



# Children's Creativity Museum

## Financial Statements

**For the years ended  
June 30, 2020 and 2019**  
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 2019-2020 Board of Directors and Staff

Name	Office
Jon Deane	Co-Chair
Eduardo Pineda	Co-Chair
Tiffany Zarem	Vice Chair
Rhiana Maidenberg	Secretary
Paul Wang	Secretary
Melissa Rich	Treasurer
Caroline Ada	Director
Sonia Chang	Director
Raj Kapoor	Director
Merve Lapus	Director
Kim Milosevich	Director
Andy Russell	Director
Mala Sharma	Director
Senthil Singaravelu	Director
Paul Smith	Director
Coe Leta Stafford	Director

**Executive Director**  
Carol Tang

# Children's Creativity Museum

(A California Not-for-Profit Corporation)

## Contents

	<u>Page</u>
<b>Independent Auditors' Report</b>	1
 <b>Financial Statements:</b>	
Statement of Financial Position	2
Statement of Activities and Changes in Net Assets	3
Statements of Cash Flows	4
Statement of Functional Expenses	5
Notes to Financial Statements	6 - 18

**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, 2020 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.

***Auditors' 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 auditors' 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, 2020, 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, 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated April 26, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2020 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Danville, California  
April 16, 2021

*Regalia & Associates*

## Children's Creativity Museum

### Statement of Financial Position

June 30, 2020

*(with Summarized Financial Information as of June 30, 2019)*

	Net Assets		2020	2019
	Without Donor Restrictions	With Donor Restrictions		
<b>ASSETS</b>				
Current assets:				
Cash and cash equivalents	\$ 577,173	\$ 30,000	\$ 607,173	\$ 57,710
Cash reserves	92	-	92	89,145
Accounts receivable	50,848	5,000	55,848	46,592
Inventory	7,786	-	7,786	6,109
Prepaid expenses and other assets	27,133	-	27,133	32,384
Total current assets	663,032	35,000	698,032	231,940
Noncurrent assets:				
Property and equipment, net	319,298	-	319,298	428,284
Total assets	\$ 982,330	\$ 35,000	\$ 1,017,330	\$ 660,224
<b>LIABILITIES AND NET ASSETS</b>				
Current liabilities:				
Accounts payable and accrued liabilities	\$ 108,040	\$ -	\$ 108,040	\$ 212,266
Unearned revenue	275,215	-	275,215	56,277
Loan payable to Citibank	17,910	-	17,910	34,076
Loan payable to SBA under the Paycheck Protection	336,400	-	336,400	-
Security deposits payable	500	-	500	500
Total current liabilities	738,065	-	738,065	303,119
Noncurrent liabilities:				
Loan payable to SBA for working capital	150,000	-	150,000	13,789
Total liabilities	888,065	-	888,065	316,908
Net assets:				
Without donor restrictions:				
Board-designated for cash reserves	92	-	92	28,471
Undesignated	94,173	-	94,173	254,171
With donor restrictions:	-	35,000	35,000	60,674
Total net assets	94,265	35,000	129,265	343,316
Total liabilities and net assets	\$ 982,330	\$ 35,000	\$ 1,017,330	\$ 660,224

## Children's Creativity Museum

### Statement of Activities and Changes in Net Assets

Year Ended June 30, 2020

(with Summarized Financial Information for the Year Ended June 30, 2019)

	Net Assets		2020 Total	2019 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	\$ 55,471	\$ 36,805	\$ 92,276	\$ 104,869
Government grants	230,857	-	230,857	407,345
Individual contributions	66,842	-	66,842	86,381
In-kind donations	11,540	-	11,540	69,333
<i>Net assets released from restrictions:</i>				
Satisfaction of temporary restrictions	62,479	(62,479)	-	-
Total contributions, donations and grants	427,189	(25,674)	401,515	667,928
<i>Earned revenue:</i>				
Yerba Buena Gardens Conservancy	600,000	-	600,000	600,000
Memberships	134,944	-	134,944	200,628
Admissions	500,859	-	500,859	760,731
Facility rentals	336,041	-	336,041	449,930
Museum store	6,170	-	6,170	16,001
Other income	4,225	-	4,225	2,747
Investment income	96	-	96	1,336
Total earned revenue	1,582,335	-	1,582,335	2,031,373
Total revenue and support	2,009,524	(25,674)	1,983,850	2,699,301
Expenses:				
Programs	1,645,872	-	1,645,872	2,089,248
Administration	446,280	-	446,280	492,641
Fundraising	105,749	-	105,749	133,158
Total expenses	2,197,901	-	2,197,901	2,715,047
Decrease in net assets	(188,377)	(25,674)	(214,051)	(15,746)
Net assets at beginning of year	282,642	60,674	343,316	359,062
Net assets at end of year	\$ 94,265	\$ 35,000	\$ 129,265	\$ 343,316

