

SHAREWELL

(A CALIFORNIA NONPROFIT CORPORATION)

FINANCIAL STATEMENTS

June 30, 2019
(With Comparative Totals for 2018)

CONTENTS

Independent Auditors' Report.....	1-2
Statement of Financial Position	3
Statement of Activities	4
Statement of Functional Expenses.....	5
Statement of Cash Flows.....	6
Notes to the Financial Statements	7-20

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
ShareWell

Report on the Financial Statements

We have audited the accompanying financial statements of ShareWell (the Organization), which comprise the statement of financial position as of June 30, 2019, 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, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 2, during the year ended June 30, 2019, the Organization adopted Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities (Topic): Presentation of Financial Statements of Not-for-Profit Entities*. Our opinion is not modified with respect to this matter.

Report on Summarized Comparative Information

We have previously audited the Organization's 2018 financial statements and we expressed an unmodified audit opinion on those audited financial statements in our report dated January 25, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2018, is consistent, in all material respects, with the 2018 audited financial statements from which it has been derived.

Winder, Inc.

Long Beach, California
May 4, 2020

SHAREWELL
(A California Nonprofit Corporation)

STATEMENT OF FINANCIAL POSITION
JUNE 30, 2019
(WITH COMPARATIVE TOTALS FOR 2018)

ASSETS

	2019	2018
ASSETS		
Cash and cash equivalents	\$ 1,332,661	\$ 2,088,039
Investments	505,351	467,732
Contributions receivable, net	6,854,783	4,379,971
Prepaid expenses	41,732	24,265
Property and equipment, net	12,330,449	956,121
TOTAL ASSETS	\$ 21,064,976	\$ 7,916,128

LIABILITIES AND NET ASSETS

LIABILITIES		
Accounts payable and accrued liabilities	\$ 3,595,185	\$ 216,670
Line of credit	75,000	25,000
Deferred revenue	113,364	112,346
Notes payable, net	4,501,137	-
TOTAL LIABILITIES	8,284,686	354,016

COMMITMENTS AND CONTINGENCIES (Note 12)

NET ASSETS		
Without donor restrictions		
Undesignated	11,897,430	823,568
Board designated	505,351	467,732
	12,402,781	1,291,300
With donor restrictions	377,509	6,270,812
TOTAL NET ASSETS	12,780,290	7,562,112
TOTAL LIABILITIES AND NET ASSETS	\$ 21,064,976	\$ 7,916,128

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

SHAREWELL
(A California Nonprofit Corporation)

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019
(WITH COMPARATIVE TOTALS FOR 2018)

	2019			2018
	Without Donor Restrictions	With Donor Restrictions	Total	Total
REVENUE AND SUPPORT				
Contributions	\$ 239,821	\$ 6,719,648	\$ 6,959,469	\$ 7,791,163
Foundation and corporate grants	120,450	-	120,450	255,050
Government grants and contracts	20,900	-	20,900	25,715
Admissions and program revenue	400,898	-	400,898	598,403
Membership income	78,923	-	78,923	130,476
Special events (net of costs of direct donor benefits of \$180,710 and \$219,768, respectively)	617,438	-	617,438	554,718
Donated services	205,331	-	205,331	48,695
Investment gains, net	38,337	-	38,337	12,680
Net assets released from restrictions	12,612,951	(12,612,951)	-	-
TOTAL REVENUE AND SUPPORT	14,335,049	(5,893,303)	8,441,746	9,416,900
EXPENSES				
Program services				
Museum	1,787,256	-	1,787,256	1,007,926
youTHink	476,041	-	476,041	513,588
Total program services	2,263,297	-	2,263,297	1,521,514
Supporting services				
Management and general	298,755	-	298,755	272,302
Fundraising	661,516	-	661,516	938,452
Total supporting services	960,271	-	960,271	1,210,754
TOTAL EXPENSES	3,223,568	-	3,223,568	2,732,268
CHANGE IN NET ASSETS	11,111,481	(5,893,303)	5,218,178	6,684,632
NET ASSETS, BEGINNING OF YEAR	1,291,300	6,270,812	7,562,112	877,480
NET ASSETS, END OF YEAR	\$ 12,402,781	\$ 377,509	\$ 12,780,290	\$ 7,562,112

