ShareWell dba Cayton Children's Museum

(A California Nonprofit Corporation)

Financial Statements
June 30, 2023 and 2022

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, 2023, 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, 2023, 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.

Emphasis of Matter

As discussed in Note 2, beginning July 1, 2022, the Organization adopted Accounting Standards Update (ASU) No. 2016-02, *Leases (Topic 842)* and its related amendments using the modified-retrospective transition method. Our opinion is not modified with respect to this matter.

Report on Summarized Comparative Information

We have previously audited the Organization's 2022 financial statements and we expressed an unmodified audit opinion on those audited financial statements in our report dated March 28, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2022, is consistent, in all material respects, with the 2022 audited financial statements from which it has been derived.

Windes, Inc.

Long Beach, California
February 28, 2024

CAYTON CHILDREN'S MUSEUM
(A California Nonprofit Corporation)

STATEMENT OF FINANCIAL POSITION
JUNE 30, 2023
(WITH COMPARATIVE TOTALS FOR 2022)

ASSETS

	2023	2022
ASSETS		
Cash and cash equivalents	$ 1,233,201	$ 1,344,523
Investments	1,140,287	1,073,060
Contributions receivable, net	2,802,525	2,722,638
Prepaid expenses	67,222	71,800
Operating lease right-of-use asset	11,701,495	-
Property and equipment, net	7,625,982	8,763,798
TOTAL ASSETS	$ 24,570,712	$ 13,975,819

LIABILITIES AND NET ASSETS

	2023	2022
LIABILITIES		
Accounts payable and accrued liabilities	$ 480,530	$ 401,952
Deferred revenue	503,505	6,964
PPP loans	-	390,400
Deferred rent	-	1,308,582
Operating lease liability	13,210,777	-
Economic Injury Diaster Loan	2,000,000	2,000,000
TOTAL LIABILITIES	16,194,812	4,107,898
COMMITMENTS AND CONTINGENCIES (Note 13)		
NET ASSETS		
Without donor restrictions		
Undesignated	5,741,765	8,244,734
Board designated	588,619	563,677
	6,330,384	8,808,411
With donor restrictions	2,045,516	1,059,510
TOTAL NET ASSETS	8,375,900	9,867,921
TOTAL LIABILITIES AND NET ASSETS	$ 24,570,712	$ 13,975,819

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, 2023
(WITH COMPARATIVE TOTALS FOR 2022)

	2023			2022
	Without Donor Restrictions	With Donor Restrictions	Total	Total
REVENUE AND SUPPORT				
Contributions	$ 301,070	$ 1,205,000	$ 1,506,070	$ 733,145
Foundation and corporate grants	159,327	175,000	334,327	285,336
Government grants and contracts	23,108	60,000	83,108	1,238,036
Admissions and program revenue	1,670,805	-	1,670,805	906,955
Membership dues	181,781	-	181,781	245,647
Special events, net	722,845	-	722,845	769,881
Donated services	29,130	-	29,130	25,299
Donated rent	602,729	-	602,729	582,484
Investment gains (loss), net	32,295	-	32,295	(103,851)
PPP loan forgiveness income	390,400	-	390,400	390,400
Other income	14,251	-	14,251	6,374
Net assets released from restrictions	453,994	(453,994)	-	-
TOTAL REVENUE AND SUPPORT	4,581,735	986,006	5,567,741	5,079,706
EXPENSES				
Program services	5,249,103		5,249,103	4,844,107
Management and general	1,230,657	-	1,230,657	689,255
Fundraising	580,002	-	580,002	516,247
TOTAL EXPENSES	7,059,762	-	7,059,762	6,049,609
CHANGE IN NET ASSETS	(2,478,027)	986,006	(1,492,021)	(969,903)
NET ASSETS, BEGINNING OF YEAR	8,808,411	1,059,510	9,867,921	10,837,824
NET ASSETS, END OF YEAR	$ 6,330,384	$ 2,045,516	$ 8,375,900	$ 9,867,921

