



**ShareWell dba Cayton Children's Museum**  
(A California Nonprofit Corporation)

**Financial Statements**  
**June 30, 2021 and 2020**

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
ShareWell

### **Report on the Financial Statements**

We have audited the accompanying financial statements of ShareWell dba the Cayton Children's Museum (the Organization), which comprise the statement of financial position as of June 30, 2021, and the related statements of activities, functional expenses, and cash flows 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 auditors consider 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 the Organization as of June 30, 2021, 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.

## **Report on Summarized Comparative Information**

We have previously audited the Organization's 2020 financial statements and we expressed an unmodified audit opinion on those audited financial statements in our report dated March 9, 2021. 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 2020 audited financial statements from which it has been derived.

A handwritten signature in cursive script that reads "Windes, Inc.".

Long Beach, California  
February 7, 2022

**CAYTON CHILDREN'S MUSEUM**  
**(A California Nonprofit Corporation)**

**STATEMENT OF FINANCIAL POSITION**  
**JUNE 30, 2021**  
**(WITH COMPARATIVE TOTALS FOR 2020)**

<b>ASSETS</b>		
	<b>2021</b>	<b>2020</b>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 1,610,334	\$ 725,080
Investments	573,447	505,013
Contributions receivable, net	3,448,192	5,161,209
Prepaid expenses	66,617	39,990
Property and equipment, net	10,013,964	11,172,865
<b>TOTAL ASSETS</b>	<b>\$ 15,712,554</b>	<b>\$ 17,604,157</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES</b>		
Accounts payable and accrued liabilities	\$ 304,265	\$ 475,520
Deferred revenue	-	171,656
Line of credit	-	75,000
Paycheck Protection Program loans	780,800	390,400
Deferred rent	1,082,290	838,868
Notes payable, net	2,707,375	4,414,647
<b>TOTAL LIABILITIES</b>	<b>4,874,730</b>	<b>6,366,091</b>
<b>COMMITMENTS AND CONTINGENCIES (Note 12)</b>		
<b>NET ASSETS</b>		
Without donor restrictions		
Undesignated	8,846,125	10,419,670
Board designated	624,347	505,013
	9,470,472	10,924,683
With donor restrictions	1,367,352	313,383
<b>TOTAL NET ASSETS</b>	<b>10,837,824</b>	<b>11,238,066</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 15,712,554</b>	<b>\$ 17,604,157</b>

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, 2021**  
**(WITH COMPARATIVE TOTALS FOR 2020)**

	2021			2020
	Without Donor Restrictions	With Donor Restrictions	Total	Total
<b>REVENUE AND SUPPORT</b>				
Contributions	\$ 660,915	\$ 202,500	\$ 863,415	\$ 1,825,290
Foundation and corporate grants	255,388	1,075,000	1,330,388	773,207
Government grants and contracts	79,370	-	79,370	43,110
Admissions and program revenue	28,690	-	28,690	1,381,752
Membership dues	176,488	-	176,488	221,130
Special events, net	695,295	-	695,295	626,703
Donated services	203,663	-	203,663	355,347
Donated rent	744,429	-	744,429	-
Investment gains, net	94,080	-	94,080	15,387
Loss on contribution receivable	-	-	-	(600,000)
Other income	208,639	-	208,639	92,665
Net assets released from restrictions	223,531	(223,531)	-	-
<b>TOTAL REVENUE AND SUPPORT</b>	<b>3,370,488</b>	<b>1,053,969</b>	<b>4,424,457</b>	<b>4,734,591</b>
<b>EXPENSES</b>				
Program services				
Museum programs	3,158,993	-	3,158,993	4,653,921
Community programs	495,236	-	495,236	365,635
Total program services	3,654,229	-	3,654,229	5,019,556
Supporting services				
Management and general	529,617	-	529,617	540,481
Fundraising	640,853	-	640,853	716,778
Total supporting services	1,170,470	-	1,170,470	1,257,259
<b>TOTAL EXPENSES</b>	<b>4,824,699</b>	<b>-</b>	<b>4,824,699</b>	<b>6,276,815</b>
<b>CHANGE IN NET ASSETS</b>	<b>(1,454,211)</b>	<b>1,053,969</b>	<b>(400,242)</b>	<b>(1,542,224)</b>
<b>NET ASSETS, BEGINNING OF YEAR</b>	<b>10,924,683</b>	<b>313,383</b>	<b>11,238,066</b>	<b>12,780,290</b>
<b>NET ASSETS, END OF YEAR</b>	<b>\$ 9,470,472</b>	<b>\$ 1,367,352</b>	<b>\$ 10,837,824</b>	<b>\$ 11,238,066</b>