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

SHAREWELL
(A California Nonprofit Corporation)

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2019
(WITH COMPARATIVE TOTALS FOR 2018)

	2019						2018	
	Program Services			Support Services			Total	Total
	Museum Programs	youTHink Programs	Total Program Services	Management and General	Fundraising	Total Support Services		
Payroll	\$ 886,042	\$ 225,050	\$ 1,111,092	\$ 95,797	\$ 269,218	\$ 365,015	\$ 1,476,107	\$ 1,341,691
Payroll taxes and employee benefits	136,264	46,280	182,544	24,292	151,013	175,305	357,849	311,372
TOTAL PERSONNEL COSTS	1,022,306	271,330	1,293,636	120,089	420,231	540,320	1,833,956	1,653,063
Bank fees	38,278	9,723	48,001	4,139	11,631	15,770	63,771	39,763
Direct program expenses	115,782	96,029	211,811	-	-	-	211,811	221,686
Insurance	6,747	1,714	8,461	729	2,050	2,779	11,240	8,555
Legal fees, donated	143,732	-	143,732	61,599	-	61,599	205,331	48,695
Miscellaneous	12,853	3,265	16,118	1,636	6,004	7,640	23,758	13,101
New site expenses	32,677	8,300	40,977	3,533	9,929	13,462	54,439	-
Office supplies	2,030	516	2,546	219	617	836	3,382	5,930
Postage	2,125	540	2,665	230	646	876	3,541	3,406
Printing	20,052	5,093	25,145	2,168	6,093	8,261	33,406	6,430
Professional fees	134,016	34,039	168,055	88,163	168,945	257,108	425,163	415,956
Rent and occupancy	158,971	20,680	179,651	5,688	5,688	11,376	191,027	225,919
Staff training	4,094	1,040	5,134	443	1,244	1,687	6,821	8,958
Telephone	13,043	3,313	16,356	1,410	3,963	5,373	21,729	19,509
Travel and meetings	58,108	14,759	72,867	6,282	17,656	23,938	96,805	7,644
Depreciation	22,442	5,700	28,142	2,427	6,819	9,246	37,388	53,653
TOTAL FUNCTIONAL EXPENSES	\$ 1,787,256	\$ 476,041	\$ 2,263,297	\$ 298,755	\$ 661,516	\$ 960,271	\$ 3,223,568	\$ 2,732,268

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

SHAREWELL
(A California Nonprofit Corporation)

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2019
(WITH COMPARATIVE TOTALS FOR 2018)

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 5,218,178	\$ 6,684,632
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	37,387	53,653
Net realized and unrealized gains on investments	(27,902)	(8,327)
Donated stock	(7,129)	(31,428)
Proceeds from capital campaign	(4,197,663)	(3,209,750)
Change in operating assets and liabilities:		
Contributions receivable	(2,474,812)	(4,051,415)
Prepaid expenses	(17,467)	(8,676)
Accounts payable and accrued liabilities	263,780	110,489
Deferred revenue	1,018	(26,912)
Net Cash Used In Operating Activities	(1,204,610)	(487,734)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of investments	84,644	326,538
Purchases of investments	(70,642)	(296,453)
Reinvested interests and dividends	(16,590)	(3,750)
Purchases of property and equipment	(8,296,980)	(874,433)
Net Cash Used In Investing Activities	(8,299,568)	(848,098)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from capital campaign	4,197,663	3,209,750
Drawdown on line of credit	50,000	25,000
Proceeds from notes payable	4,501,137	-
Net Cash Provided By Financing Activities	8,748,800	3,234,750
NET CHANGE IN CASH AND CASH EQUIVALENTS	(755,378)	1,898,918
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	2,088,039	189,121
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 1,332,661	\$ 2,088,039
SUPPLEMENTAL CASH FLOW INFORMATION		
Property and equipment purchases accrued at year-end	\$ 3,114,735	\$ -