## Children's Creativity Museum

### Statements of Cash Flows Years Ended June 30, 2020 and 2019

	2020	2019
<b>Operating activities:</b>		
Decrease in net assets	\$ (214,051)	\$ (15,746)
Adjustments to reconcile to cash provided by (used for) operating activities:		
Depreciation	113,640	62,831
<i>Changes in:</i>		
Accounts receivable	(9,256)	26,642
Inventory	(1,677)	8,640
Prepaid expenses and other assets	5,251	5,490
Accounts payable and accrued liabilities	(104,226)	65,218
Unearned revenue	218,938	(36,803)
Cash provided by operating activities	8,619	116,272
<b>Investing activities:</b>		
Acquisition of property and equipment	(4,654)	(262,048)
Cash used for investing activities	(4,654)	(262,048)
<b>Financing activities:</b>		
Transfers from restricted cash reserves	89,053	145,692
Proceeds from loan payable to SBA	486,400	-
Borrowings under line of credit	45,000	60,039
Principal payments applied to loans payable	(74,955)	(70,176)
Cash provided by financing activities	545,498	135,555
Net increase (decrease) in cash and cash equivalents	549,463	(10,221)
Cash and cash equivalents at beginning of year	57,710	67,931
Cash and cash equivalents at end of year	\$ 607,173	\$ 57,710
<i>Additional cash flow information:</i>		
California registration fees paid	\$ 150	\$ 150
Interest paid	\$ 4,699	\$ 3,963

## Children's Creativity Museum

### Statement of Functional Expenses Year Ended June 30, 2020

*(with Summarized Financial Information for the Year Ended June 30, 2019)*

	Administration	Fundraising	Programs	Total 2020	Total 2019
Salaries	\$ 160,203	\$ 70,113	\$ 944,170	\$ 1,174,486	\$ 1,535,634
Intern/Volunteer reimbursement	-	-	893	893	1,000
Payroll taxes	13,673	6,098	84,704	104,475	132,582
Employee benefits, medical	15,621	5,770	79,927	101,318	97,602
Workers compensation	1,845	752	10,551	13,148	15,356
Staff development	470	116	62	648	3,566
Staff appreciation	506	-	183	689	8,838
Meetings	1,369	333	1,980	3,682	4,123
Travel and transportation	813	-	4,271	5,084	11,223
Marketing and advertising	2,529	21	2,454	5,004	3,847
Consulting fees - legal	-	-	-	-	30,135
Consulting fees - accounting	37,591	-	-	37,591	48,511
Consulting fees - design and production	-	-	760	760	-
Consulting fees - IT	110	54	800	964	3,490
Consulting fees - other	123,945	366	75,916	200,227	147,939
In kind consulting	1,340	317	4,934	6,591	-
Subcontractors	-	-	29,900	29,900	63,770
Payroll processing fees	8,176	-	-	8,176	7,678
Dues and memberships	3,283	115	1,864	5,262	11,640
Management fees	6,484	2,880	82,901	92,265	128,879
Telecommunications	2,116	961	12,505	15,582	19,842
Supplies and materials	2,661	400	43,527	46,588	77,685
Postage and shipping	183	154	964	1,301	1,183
Printing and publications	133	205	2,267	2,605	3,740
Graphics and signage	-	-	707	707	5,961
Insurance	13,103	4,348	52,358	69,809	60,678
Expendable equipment, furnishings, and software	406	149	4,612	5,167	20,633
Equipment rental	1,065	522	6,686	8,273	12,479
Repairs and maintenance	1,468	462	8,750	10,680	19,718
Utilities	8,410	2,451	32,283	43,144	72,992
Service fees	17,284	2,007	37,440	56,731	55,841
Other taxes, licenses, and fees	972	-	6,084	7,056	5,126
Bank fees and finance charges	895	-	17,484	18,379	26,447
Interest	4,975	(20)	(256)	4,699	3,963
Depreciation	14,633	7,171	91,836	113,640	62,831
Miscellaneous	18	4	50	72	533
Cost of sales	-	-	2,305	2,305	9,582
<b>Total Expenses</b>	<b>\$ 446,280</b>	<b>\$ 105,749</b>	<b>\$ 1,645,872</b>	<b>\$ 2,197,901</b>	<b>\$ 2,715,047</b>

## Notes to Financial Statements June 30, 2020 and 2019

### 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, 2020 and 2019

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.

