ShareWell dba Cayton Children's Museum

(A California Nonprofit Corporation)

Financial Statements

June 30, 2022 and 2021

CONTENTS

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
ShareWell

Opinion

We have audited the accompanying financial statements of ShareWell dba the Cayton Children's Museum (a nonprofit organization), which comprise the statement of financial position as of June 30, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of ShareWell dba the Cayton Children's Museum (the Organization) as of June 30, 2022, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

Report on Summarized Comparative Information

We have previously audited the Organization's 2021 financial statements and we expressed an unmodified audit opinion on those audited financial statements in our report dated February 7, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2021, is consistent, in all material respects, with the 2021 audited financial statements from which it has been derived.

Windes, Inc.

Long Beach, California
March 28, 2023

CAYTON CHILDREN'S MUSEUM
(A California Nonprofit Corporation)

STATEMENT OF FINANCIAL POSITION
JUNE 30, 2022
(WITH COMPARATIVE TOTALS FOR 2021)

ASSETS

	2022	2021
ASSETS		
Cash and cash equivalents	$ 1,344,523	$ 1,610,334
Investments	1,073,060	573,447
Contributions receivable, net	2,722,638	3,448,192
Prepaid expenses	71,800	66,617
Property and equipment, net	8,763,798	10,013,964
TOTAL ASSETS	$ 13,975,819	$ 15,712,554

LIABILITIES AND NET ASSETS

	2022	2021
LIABILITIES		
Accounts payable and accrued liabilities	$ 401,952	$ 304,265
Deferred revenue	6,964	-
Paycheck Protection Program loans	390,400	780,800
Deferred rent	1,308,582	1,082,290
Notes payable, net	-	2,707,375
Economic Injury Diaster Loan	2,000,000	-
TOTAL LIABILITIES	4,107,898	4,874,730
COMMITMENTS AND CONTINGENCIES (Note 13)		
NET ASSETS		
Without donor restrictions		
Undesignated	8,244,734	8,846,125
Board designated	563,677	624,347
	8,808,411	9,470,472
With donor restrictions	1,059,510	1,367,352
TOTAL NET ASSETS	9,867,921	10,837,824
TOTAL LIABILITIES AND NET ASSETS	$ 13,975,819	$ 15,712,554

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

CAYTON CHILDREN'S MUSEUM
(A California Nonprofit Corporation)

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2022
(WITH COMPARATIVE TOTALS FOR 2021)

	2022			2021
	Without Donor Restrictions	With Donor Restrictions	Total	Total
REVENUE AND SUPPORT				
Contributions	$ 519,145	$ 214,000	$ 733,145	$ 863,415
Foundation and corporate grants	235,336	50,000	285,336	1,330,388
Government grants and contracts	1,238,036	-	1,238,036	79,370
Admissions and program revenue	906,955	-	906,955	28,690
Membership dues	245,647	-	245,647	176,488
Special events, net	769,881	-	769,881	695,295
Donated services	25,299	-	25,299	203,663
Donated rent	582,484	-	582,484	744,429
Investment (loss) gains, net	(103,851)	-	(103,851)	94,080
PPP loan forgiveness	390,400	-	390,400	-
Other income	6,374	-	6,374	208,639
Net assets released from restrictions	571,842	(571,842)	-	-
TOTAL REVENUE AND SUPPORT	5,387,548	(307,842)	5,079,706	4,424,457
EXPENSES				
Program services				
Museum programs	4,381,149	-	4,381,149	3,158,993
Community programs	462,958	-	462,958	495,236
Total program services	4,844,107	-	4,844,107	3,654,229
Supporting services				
Management and general	689,255	-	689,255	529,617
Fundraising	516,247	-	516,247	640,853
Total supporting services	1,205,502	-	1,205,502	1,170,470
TOTAL EXPENSES	6,049,609	-	6,049,609	4,824,699
CHANGE IN NET ASSETS	(662,061)	(307,842)	(969,903)	(400,242)
NET ASSETS, BEGINNING OF YEAR	9,470,472	1,367,352	10,837,824	11,238,066
NET ASSETS, END OF YEAR	$ 8,808,411	$ 1,059,510	$ 9,867,921	$ 10,837,824