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

SHAREWELL
(A California Nonprofit Corporation)

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019
(WITH COMPARATIVE TOTALS FOR 2018)

NOTE 1 – Organization

ShareWell (the Organization), a California nonprofit corporation, operates the Cayton Children's Museum and youTHink in Los Angeles, California. The Organization enables children and youth to put core values into practice while giving them a sense of agency and empathy to shape the world they want to live in. The Organization promotes social responsibility, civic engagement and cultural sensitivity by highlighting the concepts of respect for others, sharing kindness and compassion, generosity of heart, helping those in need, accepting differences and celebrating uniqueness. Through immersive play, arts-based learning and community outreach, the Organization reaches broad audiences and is a venue for visitors of varied backgrounds to discover shared ideals.

During 2018 and 2019, the Organization continued its capital campaign to raise funds for the buildout of a new children's museum, to be named the Cayton Children's Museum. The Museum opened in July 2019, featuring a new, expanded experience with 25+ hands-on exhibits, a theatre, art studios and multipurpose space. The Museum is founded in principles of inclusiveness and social equity, prioritizing its Community Access Initiative to help ensure that children in the most underserved parts of greater Los Angeles have equal access to the transformational benefits of creative expression.

NOTE 2 – Summary of Significant Accounting Policies

Recently Adopted Accounting Standards

In fiscal year ended June 30, 2019, the Organization adopted Accounting Standards Update No. 2016-14, *Not-for-Profit Entities (Topic): Presentation of Financial Statements of Not-for-Profit Entities*. The main provisions include: presentation of two classes of net assets versus the previously required three; recognition of capital gifts for construction as a net asset without donor restrictions when the associated long-lived asset is placed in service; and recognition of underwater endowment funds as a reduction to net assets with donor restrictions. The guidance also enhances disclosures for board-designated amounts, components of net assets without donor restrictions, liquidity, and expenses by both their natural and functional classification. With the adoption of the standard, the Organization updated net asset presentation in the financial statements and included additional disclosures as required. No significant reclassifications to prior-year amounts were necessary in order to adopt the new standard.

SHAREWELL
(A California Nonprofit Corporation)

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019
(WITH COMPARATIVE TOTALS FOR 2018)

NOTE 2 – Summary of Significant Accounting Policies (Continued)

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, revenues 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, revenues, 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 may be or 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 may be 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. At June 30, 2019, the Organization does not have any net assets that are restricted in perpetuity.

SHAREWELL
(A California Nonprofit Corporation)

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019
(WITH COMPARATIVE TOTALS FOR 2018)

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, 2018, 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.

SHAREWELL
(A California Nonprofit Corporation)

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019
(WITH COMPARATIVE TOTALS FOR 2018)

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.

As of June 30, 2019 and 2018, the Organization evaluated the collectability of contributions receivable and determined that an allowance for uncollectible contributions receivable was not deemed necessary.

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 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.

SHAREWELL
(A California Nonprofit Corporation)

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019
(WITH COMPARATIVE TOTALS FOR 2018)

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, 2019 and 2018.

Revenue Recognition and Deferred Revenue

Fees for service revenues are recognized when service is rendered. Membership dues are recognized as income over the period of the membership. Deferred revenue includes funds received in advance for summer camp fees and prorated membership dues.

Government Grants and Contracts

The Organization recognizes revenue to the extent of eligible costs incurred up to the maximum subcontract or grant amount.

Contributed Goods and Services

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 \$205,331 and \$48,695 of in-kind donated legal services during the year ended June 30, 2019 and 2018, respectively, included in management and general support service expense in the accompanying statement of functional expenses.

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.

SHAREWELL
(A California Nonprofit Corporation)

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019
(WITH COMPARATIVE TOTALS FOR 2018)

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 May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)* (ASU 2014-09), requiring an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The updated standard will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective and permits the use of either a full retrospective or retrospective with the cumulative-effect-transition method. In August 2015, the FASB issued ASU 2015-14, which defers the effective date to annual reporting periods beginning after December 15, 2018. The Organization is currently evaluating the impact of the adoption of the new standard on the financial statements.