***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.

Notes to Financial Statements  
June 30, 2020 and 2019

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

***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.

***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.

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

***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.

CCM has adopted Accounting Standards Update (ASU) No. 2018-08 *Not-for-Profit Entities: Clarifying the Scope and the Accounting Guidance for Contributions received and Contributions Made (Topic 605)* as management believes the standard improves the usefulness and understandability of the Organization’s financial reporting.

Notes to Financial Statements  
June 30, 2020 and 2019

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

**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, 2019, from which the summarized information was derived.

**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.

**Reclassifications** – Certain prior year amounts have been reclassified to conform to fiscal year 2020 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 without donor restrictions consist of funds which are 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, 2020. As of June 30, 2020 and 2019, Board-designated operating reserve amounted to \$92 and \$89,145, respectively, equal to the balances in CCM money market accounts at the end of the fiscal years.

Net Assets With Donor Restrictions

Net assets with donor restrictions consist of funds which are subject to donor-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.

Notes to Financial Statements  
June 30, 2020 and 2019

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

**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.

**Recent and Relevant Accounting Pronouncements** – The following pronouncements represent relevant current accounting guidance applicable to nonprofit organizations:

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.

In May 2014, the FASB issued *Accounting Standards Update (ASU) 2014-09, Revenue from Contracts with Customers (Topic 606)*. The FASB issued this update to establish the principles to report useful information to users of financial statements about the nature, timing, and uncertainty of revenue from contracts with customers. Contract may be a combination of an exchange transaction and a contribution. Revenue recognition will need to follow a five-step model set forth under this ASU. This standard is effective for entities with annual reporting periods beginning after December 15, 2019. Accordingly, CCM will evaluate the impact this has on its revenue recognition procedures and implement for its fiscal year ending June 30, 2021.

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 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 16, 2021 (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.

# Children's Creativity Museum

## Notes to Financial Statements June 30, 2020 and 2019

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

#### **Recent and Relevant Accounting Pronouncements** *(continued)*

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 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. This pronouncement is effective for fiscal years beginning after December 15, 2019 and CCM continues to evaluate the impact on the financial statements.

### 3. Cash and Cash Equivalents

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

	2020	2019
Checking (noninterest-bearing)	\$ 607,173	\$ 57,710
Board designated for SFOCII (interest-bearing at 0.3%)	92	89,145
Total cash and cash equivalents	<u>\$ 607,265</u>	<u>\$ 146,855</u>

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 8 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 statement of financial position. The funds from this reserve were temporarily released in the current year for operating needs. Management anticipates the required reserve funds will be replenished during the June 2021 fiscal year.

### 4. Accounts Receivable

Accounts receivable of \$38,174 and \$46,592 at June 30, 2020 and 2019, respectively, consist of amounts due within one year from various sources. CCM uses the direct write-off method with regards to receivables deemed uncollectible. There were no bad debt write-offs involving accounts receivable for the years ended June 30, 2020 and 2019. Management has evaluated the accounts receivable as of June 30, 2020 and determined that such amounts are fully collectible based on the financial strength of the donors involved. Accounts receivable are classified as Level 2 assets at June 30, 2020 and 2019.

## Children's Creativity Museum

### Notes to Financial Statements June 30, 2020 and 2019

#### 5. Fair Value Measurements

Composition of assets utilizing fair value measurements at June 30, 2020 is as follows:

	Totals	Level 1	Level 2	Level 3
Accounts receivable	\$ 38,174	\$ -	\$ 38,174	\$ -
Totals	<u>\$ 38,174</u>	<u>\$ -</u>	<u>\$ 38,174</u>	<u>\$ -</u>

Composition of assets utilizing fair value measurements at June 30, 2019 is as follows:

	Totals	Level 1	Level 2	Level 3
Accounts receivable	\$ 46,592	\$ -	\$ 46,592	\$ -
Totals	<u>\$ 46,592</u>	<u>\$ -</u>	<u>\$ 46,592</u>	<u>\$ -</u>

Fair value measurements establish a fair value hierarchy that prioritizes the input used to measure fair value. This hierarchy consists of three broad levels: (a) Level 1 measurement reflects the value of the investments at quoted prices in active markets for identical assets, generally without any adjustments, (b) Level 2 assets and liabilities are valued based on "observable inputs" other than quoted active market prices, including quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in inactive markets, and interest rates and yield curves, and (c) Level 3 assets and liabilities are valued based on "unobservable inputs," such as a company's own estimates and pricing models. CCM had no assets classified as Level 1 or Level 3 at June 30, 2020 and 2019.