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, 2021**  
**(WITH COMPARATIVE TOTALS FOR 2020)**

	2021						2020	
	Program Services			Support Services			Total	Total
	Museum Programs	Community Programs	Total Program Services	Management and General	Fundraising	Total Support Services		
Payroll	\$ 704,948	\$ 187,986	\$ 892,934	\$ 70,495	\$ 211,484	\$ 281,979	\$ 1,174,913	\$ 1,750,274
Payroll taxes and employee benefits	199,245	64,524	263,769	19,906	64,674	84,580	348,349	421,767
<b>TOTAL PERSONNEL COSTS</b>	<b>904,193</b>	<b>252,510</b>	<b>1,156,703</b>	<b>90,401</b>	<b>276,158</b>	<b>366,559</b>	<b>1,523,262</b>	<b>2,172,041</b>
Bank fees	330	-	330	13,297	2,221	15,518	15,848	70,682
Facilitators and performers	2,250	39,600	41,850	-	-	-	41,850	40,040
Information technology and data	72,161	11,947	84,108	4,180	26,094	30,274	114,382	91,899
Insurance	24,958	4,561	29,519	5,659	7,052	12,711	42,230	22,849
Interest expense	150,216	-	150,216	-	-	-	150,216	235,082
Legal fees	-	-	-	124,323	-	124,323	124,323	173,127
Marketing	37,575	1,042	38,617	1,729	9,346	11,075	49,692	68,924
Materials and supplies	46,877	1,174	48,051	4,198	404	4,602	52,653	80,493
Miscellaneous	16,471	1,989	18,460	10,514	3,046	13,560	32,020	41,608
Museum rent	800,839	75,108	875,947	29,739	84,496	114,235	990,182	986,492
Occupancy expense	39,990	3,001	42,991	4,966	4,616	9,582	52,573	374,643
Printing	5,214	546	5,760	109	13,006	13,115	18,875	39,428
Professional development and training	19,791	3,851	23,642	2,364	7,174	9,538	33,180	31,670
Professional fees	-	7,975	7,975	135,860	63,336	199,196	207,171	401,161
Repairs and maintenance	43,464	-	43,464	1,483	2,761	4,244	47,708	34,445
Signage	124	-	124	-	-	-	124	3,033
Store inventory	160	-	160	-	-	-	160	65,640
Travel, mileage and parking	3,203	677	3,880	1,428	751	2,179	6,059	80,154
Bad debt expense	-	-	-	57,000	-	57,000	57,000	-
Depreciation and amortization	991,177	91,255	1,082,432	42,367	140,392	182,759	1,265,191	1,263,404
<b>TOTAL FUNCTIONAL EXPENSES</b>	<b>\$ 3,158,993</b>	<b>\$ 495,236</b>	<b>\$ 3,654,229</b>	<b>\$ 529,617</b>	<b>\$ 640,853</b>	<b>\$ 1,170,470</b>	<b>\$ 4,824,699</b>	<b>\$ 6,276,815</b>

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, 2021**  
**(WITH COMPARATIVE TOTALS FOR 2020)**