SHAREWELL
(A California Nonprofit Corporation)

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019
(WITH COMPARATIVE TOTALS FOR 2018)

NOTE 2 – Summary of Significant Accounting Policies (Continued)

Recently Issued Accounting Pronouncements (Continued)

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 balance sheet 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 income statement. The new standard is effective for fiscal years beginning after December 15, 2020, including interim periods within those fiscal years. The Organization is currently evaluating the impact of the adoption of the new standard on the financial statements.

In June 2018, the FASB issues ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* (ASU 2018-08), which provides additional guidance on characterizing grants and similar contracts with resource providers as either exchange transactions or contributions, as well as distinguishing between conditional and unconditional contributions. The updated standard will be effective for annual reporting periods beginning after December 15, 2018. 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 May 4, 2020, the date the financial statements were available to be issued.

Subsequent to year-end and continuing currently, the spread of the coronavirus has resulted in federal, state and local governments mandating various restrictions on public gatherings, stay at home orders. Effective March 20, 2020, the Organization has temporarily closed the museum. The Organization continues to monitor developments, including government requirements and recommendations at the national, state, and local level to evaluate possible extensions to all or part of such closures. Certain programming has been transitioned to online to accommodate remote attendance. While this is expected to be temporary, the current circumstances are dynamic and the impacts of COVID-19 on the Organization's business 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 our business, results of operations, financial position and cash flows in 2020.

SHAREWELL
(A California Nonprofit Corporation)

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019
(WITH COMPARATIVE TOTALS FOR 2018)

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.

Cash and cash equivalents	\$ 1,332,661
Investments	505,351
Contributions receivable	<u>6,854,783</u>
	8,692,795
Less amounts unavailable for general expenditure within one year due to:	
Board-designated reserve funds	(505,351)
Contributions receivable due in more than one year	(4,101,762)
Contributions receivable due in less than one year, to be used under the capital campaign	<u>(2,561,652)</u>
	<u>\$ 1,524,030</u>

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, 2019, the Organization had an additional liquidity resource of \$175,000 through the available borrowing capacity on its line of credit.

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.

SHAREWELL
(A California Nonprofit Corporation)

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019
(WITH COMPARATIVE TOTALS FOR 2018)

NOTE 4 – Investments (Continued)

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, 2019 and 2018.

Net investment gains consist of the following:

	For the Year Ended	
	June 30,	
	2019	2018
Interest and dividends, net	\$ 14,653	\$ 4,353
Net realized and unrealized gains	23,684	8,327
Investment gains, net	\$ 38,337	\$ 12,680

NOTE 5 – Contributions Receivable

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

Year Ending	
June 30,	
2020	\$ 2,753,021
2021	2,364,334
2022	1,171,000
2023	619,000
2024	234,000
	7,141,355
Less unamortized discount of 4.0%	(286,572)
	\$ 6,854,783

SHAREWELL
(A California Nonprofit Corporation)

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019
(WITH COMPARATIVE TOTALS FOR 2018)

NOTE 6 – Property and Equipment

Property and equipment is summarized as follows:

	June 30,	
	2019	2018
Organization exhibits	\$ 4,373,006	\$ 554,658
Furniture, equipment, and computers	526,014	251,008
Leasehold improvements	8,187,196	-
Construction in progress	-	868,835
	13,086,216	1,674,501
Less accumulated depreciation and amortization	(755,767)	(718,380)
	\$ 12,330,449	\$ 956,121

The construction in progress for the museum and exhibits was placed in service in June 2019, upon the opening of the new museum.

Depreciation expense for the years ended June 30, 2019 and 2018 was \$37,387 and \$53,653, respectively.

NOTE 7 – Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities consist of the following:

	June 30,	
	2019	2018
Accounts payable	\$ 286,515	\$ 123,291
Accrued construction costs	3,152,693	-
Accrued vacation	64,541	44,652
Accrued payroll and payroll taxes	91,436	48,728
	\$ 3,595,185	\$ 216,671

SHAREWELL
(A California Nonprofit Corporation)

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019
(WITH COMPARATIVE TOTALS FOR 2018)

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 (5.0% at June 30, 2019) 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. At June 30, 2019 and 2018, the balance outstanding on the line of credit were \$75,000 and \$25,000, respectively.