#### 6. Property and Equipment

Property and equipment consist of the following at June 30:

	2020	2019
Furniture and Fixtures	\$ 49,886	\$ 49,886
Multimedia Equipment	23,276	23,276
Computers and Software	151,405	151,405
Leasehold Equipment	70,789	70,789
Exhibits	541,922	537,269
Theater Equipment	86,701	86,700
Less: accumulated depreciation	(604,681)	(491,041)
Property and equipment, net	<u>\$ 319,298</u>	<u>\$ 428,284</u>

Depreciation expense amounted to \$113,640 and \$62,831 for the years ended June 30, 2020 and 2019, respectively.

## Children's Creativity Museum

### Notes to Financial Statements June 30, 2020 and 2019

#### 7. 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, 2020 and 2019, 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:

	2020	2019
Exhibit, workshop, and inventory items	\$ 3,120	\$ -
Events	3,320	-
Supplies and equipment	-	6,277
Professional services	5,100	63,056
Total In-Kind Contributions	<u>\$ 11,540</u>	<u>\$ 69,333</u>

#### 8. Yerba Buena Gardens Conservancy

CCM runs its operations under an operating agreement with Yerba Buena Gardens Conservancy (the Conservancy). Previously, CCM operated and maintained the premises for and on behalf of the San Francisco Office of Community Investment and Infrastructure.

In July 2019, the City of San Francisco approved the transfer of oversight and operations to the Conservancy. This change completed the shift in the overall management and ownership to a collaborative partnership between the Conservancy and the City of San Francisco. This new structure allows for private donations, grants, and other sources of improvements to supplement built-in financing. A board of directors of community members and city appointees governs the Conservancy. During the years ended June 30, 2020 and 2019, CCM received \$600,000 and \$600,000, respectively, for operational funding under the arrangement.

#### 9. Lease

As of June 30, 2020, CCM is obligated under a long-term equipment lease which requires a monthly remittance of \$572. Minimum annual payments extending beyond one year are as follows: 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.

Notes to Financial Statements  
June 30, 2020 and 2019

**10. Security Deposits Payable**

Security deposits payable of \$500 at June 30, 2020 and 2019 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.

**11. 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.

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:

	<b>2020</b>	<b>2019</b>
Cash and cash equivalents (including cash reserves)	<b>\$ 607,265</b>	\$ 146,855
Accounts receivable	<b>38,174</b>	46,592
Total financial assets	<b>645,439</b>	193,447
Less: amounts not available to be used within one year:		
Net assets with donor restrictions for programs	<b>(35,000)</b>	(60,674)
Financial assets available to meet general expenditures over the next year	<b>\$ 610,439</b>	\$ 132,773

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

**12. 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, 2020 and 2019. Distributions from the 403(b) plan are made only pursuant to all applicable laws and regulations.

## Children's Creativity Museum

### Notes to Financial Statements June 30, 2020 and 2019

#### 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. 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 \$64,253 and \$93,845 at June 30, 2020 and 2019, respectively, and are included with accounts payable and accrued liabilities on the statement of financial position.

#### 14. Loans Payable

Loans payable are summarized as follows at June 30:

	2020	2019
Loan payable to U.S. Small Business Administration (SBA) bearing interest at the fixed rate of 2.75% per annum, payable in equal installments of \$641 over 30 years beginning June 2021, with a final maturity date of June 2050. See Note 17 for additional information.	\$ 150,000	\$ -
Paycheck Protection Plan loan from SBA pursuant to the CARES Act. Loan will mature in two years with interest accruing at the fixed rate of 1.0% per annum. If funds are used according to the provisions of the CARES Act, CCM can apply for forgiveness. See Note 17 for additional information.	336,400	-
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.	17,910	39,692
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.	-	8,173
<b>Total Loans Payable</b>	<b>\$ 504,310</b>	<b>\$ 47,865</b>

Principal payments under loan agreements over the next five years are as follows: Year ending June 30, 2021: \$354,310; Year ending June 30, 2022: \$0; Year ending June 30, 2023: \$2,967; Year ending June 30, 2024: \$3,695 and Year ending June 30, 2025: \$143,338. Interest expense amounted to \$4,699 and \$3,963 for the years ended June 30, 2020 and 2019, 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, 2020 and 2019

#### 15. Net Assets

##### Net Assets Without Donor Restrictions

Net assets without donor restrictions of \$94,265 and \$282,642 at June 30, 2020 and 2019, respectively, represents the cumulative operating surpluses of CCM since its inception. Board-designated funds amounted to \$92 and \$89,145 at June 30, 2020 and 2019, 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.

