounts 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.

**Donated Services and In-Kind Contributions** – Contributed services and costs are reflected at the fair value of the contribution received. The contributions of services and costs are recognized if they (a) create or enhance nonfinancial assets or (b) require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. Such amounts, which are based upon information provided by third-party service providers, are recorded at their estimated fair value determined on the date of contribution and are reported as contributions in-kind and supporting services on the accompanying statement of activities and statements of functional expenses.

Notes to Financial Statements  
June 30, 2019 and 2018

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

**Recent and Relevant Accounting Pronouncements** – The following pronouncements became effective for fiscal years beginning subsequent to December 15, 2017:

In August 2016, the FASB issued *ASU 2016-14, Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. CCM has adjusted the presentation of these statements accordingly.

In February 2016, the FASB issued *ASU 2016-02, Leases (Topic 842) Accounting for Leases*, which requires lessees to recognize leases on-balance sheet and disclose key information about leasing arrangements. Topic 842 was subsequently amended by *ASU No. 2018-01*, *ASU No. 2018-10*, and *ASU No. 2018-11*. This new pronouncement is effective for fiscal years beginning after December 15, 2018. CCM has elected not to early adopt and will evaluate the impact on their financial statements when they do adopt.

The new standard establishes a right-of-use model (ROU) that requires a lessee to recognize a ROU asset and lease liability on the statements of financial position for all leases with a term longer than 12 months. Leases are required to be classified as finance or operating, with classification affecting the pattern and classification of expense recognition in the statement of activities and changes in net assets.

In August 2014, the FASB issued *ASU 2014-15, Presentation of Financial Statements—Going Concern (Subtopic 205-40) Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern*, which requires an organization's management to evaluate whether there are conditions and events, considered in the aggregate, that raise substantial doubt about an entity's ability to continue as a going concern within one year after the date that the financial statements are issued (or within one year after the date that the financial statements are available to be issued, when applicable). As of April 26, 2020 (the date of the Independent Auditors' Report), CCM management has made this evaluation and has determined that CCM has the ability to continue as a going concern.

In June 2018, the FASB issued *ASU 2018-08, Not-for-Profit Entities (Topic 958) – Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The FASB issued this update to clarify and improve the scope and the accounting guidance for contributions received and contributions made. The amendments in this Update should assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of Topic 958, Not-for-Profit Entities, or as exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional. Accordingly, CCM has incorporated these clarifying standards within the audited financial statements.

Notes to Financial Statements  
June 30, 2019 and 2018

**3. Cash and Cash Equivalents**

Cash and cash equivalents consist of the following at June 30:

	<b>2019</b>	<b>2018</b>
Checking (noninterest-bearing)	\$ 57,710	\$ 67,931
Board designated for SFOCII (interest-bearing at 0.3%)	<b>89,145</b>	234,837
Total cash and cash equivalents	<b>\$ 146,855</b>	<b>\$ 302,768</b>

Cash and cash equivalents include all funds in banks (checking, savings, and money market) with maturity dates of three months or less. From time to time, certain deposits may exceed balances insured by the Federal Deposit Insurance Corporation. CCM attempts to limit its credit risk and exposure by only utilizing highly rated financial institutions.

In connection with its agreement with SFOCII (see Note 14 below), CCM is required to set aside certain amounts as a special reserve fund to be held in a manner and place and subject to controls enforced by SFOCII. These reserves are reflected as Board-designated for cash reserves on the statements of financial position.

**4. Accounts Receivable**

Accounts receivable of \$46,592 and \$73,234 at June 30, 2019 and 2018, respectively, consist of amounts due within one year from various sources. CCM uses the direct write-off method with regards to pledges receivable deemed uncollectible. There were no bad debt write-offs involving accounts receivable for the years ended June 30, 2019 and 2018. Management has evaluated the accounts receivable as of June 30, 2019 and determined that such amounts are fully collectible based on the financial strength of the donors involved. Accounts receivable are classified as a Level 2 asset at June 30, 2019 and 2018.

**5. Liquidity**

CCM regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the safeguarding of its available funds. CCM has various sources of liquidity at its disposal, including cash and equivalents, and other sources (including the future collection of accounts receivable).