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

CAYTON CHILDREN'S MUSEUM
(A California Nonprofit Corporation)

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2022
(WITH COMPARATIVE TOTALS FOR 2021)

	2022							2021
	Program Services			Support Services				
	Museum Programs	Community Programs	Total Program Services	Management and General	Fundraising	Total Support Services	Total	Total
Payroll	$ 1,253,809	$ 274,313	$ 1,528,122	$ 142,465	$ 259,835	$ 402,300	$ 1,930,422	$ 1,174,913
Payroll taxes and employee benefits	252,475	62,572	315,047	24,715	95,022	119,737	434,784	348,349
TOTAL PERSONNEL COSTS	1,506,284	336,885	1,843,169	167,180	354,857	522,037	2,365,206	1,523,262
Bank fees	-	-	-	58,285	-	58,285	58,285	15,848
Facilitators and performers	2,906	-	2,906	-	-	-	2,906	41,850
Information technology and data	81,257	12,882	94,139	4,991	15,938	20,929	115,068	114,382
Insurance	36,083	7,896	43,979	4,094	7,476	11,570	55,549	42,230
Interest expense	-	-	-	80,853	-	80,853	80,853	150,216
Donated services	7,500	-	7,500	17,799	-	17,799	25,299	203,663
Marketing	29,436	2,236	31,672	4,327	16,320	20,647	52,319	49,692
Materials and supplies	77,698	18,184	95,882	2,233	1,770	4,003	99,885	52,653
Miscellaneous	9,396	1,956	11,352	5,350	4,020	9,370	20,722	32,020
Catering	45,724	-	45,724	-	-	-	45,724	-
Museum rent	357,052	27,114	384,166	15,551	25,672	41,223	425,389	245,753
In-kind rent	488,908	37,128	526,036	21,295	35,153	56,448	582,484	744,429
Occupancy expense	304,316	2,170	306,486	17,769	2,055	19,824	326,310	52,573
Printing	13,324	749	14,073	1,197	5,688	6,885	20,958	18,875
Professional development and training	53,045	9,407	62,452	4,670	9,222	13,892	76,344	33,180
Professional fees	3,900	1,692	5,592	211,305	7,992	219,297	224,889	127,831
Repairs and maintenance	49,301	-	49,301	1,396	-	1,396	50,697	47,708
Signage	411	-	411	-	26,560	26,560	26,971	124
Store inventory	82,146	-	82,146	-	-	-	82,146	160
Travel, mileage and parking	16,766	4,659	21,425	2,290	3,524	5,814	27,239	6,059
Bad debt expense	-	-	-	-	-	-	-	57,000
Depreciation and amortization	1,215,696	-	1,215,696	68,670	-	68,670	1,284,366	1,265,191
TOTAL FUNCTIONAL EXPENSES	$ 4,381,149	$ 462,958	$ 4,844,107	$ 689,255	$ 516,247	$ 1,205,502	$ 6,049,609	$ 4,824,699

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

CAYTON CHILDREN'S MUSEUM
(A California Nonprofit Corporation)

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2022
(WITH COMPARATIVE TOTALS FOR 2021)

