SAN DIEGO AUTOMOTIVE MUSEUM

FINANCIAL STATEMENTS

JUNE 30, 2019 and 2018

Leaf & Cole, LLP
Certified Public Accountants

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Leaf & Cole, LLP
Certified Public Accountants
A Partnership of Professional Corporations

Independent Auditor's Report

To the Board of Directors
San Diego Automotive Museum, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of San Diego Automotive Museum, Inc., which comprise the statements of financial position as of June 30, 2019 and 2018, and the related statements of activities, functional expenses and cash flows for the years 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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 auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

2810 Camino Del Rio South, Suite 200, San Diego, California 92108-3820
619.294.7200, 619.294.7077 fax, www.leaf-cole.com, leafcole@leaf-cole.com

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of San Diego Automotive Museum, Inc. as of June 30, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Leaf & Cole LLP

San Diego, California
August 27, 2019

SAN DIEGO AUTOMOTIVE MUSEUM, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2019 AND 2018

ASSETS

	2019	2018
Current Assets: (Note 2)		
Cash and cash equivalents	$ 180,174	$ 150,120
Accounts receivable	42,407	16,257
Inventories	42,461	43,204
Prepaid expenses	-	275
Total Current Assets	265,042	209,856
Noncurrent Assets: (Notes 2, 4 and 6)		
Property and equipment, net	1,133,256	1,167,110
Collection	1,126,251	998,351
Total Noncurrent Assets	2,259,507	2,165,461
TOTAL ASSETS	$ 2,524,549	$ 2,375,317

LIABILITIES AND NET ASSETS

	2019	2018
Current Liabilities: (Notes 2 and 6)		
Accounts payable and accrued expenses	$ 34,886	$ 32,407
Deferred revenue	-	4,020
Current portion of note payable	29,197	26,481
Total Current Liabilities	64,083	62,908
Noncurrent Liabilities: (Note 5)		
Note payable, net of current portion	62,057	91,192
Total Liabilities	126,140	154,100
Commitments (Notes 5 and 7)		
Net Assets (Note 2 and 8)		
Without donor restrictions	2,348,409	2,221,217
With donor restrictions	50,000	-
Total Net Assets	2,398,409	2,221,217
TOTAL LIABILITIES AND NET ASSETS	$ 2,524,549	$ 2,375,317

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

SAN DIEGO AUTOMOTIVE MUSEUM, INC.
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

	2019			2018		
Revenue and Support:	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Admissions	$ 526,735	$ -	$ 526,735	$ 456,262	$ -	$ 456,262
In-kind contributions	250,093	-	250,093	34,850	-	34,850
Governmental grants	78,795	-	78,795	73,769	-	73,769
Contributions and grants	21,178	50,000	71,178	20,077	-	20,077
Museum store sales	65,906	-	65,906	60,737	-	60,737
Museum events	58,547	-	58,547	2,286	-	2,286
Vehicle and parts sales, net	18,250	-	18,250	10,500	-	10,500
Facility rental income	11,644	-	11,644	15,729	-	15,729
Other income	6,570	-	6,570	3,590	-	3,590
Membership dues	4,460	-	4,460	6,277	-	6,277
Gains and (losses) on sale of collection items	(56,805)	-	(56,805)	700	-	700
Interest Income	13	-	13	12	-	12
Total Revenue and Support	985,386	50,000	1,035,386	684,789	-	684,789
Expenses:						
Program Expenses:						
Program and Exhibits	475,083	-	475,083	435,420	-	435,420
Education	75,229	-	75,229	75,294	-	75,294
Total Program Expenses	550,312	-	550,312	510,714	-	510,714
Supporting Services:						
General and administrative	250,692	-	250,692	209,529	-	209,529
Fundraising	57,190	-	57,190	33,052	-	33,052
Total Supporting Services	307,882	-	307,882	242,581	-	242,581
Total Expenses	858,194	-	858,194	753,295	-	753,295
Change in Net Assets	127,192	50,000	177,192	(68,506)	-	(68,506)
Net Assets at Beginning of Year	2,221,217	-	2,221,217	2,289,723	-	2,289,723
NET ASSETS AT END OF YEAR	$ 2,348,409	$ 50,000	$ 2,398,409	$ 2,221,217	$ -	$ 2,221,217