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, 2023
(WITH COMPARATIVE TOTALS FOR 2022)

	Program Services	Management and General	Fundraising	Total 2023	Total 2022
Payroll	$ 1,797,330	$ 121,231	$ 340,833	$ 2,259,394	$ 1,930,422
Payroll taxes and employee benefits	383,362	26,207	105,439	515,008	434,784
TOTAL PERSONNEL COSTS	2,180,692	147,438	446,272	2,774,402	2,365,206
Bank fees	-	84,154	-	84,154	58,285
Facilitators and performers	18,990	-	-	18,990	2,906
Information technology and data	111,180	1,952	16,135	129,267	115,068
Insurance	56,360	(3,422)	3,677	56,615	55,549
Interest expense	-	60,776	-	60,776	80,853
Donated services	-	29,130	-	29,130	25,299
Marketing	73,349	3,125	9,025	85,499	52,319
Materials and supplies	85,181	1,724	5,972	92,877	99,885
Miscellaneous	10,690	13,488	3,766	27,944	20,722
Catering	51,746	148	-	51,894	45,724
Museum rent	369,635	10,320	24,054	404,009	425,389
In-kind rent	551,448	15,396	35,885	602,729	582,484
Occupancy expense	312,653	17,973	1,626	332,252	326,310
Printing	12,515	139	7,319	19,973	20,958
Professional development and training	58,016	7,483	12,078	77,577	76,344
Professional fees	27,398	251,101	6,827	285,326	224,889
Repairs and maintenance	44,280	827	1,902	47,009	50,697
Signage	3,934	-	5,188	9,122	26,971
Store inventory	119,799	56	-	119,855	82,146
Travel, mileage, and parking	5,229	963	276	6,468	27,239
Bad debt expense	-	570,160	-	570,160	-
Depreciation and amortization	1,156,008	17,726	-	1,173,734	1,284,366
TOTAL FUNCTIONAL EXPENSES	$ 5,249,103	$ 1,230,657	$ 580,002	$ 7,059,762	$ 6,049,609

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, 2023
(WITH COMPARATIVE TOTALS FOR 2022)

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ (1,492,021)	$ (969,903)
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation and amortization expense	1,173,734	1,284,366
Allowance for bad debt	570,160	-
Amortization of operating right-of-use asset	582,065	-
Loss on disposal of property and equipment	-	1,556
Net realized and unrealized (gain) loss on investments	(32,295)	120,050
Donated stock	(2,629)	(48,907)
Proceeds from capital campaign	(667,410)	(407,000)
Forgiveness income on Paycheck Protection Program loans	(390,400)	(390,400)
Noncash interest expense	55,000	24,543
Change in operating assets and liabilities:		
Contributions receivable	(650,047)	725,554
Prepaid expenses	4,578	(5,183)
Operating lease liabilities	(381,365)	-
Accounts payable and accrued liabilities	23,578	73,144
Deferred revenue	496,541	6,964
Deferred rent	-	226,292
Net Cash (Used In) Provided By Operating Activities	(710,511)	641,076
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of investments	2,716	46,296
Purchases of investments	(35,019)	(617,052)
Purchases of property and equipment	(35,918)	(18,583)
Net Cash Used In Investing Activities	(68,221)	(589,339)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from capital campaign	667,410	407,000
Proceeds from Economic Injury Diaster Loan	-	2,000,000
Repayments on notes payable	-	(2,724,548)
Net Cash Provided By (Used In) Financing Activities	667,410	(317,548)
NET CHANGE IN CASH AND CASH EQUIVALENTS	(111,322)	(265,811)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	1,344,523	1,610,334
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 1,233,201	$ 1,344,523
SUPPLEMENTAL CASH FLOW INFORMATION		
Interest paid	$ 5,776	$ 56,310

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

CAYTON CHILDREN'S MUSEUM
(A California Nonprofit Corporation)

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023
(WITH COMPARATIVE TOTALS FOR 2022)

NOTE 1 – Organization

ShareWell, dba the Cayton Children’s Museum (“the Organization” or “Cayton Children’s Museum”), a California nonprofit corporation, has a mission to activate the power of play to enrich the lives of children and their families, build stronger, more connected communities, and create a better world. The Cayton Children’s Museum provides opportunities for experiential learning and creative expression designed to nurture children of all backgrounds and develop their ability to grow into healthy, thriving adults.