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ (969,903)	$ (400,242)
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation and amortization expense	1,284,366	1,265,191
Loss on disposal of property and equipment	1,556	34,665
Net realized and unrealized loss (gains) on investments	120,050	(87,266)
Donated stock	(48,907)	(111,160)
Proceeds from capital campaign	(407,000)	(1,849,509)
Forgiveness income on Paycheck Protection Program loans	(390,400)	-
Noncash interest expense	24,543	62,630
Change in operating assets and liabilities:		
Contributions receivable	725,554	1,713,017
Prepaid expenses	(5,183)	(26,627)
Accounts payable and accrued liabilities	73,144	(171,255)
Deferred revenue	6,964	(171,656)
Deferred rent	226,292	243,422
Net Cash Provided By Operating Activities	641,076	501,210
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of investments	46,296	844,890
Purchases of investments	(617,052)	(714,898)
Purchases of property and equipment	(18,583)	(129,507)
Net Cash (Used In) Provided By Investing Activities	(589,339)	485
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from capital campaign	407,000	1,849,509
Payment on line of credit	-	(75,000)
Proceeds from Paycheck Protection Program loans	-	390,400
Proceeds from Economic Injury Diaster Loan	2,000,000	-
Repayments on notes payable	(2,724,548)	(1,781,350)
Net Cash (Used In) Provided By Financing Activities	(317,548)	383,559
NET CHANGE IN CASH AND CASH EQUIVALENTS	(265,811)	885,254
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	1,610,334	725,080
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 1,344,523	$ 1,610,334
SUPPLEMENTAL CASH FLOW INFORMATION		
Interest paid	$ 56,310	$ 150,216

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

NOTE 1 – Organization

ShareWell, dba the Cayton Children's Museum (the Organization or Cayton Children's Museum), a California nonprofit corporation, that activates the power of play to enrich the lives of children and their families, build stronger, more connected communities, and create a better world. Through the Cayton Children's Museum, the Organization provides outlets for experiential learning and creative expression to nurture children of all backgrounds and abilities to grow into healthy, thriving adults.

The Cayton Children's Museum offers 21,000 square feet of play-based exhibits, art studios, a state-of-the-art theatre, and multipurpose space just blocks from the Pacific Ocean in the heart of Santa Monica. Throughout the year, the museum offers a robust calendar of play-based arts and cultural activities, public programs, field trips, camps, classes and workshops for children up to age 8 and their families. Beyond the museum walls, the Cayton's Community Programs bring play into Los Angeles neighborhoods through partnerships with schools and non-profit organizations. These programs are designed to engage children in the creative, performance, and visual arts to ignite creativity where it is needed most.

For more than 30 years, the Organization has worked to achieve its vision of a world where all children, and the adults they grow up to be, experience the transformational and lifelong benefits of abundant, creative, and purposeful play.

NOTE 2 – Summary of Significant Accounting Policies

Basis of Presentation

The financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

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 reported amounts of assets, liabilities, revenue and expenses as of the date and for the period presented. Actual results could differ from those estimates.

NOTE 2 – Summary of Significant Accounting Policies (Continued)

Recently Adopted Accounting Pronouncement

In September 2020, the FASB issued ASU 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, which requires a not-for-profit to present contributed nonfinancial assets as a separate line item in the statement of activities, disaggregate the amount of contributed nonfinancial assets by category that depicts the type of nonfinancial assets, and provide additional information related to the monetization, utilization, and valuation of the contributed nonfinancial assets. The Organization adopted the standard during the year ended June 30, 2022. No reclassifications to prior-year amounts were necessary in order to adopt the new standard.

Financial Statement Presentation

The Organization reports information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions. Net assets, revenue, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions.

> **Without Donor Restrictions** – Net assets that are not subject to donor-imposed restrictions. The Organization's board may designate net assets without restrictions for specific purposes from time to time.
>
> **With Donor Restrictions** – Net assets subject to donor-imposed restrictions that are temporary in nature that will be met by actions of the Organization or the passage of time. As the restrictions are satisfied, net assets with donor restrictions are reclassified to assets without donor restrictions and reported in the accompanying statement of activities as net assets released from restrictions. Other donor stipulations are perpetual in nature, where the donor stipulates that the corpus be maintained intact in perpetuity. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulations or law. As permitted by ASC 958, the Organization records donor-restricted contributions whose restrictions are met in the same reporting period as contributions without donor restrictions. At June 30, 2022 and 2021, the Organization does not have any net assets that are restricted in perpetuity.