	<b>2021</b>	<b>2020</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ (400,242)	\$ (1,542,224)
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation and amortization expense	1,265,191	1,263,404
Loss on disposal of property and equipment	34,665	34,129
Loss on contributions receivable	-	600,000
Net realized and unrealized gains on investments	(87,266)	(6,744)
Donated stock	(111,160)	(50,469)
Proceeds from capital campaign	(1,849,509)	(2,233,408)
Noncash interest expense	62,630	-
Change in operating assets and liabilities:		
Contributions receivable	1,713,017	1,093,574
Prepaid expenses	(26,627)	1,742
Accounts payable and accrued liabilities	(171,255)	(3,119,665)
Deferred revenue	(171,656)	58,292
Deferred rent	243,422	838,868
Net Cash Provided By (Used In) Operating Activities	501,210	(3,062,501)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from sale of investments	844,890	217,813
Purchases of investments	(714,898)	(160,262)
Purchases of property and equipment	(129,507)	(128,500)
Net Cash Provided By (Used In) Investing Activities	485	(70,949)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from capital campaign	1,849,509	2,233,408
Payment on line of credit	(75,000)	-
Proceeds from Paycheck Protection Program loans	390,400	390,400
Proceeds from notes payable	-	1,458,793
Repayments on notes payable	(1,781,350)	(1,556,732)
Net Cash Provided By Financing Activities	383,559	2,525,869
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	885,254	(607,581)
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	725,080	1,332,661
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	\$ 1,610,334	\$ 725,080
<b>SUPPLEMENTAL CASH FLOW INFORMATION</b>		
Interest paid	\$ 150,216	\$ 235,082

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, 2021  
(WITH COMPARATIVE TOTALS FOR 2020)**

**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.

***COVID – 19 Impact***

In March 2020, the spread of COVID-19 resulted in federal, state and local governments mandating various restrictions on public gatherings and stay-at-home orders. Effective March 12, 2020, the Organization temporarily closed the Museum through July 6, 2021. The Organization continues to monitor developments, including government requirements and recommendations at the national, state, and local level to evaluate possible closures. Certain programming was transitioned to online to accommodate remote attendance. While the Museum was able to open subsequent to year-end, the current circumstances are dynamic and the impacts of COVID-19 on the Organization’s program operations, including the duration and impact on overall admissions and fundraising, cannot be reasonably estimated at this time and we anticipate this may have a material adverse impact on the Organization, results of operations, financial position and cash flows in 2022.

**CAYTON CHILDREN'S MUSEUM  
(A California Nonprofit Corporation)**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2021  
(WITH COMPARATIVE TOTALS FOR 2020)**

**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.

*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 may be 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, 2021, the Organization does not have any net assets that are restricted in perpetuity.

**CAYTON CHILDREN'S MUSEUM**  
**(A California Nonprofit Corporation)**

**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2021**  
**(WITH COMPARATIVE TOTALS FOR 2020)**

**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, 2020, 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.

**CAYTON CHILDREN'S MUSEUM**  
**(A California Nonprofit Corporation)**

**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2021**  
**(WITH COMPARATIVE TOTALS FOR 2020)**

**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. 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 an allowance for doubtful accounts of approximately \$20,000. There was no allowance for doubtful accounts at June 30, 2020. During the year ended June 30, 2020 \$600,000 of previous donor pledges were rescinded resulting in contribution receivables were written off and recognized as a loss on contribution receivable on the statement of activities.

***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.

**CAYTON CHILDREN'S MUSEUM**  
**(A California Nonprofit Corporation)**

**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2021**  
**(WITH COMPARATIVE TOTALS FOR 2020)**

**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, 2021 and 2020.

***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.

**CAYTON CHILDREN'S MUSEUM**  
**(A California Nonprofit Corporation)**

**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2021**  
**(WITH COMPARATIVE TOTALS FOR 2020)**

**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 \$203,663 and \$355,347 of in-kind donated services during the years ended June 30, 2021 and 2020, 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 12.

***Special Event Revenue***

Special event revenue relates to the Organization's annual Discovery Awards Dinner. Revenue from special events are recognized on the date the event occurs, net of expenses. During the years ended June 30, 2021 and 2020, special event expenses totaled \$53,649 and \$118,383, 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.