The Cayton Children’s Museum offers a 21,000 square foot facility of hands-on exhibits, art studios, and theater 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 eight and their families. The Cayton partners with schools and non-profit organizations throughout Los Angeles County 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 (U.S. GAAP).

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP 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 February 2016, the Financial Accounting Standards Board (FASB) issued new lease accounting guidance in ASU 2016-02 *Leases (Topic 842)* (ASU 2016-02), which modifies lease accounting for lessees to increase transparency and comparability by requiring the Organization to recognize a lease liability and related right-of-use assets for all leases (with the exception of short-term leases) at the commencement date of the lease and to disclose key information about leasing arrangements.

Effective July 1, 2022, the Organization adopted ASU 2016-02. The Organization determines if an arrangement contains a lease at inception based on whether the Organization has the right to control the asset during the contract period and other facts and circumstances. The Organization elected the package of practical expedients permitted under the transition guidance within the new standard, which among other things, allowed it to carry forward the historical lease classification.

The Organization's policy for determining its lease discount rate used for measuring lease liabilities is to use the rate implicit in the lease whenever that rate is readily determinable. If the rate implicit in the lease is not readily determinable, then the Organization has elected to use the risk-free discount rate, as permitted by U.S. GAAP, determined using a period comparable with that of the lease term.

The Organization has elected a policy to account for short-term leases, defined as any lease with a term less than 12 months, by recognizing all components of the lease payment in the statement of activities in the period in which the obligation for the payments is incurred.

The Organization adopted ASU 2016-02 utilizing the modified-retrospective transition method through a cumulative-effect adjustment. The adoption of ASU 2016-02 as of July 1, 2022 resulted in the recognition of right-of-use assets $12,283,560, net of reclassification of deferred rent of $1,308,582, and operating lease liabilities of $13,592,142. Results for periods beginning prior to July 1, 2022, continue to be reported in accordance with their historical accounting treatment. The adoption of ASU 2016-02 did not have a material impact on the Organization's results of operations or cash flows.

NOTE 2 – Summary of Significant Accounting Policies (Continued)

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 Accounting Standards Codification (ASC) 958 (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, 2023 and 2022, the Organization does not have any net assets that are restricted in perpetuity.

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 U.S. GAAP. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2022, from which the summarized information was derived.

NOTE 2 – Summary of Significant Accounting Policies (Continued)

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.

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, 2023, the blended rate on outstanding receivables was 2.75%. Conditional promises to give are not included as support until such time as the conditions are substantially met.

CAYTON CHILDREN'S MUSEUM
(A California Nonprofit Corporation)

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023
(WITH COMPARATIVE TOTALS FOR 2022)

NOTE 2 – Summary of Significant Accounting Policies (Continued)

Contributions and Contributions Receivable (Continued)

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, 2023, the allowance for doubtful accounts was $526,250. 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.

Depreciation is computed on the straight-line basis over the estimated useful lives of 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.

NOTE 2 – Summary of Significant Accounting Policies (Continued)

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, 2023 and 2022.

Revenue Recognition

Fees for service revenue is recognized when service is rendered. Membership dues in which the Organization has a performance obligation are recognized as income over the period of membership. Certain 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, memberships, and other services.

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 $29,130 and $25,299 of in-kind donated services during the years ended June 30, 2023 and 2022, 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's Philanthropy Circle event. Revenue from special events are recognized on the date the event occurs, net of expenses. During the years ended June 30, 2023 and 2022, special event expenses totaled $235,178 and $213,303, respectively.