NOTE 2 – Summary of Significant Accounting Policies (Continued)

Prior-Period Information

The financial statements include certain prior-period summarized comparative information in total, but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2021, from which the summarized information was derived.

Cash and Cash Equivalents

The Organization considers all short-term financial instruments purchased with original maturities of three months or less to be cash equivalents. The Organization maintains its cash in bank deposit accounts, which at times may exceed federally insured limits. The Organization has not experienced any losses in such accounts. The Organization believes it is not exposed to any significant credit risk on cash.

Investments

Investments in cash equivalents, equity and debt securities with readily determinable market values are reported at fair value. The fair value of investments is valued at the closing price on the last business day of the fiscal year. Securities are generally held in custodial investment accounts administered by financial institutions.

Investment purchases and sales are accounted for on a trade-date basis. Interest and dividend income is recorded when earned. Gains or losses (including investments bought, sold, and held during the year), and interest and dividend income are reflected in the statement of activities as increases or decreases in unrestricted net assets, unless their use is restricted by donor stipulations or by law.

Investment securities, in general, are exposed to various risks, such as interest rate, credit, and overall market volatility. Due to the level of risk associated with certain long-term investments, it is reasonably possible that changes in the values of these investments will occur in the near term and that such changes could materially affect the amounts reported in the statement of financial position.

NOTE 2 – Summary of Significant Accounting Policies (Continued)

Contributions and Contributions Receivable

Unconditional contributions, including pledges, are recorded at fair value and are recognized as revenue in the period received. The Organization reports unconditional contributions as restricted support if such contributions are received with donor stipulations that limit the use of the donated assets. Unconditional pledges expected to be collected in future years are recorded at the present value of expected future cash flows discounted at an appropriate discount rate commensurate with the risks involved. The discount is determined based on rates at the time of the pledge. As of June 30, 2022, the blended rate on outstanding receivables was 2.46%. Conditional promises to give are not included as support until such time as the conditions are substantially met.

Management provides for probable uncollectible amounts through a charge to bad debt expense and a credit to a valuation allowance based on historical experience and its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to contributions receivable. At June 30, 2021, contributions receivable is recorded net of allowance for doubtful accounts of approximately $20,000. There was no allowance for doubtful accounts at June 30, 2022.

Grant Revenue

Revenue from grants are recorded when unconditional pledge commitments are received. The related revenue that is not restricted by the donor or restricted by time is reported as an increase in net assets without donor restrictions. Revenue that is restricted by the donor is reported as an increase in net assets with donor restrictions.

Property and Equipment

Property and equipment are recorded at cost if purchased or at fair value at the date of donation if donated. Property and equipment are capitalized if the cost of the asset is greater than or equal to $500 and the useful life is greater than one year.

NOTE 2 – Summary of Significant Accounting Policies (Continued)

Property and Equipment (Continued)

Depreciation is computed on the straight-line basis over the estimated useful lives of the property and equipment as follows:

Organization exhibits	7 Years
Furniture, equipment, and computers	3 - 5 Years
Leasehold improvements	Shorter of useful life or the life of the lease

Expenditures for maintenance and repairs are charged to operations as incurred while renewals and betterments are capitalized.

Deferred Rent Obligations

The Organization accounts for rent expense under noncancelable operating leases with scheduled rent increases on a straight-line basis over the lease term beginning with the effective lease commencement date. The excess of straight-line rent expense over schedule payment amounts is recorded as an accrued liability for deferred rent.

Long-Lived Assets

The Organization reviews the carrying value of its long-lived assets for possible impairment whenever events or changes in circumstances indicate that the book value of the assets may not be recoverable. An impairment loss is recognized when the sum of the undiscounted future cash flows is less than the carrying amount of the asset, in which case a write-down is recorded to reduce the related asset to its estimated fair value. No impairment losses were recognized during the years ended June 30, 2022 and 2021.