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

SAN DIEGO AUTOMOTIVE MUSEUM, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2019

	Program Expenses			Supporting Services			
	Programs and Exhibits	Education	Total Program Expenses	General and Administrative	Fundraising	Total Supporting Services	Total
Salaries and Related Expenses:							
Salaries and wages	$ 160,041	$ 52,000	$ 212,041	$ 136,114	$ 15,807	$ 151,921	$ 363,962
Payroll taxes and related costs	14,444	4,285	18,729	10,477	1,338	11,815	30,544
Employee benefits	18,037	6,306	24,343	15,494	2,543	18,037	42,380
Total Salaries and Related Expenses	192,522	62,591	255,113	162,085	19,688	181,773	436,886
Nonsalary Related Expenses:							
Advertising and marketing	10,803	-	10,803	3,504	1,841	5,345	16,148
Automobile costs and repairs	26,253	3,131	29,384	23	100	123	29,507
Building repairs and maintenance	6,853	-	6,853	3,681	-	3,681	10,534
Cost of museum store sales	25,279	-	25,279	-	-	-	25,279
Exhibit and event costs	4,972	-	4,972	-	21,306	21,306	26,278
Fees and other charges	7,781	-	7,781	6,739	1,357	8,096	15,877
Insurance	22,044	-	22,044	11,622	-	11,622	33,666
Interest	-	-	-	4,250	-	4,250	4,250
Licenses and fees	-	853	853	398	-	398	1,251
Miscellaneous	-	-	-	700	-	700	700
Postage and delivery	-	-	-	1,460	400	1,860	1,860
Professional fees	99,676	1,630	101,306	11,168	11,917	23,085	124,391
Staff development	-	1,584	1,584	1,061	-	1,061	2,645
Security	360	-	360	2,077	-	2,077	2,437
Supplies	25,595	3,756	29,351	22,105	581	22,686	52,037
Telephone	2,285	-	2,285	3,179	-	3,179	5,464
Travel and entertainment	6,458	1,684	8,142	6,098	-	6,098	14,240
Utilities	7,480	-	7,480	5,317	-	5,317	12,797
Total Nonsalary Related Expenses	245,839	12,638	258,477	83,382	37,502	120,884	379,361
Add: Depreciation	36,722	-	36,722	5,225	-	5,225	41,947
Total Expenses	$ 475,083	$ 75,229	$ 550,312	$ 250,692	$ 57,190	$ 307,882	$ 858,194

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

SAN DIEGO AUTOMOTIVE MUSEUM, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2018

	Program Expenses			Supporting Services			
	Programs and Exhibits	Education	Total Program Expenses	General and Administrative	Fundraising	Total Supporting Services	Total
Salaries and Related Expenses:							
Salaries and wages	$ 138,531	$ 47,840	$ 186,371	$ 100,127	$ 25,429	$ 125,556	$ 311,927
Payroll taxes and related costs	10,435	5,761	16,196	7,467	2,038	9,505	25,701
Employee benefits	15,886	7,995	23,881	21,366	-	21,366	45,247
Total Salaries and Related Expenses	164,852	61,596	226,448	128,960	27,467	156,427	382,875
Nonsalary Related Expenses:							
Advertising and marketing	15,734	-	15,734	1,967	1,967	3,934	19,668
Automobile costs and repairs	14,815	795	15,610	-	-	-	15,610
Building repairs and maintenance	4,249	-	4,249	1,373	-	1,373	5,622
Cost of museum store sales	23,375	-	23,375	-	-	-	23,375
Exhibit and event costs	4,624	-	4,624	742	3,618	4,360	8,984
Fees and other charges	14,994	-	14,994	-	-	-	14,994
Insurance	21,554	-	21,554	11,461	-	11,461	33,015
Interest	-	-	-	5,362	-	5,362	5,362
Licenses and fees	25	-	25	1,635	-	1,635	1,660
Miscellaneous	-	-	-	1,785	-	1,785	1,785
Postage and delivery	-	-	-	1,510	-	1,510	1,510
Professional fees	87,343	5,790	93,133	10,726	-	10,726	103,859
Staff development	-	-	-	1,655	-	1,655	1,655
Security	-	-	-	2,293	-	2,293	2,293
Supplies	21,459	5,354	26,813	14,133	-	14,133	40,946
Telephone	17,251	-	17,251	5,750	-	5,750	23,001
Travel and entertainment	1,194	1,759	2,953	5,527	-	5,527	8,480
Utilities	9,698	-	9,698	3,232	-	3,232	12,930
Total Nonsalary Related Expenses	236,315	13,698	250,013	69,151	5,585	74,736	324,749
Add: Depreciation	34,253	-	34,253	11,418	-	11,418	45,671
Total Expenses	$ 435,420	$ 75,294	$ 510,714	$ 209,529	$ 33,052	$ 242,581	$ 753,295