NOTE 9 – Deferred Revenue

Deferred revenue consists of the following:

	June 30,	
	2019	2018
Summer camp fees	\$ 56,396	\$ 78,771
Membership dues	56,968	33,575
	<u>\$ 113,364</u>	<u>\$ 112,346</u>

NOTE 10 – Notes Payable

At June 30, 2019, notes payable consisted of:

Note payable to First Republic Bank; bears interest at the prime rate (5.0% at June 30, 2019) minus 0.50%, payable monthly; proceeds of the loan shall be used for purposes described in the loan agreement; loan matures January 2023	\$ 3,041,207
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; outstanding principal and remaining interest due August 2020	<u>1,500,000</u> 4,541,207
Less unamortized debt financing costs	<u>(40,070)</u>
	<u>\$ 4,501,137</u>

SHAREWELL
(A California Nonprofit Corporation)

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019
(WITH COMPARATIVE TOTALS FOR 2018)

NOTE 10 – Notes Payable (Continued)

Future maturities of notes payable at June 30, 2019 are as follows:

<u>Year Ending June 30,</u>	
2020	\$ 1,541,207
2021	1,500,000
2022	1,000,000
2023	<u>500,000</u>
	<u>\$ 4,541,207</u>

NOTE 11 – Net Assets With Donor Restrictions

At June 30, 2019, net assets with donor restrictions of \$377,509 were restricted for time and are expected to be collected over the next four years.

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.

SHAREWELL
(A California Nonprofit Corporation)

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019
(WITH COMPARATIVE TOTALS FOR 2018)

NOTE 12 – Commitments and Contingencies (Continued)

Operating Leases

The Organization leases facilities and equipment under noncancellable operating leases that expire at various dates through September 2038. The main facility lease includes monthly rent amount that will increase by 3% annually, beginning January 1, 2022.

The following schedule represents future minimum lease payments under noncancelable operating leases as of June 30, 2019:

Year Ending June 30,	
2020	\$ 706,882
2021	755,169
2022	788,787
2023	814,378
2024	840,737
Thereafter	<u>15,908,196</u>
	<u>\$ 19,814,149</u>

Rent and occupancy expense for the years ended June 30, 2019 and 2018 was \$172,075 and \$225,919, 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 \$246,000 related to the vendor, however, the final settlement could be up to \$1,100,000.

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

SHAREWELL
(A California Nonprofit Corporation)

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019
(WITH COMPARATIVE TOTALS FOR 2018)

NOTE 13 – Retirement Plans

Multiemployer Plan

Through December 31, 2017, the Organization participated with other agencies in the Basic Pension Plan for Employees of Jewish Federation Council of Greater Los Angeles (JFC), a multiemployer defined benefit and contribution pension plan. At its discretion, the Organization may match participant contributions. The Organization's contributions to the defined benefit pension plan and defined contribution pension plan for the year ended June 30, 2019 totaled \$74,972 and \$69,820, respectively. Management believes the defined benefit pension plan is underfunded, however, the amount attributable to the Organization is indeterminable at this time and, therefore, any underfunding is not reflected on the accompanying financial statements.

The Organization ended its participation in the Multipemployer Plan effective December 31, 2017 and, as a result, set up a new Profit-Sharing Plan.

Profit-Sharing Plan

The Organization established a defined contribution retirement plan, the Sharewell 401(k) Plan, effective January 1, 2018. Generally, all employees are eligible and may make rollover contributions to the defined contribution retirement plan up to the maximum allowed by law. The defined contribution retirement plan allows for employer profit-sharing contributions at the discretion of the Organization, which generally vest after three years. The Organization's contributions to the defined contribution retirement plan for the year ended June 30, 2019 and 2018 totaled \$47,701 and \$19,183, respectively.