Revenue Recognition

Fees for service revenue is recognized when service is rendered. Membership dues are considered donations to the Organization as there are no performance obligations and, as such, recognized upon receipt. Deferred revenue includes funds received in advance for fees for summer camps, private parties, and other services.

NOTE 2 – Summary of Significant Accounting Policies (Continued)

Contributed Services and Rent

Contributions of donated noncash assets are recorded at fair value in the period received. Contributions of donated services are recognized if the services received (a) create or enhance long-lived assets, or (b) require specialized skills provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. The Organization received $25,299 and $203,663 of in-kind donated services during the years ended June 30, 2022 and 2021, respectively, included in the accompanying statement of functional expenses.

The Organization also received donated rent in connection with an operating lease as disclosed in Note 13.

Special Event Revenue

Special event revenue relates to the Organization's annual Discovery Awards Dinner and Women of Impact event. Revenue from special events are recognized on the date the event occurs, net of expenses. During the years ended June 30, 2022 and 2021, special event expenses totaled $213,303 (in-person event) and $53,649 (virtual event), respectively.

Admissions and Program Revenue

Revenue without donor restrictions is obtained from admission fees, private party income, sale of merchandise, and program fees. This revenue is recorded when the service is provided, or the merchandise is sold. Admission revenue is recorded when the tickets are used, which is generally within a short time period as these tickets are normally sold on the day of attendance or in advance with a specific time and date of eligible use. Program fees are recorded as revenue on the date the program occurs. Merchandise sales are recorded as revenue upon transfer of the goods to the purchaser, with a very limited right of return. Rental revenue is recorded when the event has taken place.

Income Taxes

The Organization is a nonprofit public benefit corporation organized under the laws of California and, as such, is exempt from federal and state income taxes under Internal Revenue Code (IRC) Section 501(c)(3) and corresponding state provisions.

NOTE 2 – Summary of Significant Accounting Policies (Continued)

Income Taxes (Continued)

The Organization recognizes the financial statement benefit of tax positions, such as filing status of tax-exempt, only after determining that the relevant tax authority would more likely than not sustain the position following an audit. The Organization is subject to potential income tax audits on open tax years by any taxing jurisdiction in which it operates. The statute of limitations for federal and California state purposes is generally three and four years, respectively.

Functional Allocation of Expenses

The costs of providing the Organization's programs and other activities have been presented in the statement of functional expenses. During the year, such costs are accumulated into separate groupings as either direct or indirect. Indirect or shared costs are allocated among program and support services by a method that best measures the relative degree of benefit. Allocations are based on management's estimate of the benefit derived from costs as they relate to each activity. Rent and depreciation are based on square footage. Other shared costs are based on employee salaries per department.

Recently Issued Accounting Pronouncements

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)* (ASU 2016-02). The guidance in this ASU supersedes the leasing guidance in *Leases (Topic 840)*. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the statement of financial position for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the statement of activities and functional expenses. The ASU is effective for the Organization's fiscal year-end beginning after June 30, 2023. The new lease standard requires a modified-retrospective approach for all leases existing at, or entered into after, the date of initial adoption, with an option to elect the use of certain transition relief. The Organization is currently evaluating the impact of the adoption of the new standard on the financial statements.

Subsequent Events

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through March 28, 2023, the date the financial statements were available to be issued.

CAYTON CHILDREN'S MUSEUM
(A California Nonprofit Corporation)

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022
(WITH COMPARATIVE TOTALS FOR 2021)

NOTE 3 – Financial Assets and Liquidity Resources

The following reflects the Organization's financial assets as of the date of the statement of financial position, reduced by amounts not available for general use within one year of the date of the statement of financial position because of contractual or donor-imposed restrictions.