NOTE 2 – Summary of Significant Accounting Policies (Continued)

Admission 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.

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.

Concentrations of Credit Risk

At June 30, 2023 and throughout the year, the Organization had cash in financial institutions in excess of federally insured limits. The Organization has not experienced any losses in these accounts and believes it is not exposed to any significant credit risk.

Contributions from one foundation represented 13% of the Organization's revenue for the year ended June 30, 2023 and represented approximately 29% of outstanding receivables at year-end.

NOTE 2 – Summary of Significant Accounting Policies (Continued)

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 Pronouncement

In June 2016, the FASB issued ASC 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, which modifies existing guidance related to the measurement of credit losses on financial instruments, including trade and loan receivables. The new guidance requires the allowance for credit losses to be measured based on expected losses over the life of the asset rather than incurred losses. The guidance is effective for annual and interim periods beginning after December 15, 2022, and early adoption is permitted (effective July 1, 2024 for the Organization). The Organization does not believe the adoption of this pronouncement will have a material impact on the financial statements.

Subsequent Events

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through February 28, 2024, 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, 2023
(WITH COMPARATIVE TOTALS FOR 2022)

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, 2023	June 30, 2022
Cash and cash equivalents	$ 1,233,201	$ 1,344,523
Investments	1,140,287	1,073,060
Contributions receivable, net	2,802,525	2,722,638
	5,176,013	5,140,221
Less amounts unavailable for general expenditure within one year due to:		
Restricted by donor with purpose and time restrictions	(2,045,516)	(1,059,510)
Board-designated reserve funds	(588,619)	(563,677)
Contributions receivable due in more than one year, net	(54,000)	(492,300)
Contributions receivable due in less than one year, to be used under the 2019 capital campaign	(581,500)	(893,655)
	(3,269,635)	(3,009,142)
	$ 1,906,378	$ 2,131,079

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, 2023, the Organization has available borrowing capacity on its line of credit of $700,000 through March 15, 2024.

CAYTON CHILDREN'S MUSEUM
(A California Nonprofit Corporation)

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023
(WITH COMPARATIVE TOTALS FOR 2022)

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, 2023 and 2022.

Net investment gains (loss) consist of the following:

	For the Year Ended June 30, 2023	For the Year Ended June 30, 2022
Interest and dividends, net	$ 23,195	$ 16,199
Net realized and unrealized gains (loss)	9,100	(120,050)
Investment gains (loss), net	$ 32,295	$ (103,851)

NOTE 5 – Contributions Receivable

Expected future collections of contributions receivable, including pledges for the 2019 capital campaign, as of June 30, 2023 are as follows:

Year Ending June 30,	
2024	$ 1,664,944
2025	649,000
2026	323,333
2027	248,333
2028	238,333
Thereafter	369,669
	3,493,612
Less allowance for doubtful accounts	(526,250)
Less unamortized discount	(164,837)
	$ 2,802,525

NOTE 6 – Property and Equipment

Property and equipment are summarized as follows:

	June 30, 2023	June 30, 2022
Organization exhibits	$ 3,856,455	$ 3,831,255
Furniture, equipment, and computers	393,601	382,883
Leasehold improvements	8,271,831	8,271,831
	12,521,887	12,485,969
Less accumulated depreciation and amortization	(4,895,905)	(3,722,171)
	$ 7,625,982	$ 8,763,798

Depreciation expense for the years ended June 30, 2023 and 2022 was $1,173,734 and $1,267,193, respectively.

NOTE 7 – Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities consist of the following:

	June 30,	
	2023	**2022**
Accounts payable	$ 322,220	$ 246,287
Accrued vacation	53,767	80,647
Accrued payroll and payroll taxes	104,543	75,018
	$ 480,530	$ 401,952

NOTE 8 – Line of Credit

The Organization has an agreement for 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 (8.25% at June 30, 2023) 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, 2023 and 2022.