For purposes of analyzing resources available to meet general expenditures over a 12-month period, CCM considers all expenditures related to its ongoing activities in support of community initiatives to be general expenditures.

CCM receives a substantial amount of support by way of restricted contributions. Because donor restrictions require resources to be used in a particular manner or in a future period, CCM must maintain sufficient resources to meet those responsibilities to its donors. Thus, financial assets may not be available for general expenditures within one year. *(continued)*

## Children's Creativity Museum

### Notes to Financial Statements June 30, 2019 and 2018

#### 5. Liquidity *(continued)*

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, comprise the following:

Cash and cash equivalents	\$ 146,855
Accounts receivable	46,592
Total financial assets	<u>193,447</u>
Less: amounts not available to be used within one year:	
Net assets with donor restrictions for programs	<u>(60,674)</u>
Financial assets available to meet general expenditures over the next year	<u><b>\$ 132,773</b></u>

As part of CCM's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations become due.

#### 6. Property and Equipment

Property and equipment consist of the following at June 30:

	<b>2019</b>	<b>2018</b>
Furniture and Fixtures	<b>\$ 49,886</b>	\$ 47,228
Multimedia Equipment	<b>23,276</b>	14,221
Computers and Software	<b>151,405</b>	149,191
Leasehold Equipment	<b>70,789</b>	70,789
Exhibits	<b>537,269</b>	337,821
Theater Equipment	<b>86,700</b>	38,027
Less: accumulated depreciation	<b>(491,041)</b>	(428,210)
Property and equipment, net	<u><b>\$ 428,284</b></u>	<u>\$ 229,067</u>

Depreciation expense amounted to \$62,831 and \$50,508 for the years ended June 30, 2019 and 2018, respectively.

#### 7. Lease

As of June 30, 2019, CCM is obligated under a long-term equipment lease which requires a monthly remittance of \$717. Minimum annual payments extending beyond one year are as follows: Year ending June 30, 2020: \$6,864; Year ending June 30, 2021: \$6,864; Year ending June 30, 2022: \$6,864; Year ending June 30, 2023: \$960; and Year ending June 30, 2024: \$720.

## Children's Creativity Museum

### Notes to Financial Statements June 30, 2019 and 2018

#### 8. Security Deposits Payable

Security deposits payable of \$500 at June 30, 2019 and 2018 represent payments received from third parties under facility usage agreements. CCM retains the funds as security and either refunds or retains the deposits in accordance with the terms of the agreements.

#### 9. Unearned Revenue

Unearned revenue of \$56,277 and \$93,080 at June 30, 2019 and 2018, 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 a current liability and will be reported as program and activity revenue on the statement of activities and changes in net assets in a subsequent fiscal period.

#### 10. 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, 2019 and 2018. Distributions from the 403(b) plan are made only pursuant to all applicable laws and regulations.

#### 11. 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, 2019 and 2018, CCM was the recipient of certain 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:

	2019	2018
Exhibit, workshop, and inventory items	\$ -	\$ 10,887
Events	-	3,608
Supplies and equipment	6,277	14,880
Professional services	63,056	83,717
Total In-Kind Contributions	<u>\$ 69,333</u>	<u>\$ 113,092</u>



## Children's Creativity Museum

### Notes to Financial Statements June 30, 2019 and 2018

#### 12. 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. Annual leave accruals are recorded in the financial statements as an accrued liability based on hourly rates in effect at the end of the fiscal year. Accrued payroll liabilities amounted to \$93,845 and \$70,289 at June 30, 2019 and 2018, respectively, and are included with accounts payable and accrued liabilities on the statement of financial position.