	June 30, 2022	June 30, 2021
Cash and cash equivalents	$ 1,344,523	$ 1,610,334
Investments	1,073,060	573,447
Contributions receivable, net	2,722,638	3,448,192
	$ 5,140,221	$ 5,631,973
Less amounts unavailable for general expenditure within one year due to:		
Restricted by donor with purpose and time restrictions	(1,059,510)	(1,367,352)
Board-designated reserve funds	(563,677)	(624,347)
Contributions receivable due in more than one year, net	(492,300)	(828,231)
Contributions receivable due in less than one year, to be used under the 2019 capital campaign	(893,655)	(794,834)
	(3,009,142)	(3,614,764)
	$ 2,131,079	$ 2,017,209

The Organization maintains a policy of structuring its financial assets to be available as its general expenditures, liabilities, and other obligations come due. The Organization's board of directors has designated a portion of its unrestricted resources for a general reserve. Those amounts are identified as board-designated in the table above. These funds are invested for long-term appreciation but remain available and may be spent at the discretion of the board of directors.

At June 30, 2022, the Organization has available borrowing capacity on its line of credit of $700,000 through March 15, 2024.

NOTE 4 – Investments

The Organization has implemented accounting standards which define fair value for those assets that are re-measured and reported at fair value at each reporting period. This standard establishes a single authoritative definition of fair value, sets out a framework for measuring fair value based on inputs used, and requires additional disclosures about fair value measurements. This standard applies to fair value measurements already required or permitted by existing standards.

In general, fair values determined by level 1 inputs utilize quoted prices (unadjusted) in active markets for identical assets (or liabilities). Fair values determined by level 2 inputs utilize data points that are observable such as quoted prices, interest rates, and yield curves. Fair values determined by level 3 inputs are unobservable data points for the asset (or liability) and include situations where there is little, if any, market activity for the asset (or liability).

The Organization's investments are composed of mutual funds and measured at fair value on a recurring basis and classified as level 1 in the fair value hierarchy at June 30, 2022 and 2021.

Net investment gains consist of the following:

	For the Year Ended June 30, 2022	For the Year Ended June 30, 2021
Interest and dividends, net	$ 16,199	$ 7,176
Net realized and unrealized (loss) gains	(120,050)	86,904
Investment (loss) gains, net	$ (103,851)	$ 94,080

NOTE 5 – Contributions Receivable

Expected future collections of contributions receivable, including pledges for the 2019 capital campaign, as of June 30, 2022 are as follows:

Year Ending June 30,	
2023	$ 1,436,304
2024	848,555
2025	291,833
2026	65,333
2027	33,334
Thereafter	400,000
	2,875,359
Less unamortized discount	(152,721)
	$ 2,722,638

NOTE 6 – Property and Equipment

Property and equipment is summarized as follows:

	June 30, 2022	June 30, 2021
Organization exhibits	$ 3,831,255	$ 3,833,235
Furniture, equipment, and computers	382,883	371,362
Leasehold improvements	8,271,831	8,271,831
	12,485,969	12,476,428
Less accumulated depreciation and amortization	(3,722,171)	(2,462,464)
	$ 8,763,798	$ 10,013,964

Depreciation expense for the years ended June 30, 2022 and 2021 was $1,267,193 and $1,253,743, respectively.

NOTE 7 – Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities consists of the following:

	June 30, 2022	June 30, 2021
Accounts payable	$ 246,287	$ 188,559
Accrued vacation	80,647	58,624
Accrued payroll and payroll taxes	75,018	57,082
	$ 401,952	$ 304,265

NOTE 8 – Line of Credit

The Organization has a revolving bank line of credit with a financial institution which matures on March 15, 2024. The line of credit is secured by the Organization's investment portfolio and bears interest at the prime rate (4.75% at June 30, 2022) plus 0.50%. The maximum borrowable amount is the lesser of (i) $700,000 or (ii) the fair market value of the eligible securities pledged as collateral multiplied by the weighted average of predetermined advance rates. The revolving line of credit includes certain restrictive financial covenants as defined in the agreement, with which the Organization was in compliance or received a waiver of covenants. There was no balance outstanding at June 30, 2022 and 2021.