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

SAN DIEGO AUTOMOTIVE MUSEUM, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

		2019		2018
Cash Flows From Operating Activities:				
Change in net assets	$	177,192	$	(68,506)
Adjustments to reconcile change in net assets to net cash provided by operating activities:				
Depreciation		41,947		45,671
(Gains) losses on sale of collection items		56,805		(700)
Donated inventories		(15,500)		(29,750)
Construction in progress expensed		-		24,929
Donated collection items		(226,500)		(5,100)
(Increase) Decrease in:				
Accounts receivable		(26,150)		20,578
Inventories		16,243		10,907
Prepaid expenses		275		(275)
Increase (Decrease) in:				
Accounts payable and accrued expenses		2,479		6,967
Deferred revenue		(4,020)		4,020
Net Cash Provided by in Operating Activities		22,771		8,741
Cash Flows From Investing Activities:				
Purchase of property and equipment		(8,093)		(1,040)
Proceeds from sale of collection items		41,795		1,200
Net Cash Provided by Investing Activities		33,702		160
Cash Flows From Financing Activities:				
Payments on note payable		(26,419)		(25,359)
Net Cash Used in Financing Activities		(26,419)		(25,359)
Net Increase (Decrease) in Cash and Cash Equivalents		30,054		(16,458)
Cash and Cash Equivalents at Beginning of Year		150,120		166,578
CASH AND CASH EQUIVALENTS AT END OF YEAR	$	180,174	$	150,120
Supplemental Disclosures of Cash Flow Information:				
Cash paid for interest	$	4,339	$	5,401
Supplemental Disclosure of Noncash Operating and Investing Activities:				
Collection item transferred from inventories	$	-	$	8,000

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

Note 1 - Organization:

San Diego Automotive Museum, Inc. (the "Museum") was incorporated in October 1984 and is registered as a nonprofit corporation in the State of California. The Museum functions as an educational and cultural institution exercising community responsibility for the preservation of the automotive arts and sciences.

Collections

The Museum's collection of vintage automobiles, motorcycles and accessories is on permanent display at the Museum located in Balboa Park. The Museum's collection consists of 37 automobiles and 13 motorcycles. In addition, the Museum is home to one of the finest collections of automotive research materials on the entire West Coast consisting of:

- 3,393 automobile books
- 36,000-40,000 magazines
- 2,559 hardcover repair manuals
- 9 editions of Dykes Repair Manuals
- 13,000 plus Club Newsletter and Magazines
- 113 different automobile magazines titles back to 1901
- 43 current monthly automobile periodicals
- Automotive Quarterly: complete run
- Road and Track: complete run

Education

San Diego Automotive Museum's programming offers San Diego's children an opportunity to learn about the many facets of the automobile experience from the automobile's impact on society to society's impact on the automobile. This includes social studies (automotive history: local, national, and international), science (the physics and technologies involved), and even art (movable art).

The impact of the automobile on American society is without question and has been driving factor in our growth. At the San Diego Automotive Museum, visitors can begin to understand how important the industry has been to humanity, how the automobile has helped to shape our national identity, how the automobile has changed the course of American History, and how technological improvements brought on by the automobile have given us much greater access to the world at large.

Note 2 - Significant Accounting Policies:

Accounting Method

The financial statements of the Museum have been prepared on the accrual basis of accounting which is in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) and, accordingly, reflect all significant receivables, payables, and other liabilities.