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 employed 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 loan 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 recognized PPP loan forgiveness income on the accompanying statement of activities of $390,400 for the year ended June 30, 2023.

In addition, for the years ended June 30, 2023 and 2022, the Organization recognized other income of $5,776 and $2,976, respectively, for interest expense forgiveness on the accompanying statement of activities.

NOTE 10 – 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. Payments will be applied first to accrued interest and then outstanding principal. Installment payments of $8,975, including principal and interest, is payable 30-years from the date of the EIDL Agreement, with final payment due December 2051.

Future maturities of notes payable at June 30, 2023 are as follows:

Year Ending June 30,	
2024	$ -
2025	-
2026	-
2027	25,322
2028	54,075
Thereafter	1,920,603
	$ 2,000,000

Interest expense for the years ended June 30, 2023 and 2022, was $55,000 and $22,916, respectively.

NOTE 11 – Leasing Arrangement

The Organization leases the museum and office space under a noncancelable operating lease which expires in December 2038. As a result of COVID-19 stay at home orders, 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. 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 $602,729 and $582,484 for the fiscal years ended June 30, 2023 and 2022, respectively.

Total operating lease expenses, including donated rent, reported on the statement of functional expenses were $1,006,738 and $1,007,873 for the years ended June 30, 2023 and 2022, respectively.

The following summarizes the cash flow information related to leases for the year ended June 30, 2023:

Cash paid for amounts included in the measurement of lease liabilities:	
Operating cash flows from operating leases	$ 381,365
Noncash investing and financing activity:	
Right-of-use assets obtained in exchange for operating lease liabilities upon ASU 842 adoption	$13,592,142
Deferred rent reclassified to right-of-use asset in adopting ASC 842	$ 1,308,582

The weighted-average lease term for the year ended June 30, 2023 was 15.5 years for operating leases. The weighted-average discount rate for the year ended June 30, 2023 was 3.16% for operating leases.

CAYTON CHILDREN'S MUSEUM
(A California Nonprofit Corporation)

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023
(WITH COMPARATIVE TOTALS FOR 2022)

NOTE 11 – Leasing Arrangement (Continued)

The maturities of operating lease liabilities as of June 30, 2023, are as follows:

Year Ending June 30,	
2024	$ 829,997
2025	857,147
2026	885,111
2027	913,915
2028	943,582
Thereafter	12,646,771
Total minimum lease payments	17,076,523
Less amount representing interest	(3,865,746)
Present value of minimum lease payments	$ 13,210,777

NOTE 12 – Net Assets With Donor Restrictions

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

	June 30, 2023	June 30, 2022
Time restricted	$ 1,568,016	$ 409,510
Museum programing	477,500	650,000
	$ 2,045,516	$ 1,059,510

Net assets of $453,994 and $571,842 were released from donor restrictions through the satisfaction of program requirements and time during the years ended June 30, 2023 and 2022, respectively.

NOTE 13 – Commitments and Contingencies

Litigation, Claims, and Assessments

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

The Organization has disputed final amounts owed related to the construction of the new museum with one of its vendors. The Organization accrued expenses related to the vendor, however, the final settlement amount is still in dispute. Management does not anticipate any material adverse impact on the Organization.

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, 2023 and 2022 totaled $47,073 and $25,348, respectively.

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.

NOTE 14 – Retirement Plans (Continued)

Effective January 1, 2006, the Multiemployer Plan was amended to no longer allow the entrance of new participants to the Multiemployer 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, 2023 and 2022 totaled $105,613 and $99,892, respectively.

The Multiemployer Plan year-end is December 31st. As of December 31, 2023 and 2022, 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, 2023 and 2022.

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 Employee Retirement Income Security Act of 1974 (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 years ended December 31, 2023 and 2022 exceeded the minimum funding requirements of ERISA.