NOTE 9 – Paycheck Protection Program Loans

In March 2020, Congress passed the Paycheck Protection Program (PPP), authorizing loans to small businesses for use in paying employees that they continue to employ throughout the COVID-19 pandemic and for rent, utilities, and interest on mortgages. Loans obtained through the PPP are eligible to be forgiven as long as the proceeds are used for qualifying purposes and certain other conditions are met.

In April 2020, the Organization received a loan in the amount of $390,400 through the PPP. In August 2021, the Organization received a notification from the Small Business Administration (SBA) that the loan was forgiven in full. The Organization recognized PPP forgiveness income on the accompanying statement of activities of $390,400 for the year ended June 30, 2022.

NOTE 9 – Paycheck Protection Program Loans (Continued)

In February 2021, the Organization received a second PPP loan in the amount of $390,400. Management used the entire loan for qualifying purposes. In August 2022, the Organization was granted forgiveness by the SBA. The Organization will recognize the loan forgiveness on the statement of activities during the year ended June 30, 2023, the year the Organization was granted forgiveness.

NOTE 10 – Notes Payable

Notes payable consisted of the following:

	June 30, 2022	June 30, 2021
Note payable to First Republic Bank; paid in full in 2022	$ -	$ 1,224,548
Note payable to Goldrich Family Foundation; paid in full in 2022	-	1,500,000
	-	2,724,548
Less unamortized debt financing costs	-	(17,173)
	$ -	$ 2,707,375

Debt financing costs amortization expense for the years ended June 30, 2022 and 2021 was $17,173 and $11,448, respectively.

NOTE 11 – Economic Injury Disaster Loan

In January 2022, the Organization received an Economic Injury Disaster Loan (EIDL) under the SBA's assistance program in light of the impact of the COVID-19 pandemic in amount of $2,000,000. Pursuant to the EIDL Agreement, the Organization executed; (i) a note for the benefit of the SBA, which contains customary events of default; and (ii) a Security Agreement, granting the SBA a security interest in all tangible and intangible personal property of the Organization, which also contains customary events of default. The EIDL bears an interest rate of 2.75% per annum which accrues from the date of the advance. Installment payments, including principal and interest, are due monthly beginning July 2024. The balance of principal and interest is payable thirty years from the date of the EIDL Agreement.

NOTE 11 – Economic Injury Disaster Loan (Continued)

Future maturities of notes payable at June 30, 2022 are as follows:

Year Ending June 30,	
2023	$ -
2024	-
2025	-
2026	26,485
2027	54,107
Thereafter	1,919,408
	$ 2,000,000

NOTE 12 – Net Assets With Donor Restrictions

Net assets with donor restrictions restricted for a specific purpose and time are as follows:

	June 30,	
	2022	**2021**
Time restricted	$ 409,510	$ 517,352
Museum programing	650,000	850,000
	$1,059,510	$1,367,352

Net assets of $571,842 and $223,531 were released from donor restrictions through the satisfaction of program requirements and time during the years ended June 30, 2022 and 2021, respectively.

NOTE 13 – Commitments and Contingencies

Government Grants

The Organization's grants are subject to inspection and audit by the corresponding funding agencies. The purpose is to determine whether the funds were used in accordance with funding agency guidelines and regulations. The potential exists for disallowance of previously funded costs. No provision has been made for any liabilities that may arise from such audits, since the amounts cannot be determined.

Operating Leases

The Organization leases facilities and equipment under noncancelable operating leases that expire at various dates through December 2038. The main facility lease was modified during the year ended June 30, 2022. The modification changed the monthly rent under the lease. Accordingly, this lease was accounted for as a lease modification and the lease liability was re-measured effective July 1, 2021.

Additionally, the lessor provided rent relief to the Organization and donated the rent due under the lease from April 2020 through December 2024 as the Cayton Children's Museum was shut down by the state of California due to the spread of the COVID-19 virus. The Financial Accounting Standards Board (FASB) issued non-authoritative guidance which states organizations can elect whether or not to evaluate if concession provided by a lessor to a lessee in response to the COVID-19 pandemic is a lease modification. The Organization recognized donated rent in the amounts of $582,484 and $744,429 for the fiscal years ended June 30, 2022 and 2021, respectively.