Note 2 - Significant Accounting Policies: (Continued)

Financial Statement Presentation

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

- Net Assets Without Donor Restrictions - Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

- Net Assets With Donor Restrictions - Net assets subject to donor (or certain grantor) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

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 the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Fair Value Measurements

Fair value accounting standards define fair value, establish a framework for measuring fair value, outline a fair value hierarchy based on inputs used to measure fair value and enhance disclosure requirements for fair value measurements. The fair value hierarchy distinguishes between market participant assumptions based on market data obtained from sources independent of the reporting entity (observable inputs that are classified within Level 1 or 2 of the hierarchy) and the reporting entity's own assumptions about market participant assumptions (unobservable inputs classified within Level 3 of the hierarchy). The Museum had no financial instruments at June 30, 2019 and 2018.

Allowance for Doubtful Accounts

Bad debts are recognized on the allowance method based on historical experience and management's evaluation of outstanding receivables. Management believes that all accounts receivable were fully collectible; therefore, no allowance for doubtful accounts receivable was recorded at June 30, 2019 and 2018.

Note 2 - Significant Accounting Policies: (Continued)

Inventories

Inventories of retail store merchandise consist primarily of books, periodicals and gift items which are valued at the lower of cost (first-in, first-out) or net realizable value. Inventories of Balboa Park passports are recorded at cost. Inventories of automobiles held for resale are recorded at cost if purchased and at fair value if donated. Inventories consist of the following at June 30:

		2019		2018
Automobiles	$	30,000	$	31,500
Retail store		11,288		10,531
Balboa Park passports		1,173		1,173
Total Inventories	$	42,461	$	43,204

Capitalization and Depreciation

The Museum capitalizes all expenditures in excess of $1,000 for property and equipment at cost, while donations of property and equipment are recorded at their estimated fair values. Such donations are reported as support without donor restrictions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as support with donor restrictions. Absent donor stipulations regarding how those donated assets must be maintained, the Museum reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Museum reclassifies net assets with donor restrictions to net assets without donor restrictions at that time.

Property and equipment are depreciated using the straight-line method over the estimated useful asset lives as follows:

Storage building	40 years
Building improvements	7 - 40 years
Computer equipment	3 - 7 years
Furniture and fixtures	3 - 10 years
Vehicles	5 years

Maintenance and repairs are charged to operations as incurred. Upon sale or disposition of property or equipment, the asset account is reduced by the cost and the accumulated depreciation account is reduced by the depreciation taken prior to the sale. Any resultant gain or loss is then recorded as income or expense.

Depreciation expense totaled $41,947 and $45,671 for the years ended June 30, 2019 and 2018, respectively.

Note 2 - Significant Accounting Policies: (Continued)

Impairment of Real Estate

The Museum reviews its investment in real estate for impairment whenever events and changes in circumstances indicate that the carrying value of such property may not be recoverable. Recoverability is measured by a comparison of the carrying amount of the real estate to the estimated proceeds from the eventual disposition of the real estate. If the real estate is considered to be impaired, the impairment to be recognized is measured at the amount by which the carrying amount of real estate exceeds the fair value of such property. There were no impairment losses recognized in 2019 and 2018.

Collection

The Museum has capitalized its collection since its inception. If purchased, items accessioned into the collection are capitalized at cost and, if donated, they are capitalized at their appraised or fair value on the accession date, the date on which the item is accepted by the Board of Directors (the "Board"). Gains or losses on the deaccession of collection items are classified in the statements of activities as without donor restriction or with donor restriction depending on donor restrictions, if any, placed on the item at the time of accession. Deaccessions of collection items totaled $98,600 and $500, which were sold for $41,795 and $1,200, resulting in gains (losses) of $(56,805) and $700, for the years ended June 30, 2019 and 2018, respectively, which has been included as gains and (losses) on sale of collection items in the statements of activities. Costs incurred in connection with the acquisition and conservation of the collection are expensed in the period incurred. The collection consists of the following at June 30:

	2019	2018
Antique autos	$ 928,502	$ 805,102
Library collections and other memorabilia	197,749	193,249
Total Collection	$ 1,126,251	$ 998,351

Compensated Absences

Accumulated unpaid vacation totaling $20,407 and $18,429, at June 30, 2019 and 2018, respectively, is accrued when incurred and included in accounts payable and accrued expenses.