##### Net Assets With Donor Restrictions

CCM recognizes support from net assets with donor restrictions 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:

<b>Donor</b>	<b>June 30, 2019</b>		<b>June 30, 2020</b>	
	<b>Beginning Balance</b>	<b>Additions</b>	<b>Releases</b>	<b>Ending Balance</b>
Capital One	\$ 8,782	\$ -	\$ 8,782	\$ -
Franklin Institute	11,385	30,805	32,190	10,000
Yerba Buena Community Benefit District	3,500	5,000	3,500	5,000
Adobe Foundation	20,000	-	-	20,000
Arizona State University	-	1,000	1,000	-
Koret of California	17,007	-	17,007	-
Totals	<u>\$ 60,674</u>	<u>\$ 36,805</u>	<u>\$ 62,479</u>	<u>\$ 35,000</u>

Contributions to net assets with donor restrictions amounted to \$36,805 and \$101,500 for the years ended June 30, 2020 and 2019, respectively. During the years ended June 30, 2020 and 2019, \$62,479 and \$51,389, respectively, were released from restrictions and transferred to net assets without donor restrictions.

#### 16. Unearned Revenue

Unearned revenue of \$275,215 and \$56,277 at June 30, 2020 and 2019, 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.

**Notes to Financial Statements  
June 30, 2020 and 2019**

**17. Loans Payable to the SBA**

Loan Payable to SBA under the Paycheck Protection Program

During May 2020, CCM received \$336,400 in a forgivable loan under the Small Business Administration (SBA) Paycheck Protection Program ("PPP"). Congress established the PPP to provide relief to small businesses during the coronavirus pandemic as part of the \$2 trillion Coronavirus Aid, Relief, and Economic Security (CARES) Act, P.L. 116-136. This legislation authorized the United States Treasury Department to use the SBA's 7(1) small business lending program to fund loans of up to \$10 million per borrower that qualifying entities can spend to cover payroll, interest, rent and utilities.

CCM expended the funds for payroll, operating overhead, and other eligible costs in accordance with its agreement with the SBA. Management fully anticipates that it will satisfy the PPP's eligibility and loan forgiveness criteria, enabling the funds to be reclassified from a liability to contributed income.

As of June 30, 2020, loan payable to SBA under the Paycheck Protection Program amounted to \$336,400 on the statement of financial position. Based on the guidance in *FASB ASC 405-20-40-1, Liabilities*, the proceeds from the loan would remain recorded as a liability until either (1) the loan is, in part or wholly, forgiven and the debtor has been "legally released" or (2) the debtor pays off the loan to the creditor. Once the loan is, in part or wholly, forgiven and legal release is received, CCM is instructed to reduce the liability by the amount forgiven and record the forgiven loan as income.

Loan Payable to SBA for Working Capital

In June 2020, CCM obtained a \$150,000 low interest loan from the SBA bearing interest at the fixed rate of 2.75% payable over 30 years. Loan proceeds are to be used as working capital to alleviate economic injury due to the pandemic. CCM is obligated to make monthly principal and interest payments of \$641 beginning June 9, 2021. CCM is required to obtain and itemize receipts (paid receipts, paid invoices or cancelled checks) and contracts for all loan funds spent and retain such receipts for three years from the date of the final disbursement. Other loan covenants include restrictions on what kinds of expenses are allowable, maintenance of books and records, production of financial statements, and certain certifications to comply with the loan agreement.

**18. 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.

**Notes to Financial Statements**  
**June 30, 2020 and 2019**

**19. COVID-19**

In late 2019, there was an outbreak of a novel strain of coronavirus (COVID-19) which was characterized as a pandemic by the World Health Organization on March 11, 2020. The novel coronavirus threat has (a) significantly impacted financial markets, (b) potentially diminished revenue streams, and (c) impacted private enterprises with which CCM conducts business.

Business continuity, including supply chains and consumer demand across a broad range of industries and countries, could be severely impacted for months or beyond as governments and their citizens take significant and unprecedented measures to mitigate the consequences of the pandemic. Management is carefully monitoring the situation and evaluating its options during this time. These financial statements do not contain any adjustments related to economic losses which may or may not be realized by the Company as a result of these events.

**20. Subsequent Events**

In compliance with *ASC 855, Subsequent Events*, CCM has evaluated subsequent events through April 16, 2021, the date the financial statements were available to be issued and, in the opinion of management, there are no subsequent events which are required to be disclosed.