The following schedule represents future minimum lease payments under noncancelable operating leases as of June 30, 2022:

Year Ending June 30,	
2023	$ 211,650
2024	320,976
2025	646,304
2026	885,111
2027	913,915
Thereafter	13,590,352
	$ 16,568,308

NOTE 13 – Commitments and Contingencies (Continued)

Operating Leases (Continued)

Rent expense for the years ended June 30, 2022 and 2021 was $1,007,873 and $990,182, respectively.

Litigation, Claims, and Assessments

The Organization is party to certain litigation, claims, and assessments arising in the ordinary course of business.

The Organization is currently in dispute with one of its vendors over final amounts owed related to the construction of the new museum. The Organization accrued for expenses related to the vendor, however, the final settlement amount is still in dispute. Management does not anticipate any new developments in the near future.

Management is not aware of any other matters that would result in material financial impact on the Organization.

NOTE 14 – Retirement Plans

Profit-Sharing Plan

The Organization established a defined contribution retirement plan which covers generally all employees. Eligible employees may make contributions to the plan up to the maximum allowed by law. The defined contribution retirement plan was amended on January 1, 2020 to require employer safe harbor matching contributions. The Organization's contributions to the defined contribution retirement plan for the years ended June 30, 2022 and 2021 totaled $25,348 and $22,866, respectively.

NOTE 14 – Retirement Plans (Continued)

Multiemployer Plan

At the Organization's founding, the Organization and other agencies were under the umbrella of Jewish Federation Council of Greater Los Angeles (collectively, the Federation). The Federation participated in the Basic Pension Plan for Employees of Jewish Federation Council of Greater Los Angeles (JFC), (employer identification number: 95-1643388; plan number: 001), a multiemployer defined benefit and contribution pension plan (the Multiemployer Plan).The Multiemployer Plan covers substantially all benefit eligible employees hired prior to December 31, 2005. Effective January 1, 2006, the Plan was amended to no longer allow the entrance of new participants to the Plan. The risks of participating in the Multiemployer Plan are different from single-employer plans in the following aspects:

- Assets contributed to the Multiemployer Plan by one employer may be used to provide benefits to employees of other participating employers.
- If a participating employer stops contributing to the plan, the unfunded obligations of the plan may be borne by the remaining participating employers.
- If the Organization chooses to stop participating in the Multiemployer Plan, the Organization may be required to pay the Multiemployer Plan an amount based on the underfunded status of the plan, referred to as a withdrawal liability.

The Organization's contributions to the defined benefit pension plan and defined contribution pension plan for the years ended June 30, 2022 and 2021 totaled $99,892 and $97,644, respectively.

The Multiemployer Plan year-end is December 31st. As of December 31, 2022 and 2021, the Multiemployer Plan's funded percentage was more than 80% (the Green Zone). The funded percentage is determined by dividing the value of the plan's assets by the plan's liability for accrued pension benefits, measured as of the first day of the plan year.

The Multiemployer Plan did not have a surcharge imposed and neither a funding improvement plan nor a rehabilitation plan was in place during the years ended December 31, 2022 and 2021.

NOTE 14 – Retirement Plans (Continued)

Multiemployer Plan (Continued)

The law requires that every pension plan have a procedure for establishing a funding policy to carry out plan objectives. A funding policy relates to the level of contributions needed to pay for benefits promised under the Multiemployer Plan currently and in future years. The funding policy of the Multiemployer Plan is to fund the plan based on contributions from the Participating Employers. The Participating Employers are required to make contributions that, collectively, are designed to meet or exceed the minimum ERISA funding requirements. The minimum ERISA funding requirements are determined by an actuary on an annual basis. The Participating Employers' contributions for the Multiemployer Plan's year ended December 31, 2022 and 2021 exceeded the minimum funding requirements of ERISA.