**CAYTON CHILDREN'S MUSEUM**  
**(A California Nonprofit Corporation)**

**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2021**  
**(WITH COMPARATIVE TOTALS FOR 2020)**

**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.

**CAYTON CHILDREN'S MUSEUM  
(A California Nonprofit Corporation)**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2021  
(WITH COMPARATIVE TOTALS FOR 2020)**

**NOTE 2 – Summary of Significant Accounting Policies (Continued)**

***Recently Issued Accounting Pronouncements (Continued)***

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 statements of activities, apart from contributions of cash or other financial assets. Additionally, the standard requires a not-for-profit to disclose a disaggregation of the amount of contributed nonfinancial assets by category that depicts the type of nonfinancial assets and additional information related to the monetization, utilization, and valuation of the contributed nonfinancial assets. The ASU is effective for annual reporting periods beginning after June 15, 2021. The Organization is currently evaluating the impact of the adoption of the new standard on the financial statements.

***Subsequent Events***

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 2023. The balance of principal and interest is payable thirty years from the date of the EIDL Agreement.

In January 2022, the Organization paid the full remaining balance of \$860,240 on the note payable to First Republic Bank.

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through February 7, 2022, 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, 2021  
(WITH COMPARATIVE TOTALS FOR 2020)**

**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.

	<b>June 30,</b>	
	<b>2021</b>	<b>2020</b>
Cash and cash equivalents	\$ 1,610,334	\$ 725,080
Investments	573,447	505,013
Contributions receivable, net	3,448,192	5,161,209
	<b>\$ 5,631,973</b>	<b>\$ 6,391,302</b>
Less amounts unavailable for general expenditure within one year due to:		
Restricted by donor with purpose and time restrictions	(1,367,352)	(313,383)
Board-designated reserve funds	(624,347)	(505,013)
Contributions receivable due in more than one year, net	(828,231)	(2,567,483)
Contributions receivable due in less than one year, to be used under the capital campaign	(794,834)	(2,000,064)
	<b>(3,614,764)</b>	<b>(5,385,943)</b>
	<b>\$ 2,017,209</b>	<b>\$ 1,005,359</b>

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, 2021, the Organization had an additional liquidity resource of \$250,000 through the available borrowing capacity on its line of credit.

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**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, 2021 and 2020.

Net investment gains consist of the following:

	<b>For the Year Ended</b>	
	<b>June 30,</b>	
	<u><b>2021</b></u>	<u><b>2020</b></u>
Interest and dividends, net	\$ 7,176	\$ 8,643
Net realized and unrealized gains	<u>86,904</u>	<u>6,744</u>
Investment gains, net	<u><u>\$ 94,080</u></u>	<u><u>\$ 15,387</u></u>

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**NOTE 5 – Contributions Receivable**

Expected future collections of contributions receivable, including pledges for the capital campaign, as of June 30, 2021 are as follows:

<b>Year Ending June 30,</b>		
2022	\$	1,272,609
2023		1,085,250
2024		589,800
2025		262,333
2026		38,333
Thereafter		<u>433,334</u>
		3,681,659
Less unamortized discount of 3.05%		(213,467)
Less allowance for uncollectible contributions		<u>(20,000)</u>
		<u>\$ 3,448,192</u>

**NOTE 6 – Property and Equipment**

Property and equipment is summarized as follows:

	<b>June 30,</b>	
	<b>2021</b>	<b>2020</b>
Organization exhibits	\$ 3,833,235	\$ 3,850,569
Furniture, equipment, and computers	371,362	362,603
Leasehold improvements	<u>8,271,831</u>	<u>8,219,102</u>
	12,476,428	12,432,274
Less accumulated depreciation and amortization	<u>(2,462,464)</u>	<u>(1,259,409)</u>
	<u>\$ 10,013,964</u>	<u>\$ 11,172,865</u>

Depreciation expense for the years ended June 30, 2021 and 2020 was \$1,253,743 and \$1,251,955, respectively.