#### 13. Loans Payable

Loans payable are summarized as follows at June 30:

	2019	2018
Loan payable to The Northern California Community Loan Fund (NCCLF), bearing interest at the fixed rate of 7.50% per annum, payable as follows: (a) interest only during the first twelve months; and (b) principal and interest payments beginning with the thirteenth month and continuing through the 72 <sup>nd</sup> month. This loan was fully paid off during the year ended June 30, 2019.	\$ -	\$ 58,002
Loan payable to Citibank, bearing interest at the effective rate of 8.0% per annum, payable in equal installments of \$2,346 over 24 months, with a final maturity date of December 31, 2020.	<b>39,692</b>	-
Line of credit with Citibank to fund short-term operating needs. Outstanding balances are assessed at a variable rate associated with the prime rate. The line of credit has a total available balance of \$45,000 and, when utilized, is subject to annual renewal conditions every November in accordance with the terms of the loan agreement.	<b>8,173</b>	-
Total Loans Payable	<b>\$ 47,865</b>	<b>\$ 58,002</b>

Principal payments under loans payable over the next five years are as follows: **Year ending June 30, 2020: \$34,076; and Year ending June 30, 2021: \$13,789.** Interest expense amounted to \$3,963 and \$5,392 for the years ended June 30, 2019 and 2018, respectively, and is included in administration expenses on the statement of activities and changes in net assets.

## Children's Creativity Museum

### Notes to Financial Statements June 30, 2019 and 2018

#### 14. San Francisco Office of Community Investment and Infrastructure (SFOCII)

CCM runs its operations under an operating agreement with the San Francisco Office of Community Investment and Infrastructure (SFOCII) under a long-term arrangement. SFOCII owns 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 SFOCII during the term of the agreement. The agreement charges 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.

SFOCII distributes quarterly payments to CCM during the months of July, October, February and May. SFOCII is aware that CCM may need to draw upon reserves during times of tight cash flow and replenish the reserves later. During the fiscal years ended June 30, 2019 and 2018, CCM received \$600,000 and \$600,000, respectively, from SFOCII for operational funding needs.

#### 15. Net Assets

##### Net Assets With Donor Restrictions

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

Donor	June 30, 2018			June 30, 2019	
	Beginning Balance	Additions	Releases	Ending Balance	
Capital One	\$ 1,252	\$ 25,000	\$ 17,470	\$ 8,782	
Gordon & Betty Moore Foundation	-	10,000	10,000	-	
Franklin Institute	9,311	12,000	9,926	11,385	
Yerba Buena Community Benefit District	-	12,500	9,000	3,500	
Adobe Foundation	-	20,000	-	20,000	
ASTC	-	2,000	2,000	-	
Koret of California	-	20,000	2,993	17,007	
Totals	\$ 10,563	\$ 101,500	\$ 51,389	\$ 60,674	

Contributions to net assets with donor restrictions amounted to \$101,500 and \$62,200 for the years ended June 30, 2019 and 2018, respectively. During the years ended June 30, 2019 and 2018, \$51,389 and \$99,746, respectively, were released from restrictions and transferred to net assets without donor restrictions.

##### Net Assets Without Donor Restrictions

Net assets without donor restrictions (previously unrestricted net assets) of \$282,642 and \$348,499 at June 30, 2019 and 2018, respectively, represents the cumulative operating surpluses of CCM since its inception. Board-designated funds amounted to \$89,145 and \$234,837 at June 30, 2019 and 2018, respectively, and have been carved out of net assets without donor restrictions by the Board to establish future reserves for the organization's operating activities.

**Notes to Financial Statements  
June 30, 2019 and 2018**

**16. Commitments and Contingencies**

In the normal course of business there are outstanding various commitments and contingent liabilities, such as commitments to enter into contracts and future funding agreements, which are not 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 personnel, including executive officers of the organization, and (d) Financial risks associated with funds on deposit in accounts at financial institutions. Certain of the grants and contracts (including current and prior costs) are subject to adjustment upon review and final acceptance by the granting agencies. Management believes that such commitments, contingencies and risks will not have a material adverse effect on the financial statements.

**17. Subsequent Events**

In compliance with *ASC 855, Subsequent Events*, CCM has evaluated subsequent events through April 26, 2020, the date the financial statements were available to be issued. Subsequent to June 30, 2019 (the end of CCM's fiscal year), the novel coronavirus threat (which became widespread during February and March 2020) has (a) significantly impacted financial markets, (b) diminished potential revenue streams, and (c) affected private enterprises with which CCM conducts business. These financial statements do not contain any adjustments related to economic losses which may or may not be realized by CCM as a result of these events. In the opinion of management, there are no other subsequent events which are required to be disclosed.