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**NOTE 7 – Accounts Payable and Accrued Liabilities**

Accounts payable and accrued liabilities consists of the following:

	<u>June 30,</u>	
	<u>2021</u>	<u>2020</u>
Accounts payable	\$ 188,559	\$ 346,463
Accrued vacation	58,624	59,012
Accrued payroll and payroll taxes	<u>57,082</u>	<u>70,045</u>
	<u>\$ 304,265</u>	<u>\$ 475,520</u>

**NOTE 8 – Line of Credit**

The Organization has a revolving bank line of credit with a financial institution. The line of credit is secured by the Organization's investment portfolio and bears interest at the prime rate (3.25% at June 30, 2021) plus 0.50%. The maximum borrowable amount is the lesser of (i) \$250,000 and (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. At June 30, 2020, the balance outstanding on the line of credit totaled \$75,000. There was no balance outstanding at June 30, 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 SBA that the loan was forgiven in full. The Organization will recognize the loan forgiveness income in fiscal year 2022.

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**NOTE 9 – Paycheck Protection Program Loans (Continued)**

In February 2021, the Organization received a second PPP loan in the amount of \$390,400. To the extent it is not forgiven, the Organization would be required to repay that portion at an interest rate of 1% over a period of five years, beginning 10 months after the covered period. Management believes that the proceeds were used only for qualifying purposes; therefore, management anticipates that the loan will be substantially forgiven. As of the date of issuance of the financial statements, the Organization has not applied for forgiveness.

**NOTE 10 – Notes Payable**

At June 30, 2021, notes payable consisted of:

Note payable to First Republic Bank; bears interest at the prime rate (3.25% at June 30, 2021) minus 0.50% subject to a floor rate, payable monthly; proceeds of the loan shall be used for purposes described in the loan agreement; loan matures January 2023	\$ 1,224,548
Note payable to Goldrich Family Foundation; bears interest rate of 2.73% per annum payable quarterly; proceeds of the loan shall be used for purposes described in the loan agreement; due upon demand.	<u>1,500,000</u> 2,724,548
Less unamortized debt financing costs	<u>(17,173)</u> <u>\$ 2,707,375</u>

Debt financing costs amortization expense for the years ended June 30, 2021 and 2020 was \$11,448 and \$11,449, respectively.

Future maturities of notes payable at June 30, 2021 are as follows:

<b>Year Ending June 30,</b>	
2022	\$ 2,500,000
2023	<u>224,548</u>
	2,724,548
Less unamortized debt financing costs	<u>(17,173)</u> <u>\$ 2,707,375</u>

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**NOTE 11 – Net Assets With Donor Restrictions**

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

	<u>June 30,</u>	
	<u>2021</u>	<u>2020</u>
Time restricted	\$ 517,352	\$ 313,383
Museum programing	<u>850,000</u>	<u>-</u>
	<u>\$1,367,352</u>	<u>\$ 313,383</u>

Net assets of \$223,531 and \$64,126 were released from donor restrictions through the satisfaction of program requirements and time during the years ended June 30, 2021 and 2020, respectively.

**NOTE 12 – 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, 2021. 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, 2020.

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**NOTE 12 – Commitments and Contingencies (Continued)**

*Operating Leases (Continued)*

Additionally, the lessor provided rent relief to the Organization and donated the rent due under the lease from April 2020 through May 2022 as the 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 amount \$744,429 for the fiscal year ended June 30, 2021.

The following schedule represents future minimum lease payments under noncancelable operating leases as of June 30, 2021:

<u>Year Ending</u> <u>June 30,</u>	
2022	\$ 338,078
2023	814,378
2024	840,737
2025	866,097
2026	885,111
Thereafter	<u>14,504,268</u>
	<u>\$ 18,248,669</u>

Rent expense for the years ended June 30, 2021 and 2020 was \$990,182 and \$986,492, 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.

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**NOTE 12 – Commitments and Contingencies (Continued)**

*Litigation, Claims, and Assessments (Continued)*

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

**NOTE 13 – 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 year ended June 30, 2021 and 2020 totaled \$22,866 and \$10,261, 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. 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.



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**NOTE 13 – Retirement Plans (Continued)**

***Multiemployer Plan (Continued)***

The Organization's contributions to the defined benefit pension plan and defined contribution pension plan for the years ended June 30, 2021 and 2020 totaled \$97,644 and \$87,546, respectively.

The Multiemployer Plan year-end is December 31<sup>st</sup>. As of December 31, 2021 and 2020, 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, 2020 and 2019.

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, 2020 and 2019 exceeded the minimum funding requirements of ERISA.