Revenue Recognition

Contributions are recognized when the donor makes a promise to give to the Museum that is in substance, unconditional. Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met. Contributions are recorded as without donor restriction or with donor restriction, depending on the existence or nature of any donor restrictions. All donor-restricted support is reported as an increase in net assets with donor restrictions. When the stipulated time restriction ends or purpose restriction is accomplished, donor restricted net assets are reclassified to net assets without donor restrictions. Contributions to be received in future periods are discounted at an appropriate discount rate. Amortization of discounts is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions.

Note 2 - Significant Accounting Policies: (Continued)

Donated Services, Materials and Support

The Museum utilizes the services of many volunteers throughout the year. This contribution of services by the volunteers is not recognized in the financial statements unless the services received (a) create or enhance nonfinancial assets or (b) require specialized skills which are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. The donated services by volunteers for the years ended June 30, 2019 and 2018 did not meet the requirements above; therefore, no amounts were recognized in the financial statements for volunteer time.

The Museum received donations of items which have been recorded at fair value and included in in-kind contributions as follows for the years ended June 30:

	2019	2018
Collection items	$ 222,000	$ 5,100
Inventory – vehicle	15,500	29,750
Equipment	8,093	-
Collectables	4,500	-
Total In-Kind Contributions	$ 250,093	$ 34,850

Functional Allocation of Expenses

The statements of functional expenses present expenses by function and natural classification. Expenses directly attributable to a specific functional area are reported as expenses of those functional areas. A portion of expenses that benefit multiple functional areas have been allocated between programs and supporting services based on a cost allocation plan that allocates costs based on time records, space utilized and estimates made by the Museum's management.

Income Taxes

The Museum is a public charity and is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and Section 23701(d) of the California Revenue and Taxation Code except on net income derived from unrelated business activities. The Museum believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements. The Museum is not a private foundation.

The Museum's Return of Organization Exempt from Income Tax for the years ended June 30, 2019, 2018, 2017 and 2016 are subject to examination by Internal Revenue Service and State taxing authorities, generally three to four years after the returns were filed.

Concentration of Credit Risk

The Museum maintains its cash in bank accounts which, at times, may exceed federally insured limits. The Museum has not experienced any losses in such accounts. The Museum believes it is not exposed to any significant credit risk on cash and cash equivalents.

Note 2 - Significant Accounting Policies: (Continued)

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Museum considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

Accounting Pronouncements Adopted

In August 2016, the FASB issued ASU 2016-14, "Presentation of Financial Statements of Not-for-Profit Entities" (Topic 958). The ASU amends the current reporting model for nonprofit organizations and enhances their required disclosures. The major changes include: (a) requiring the presentation of only two classes of net assets now entitled "net assets without donor restrictions" and "net assets with donor restrictions", (b) requiring that all nonprofits present an analysis of expenses by function and nature in either the statement of activities, a separate statement, or in the notes and disclose a summary of the allocation methods used to allocate costs, (c) requiring the disclosure of quantitative and qualitative information regarding liquidity and availability of resources, and (d) modifying other financial statement reporting requirements and disclosures intended to increase the usefulness of nonprofit financial statements. The Museum has adopted this ASU as of and for the year ended June 30, 2019.

In June 2018, the FASB issued ASU 2018-08, Not-for-Profit Entities (Topic 958), Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made. The ASU clarifies and improves guidance for contributions received and contributions made and provides guidance to organizations on how to account for certain exchange transactions This change is preferable in that it clarifies whether to account for transactions as contributions or as exchange transactions. In addition, it clarifies whether a contribution is conditional. As a result, it enhances comparability of financial information among not-for-profit entities. The change in accounting principle was adopted on a modified prospective basis in 2019. As a result, there was no cumulative-effect adjustment to opening net assets without donor restrictions or opening net assets with donor restrictions as of July 1, 2018. There was no effect of adopting the new accounting principles in contributions in 2019.

Subsequent Events

In preparing these financial statements, the Museum has evaluated events and transactions for potential recognition or disclosure through August 27, 2019, the date the financial statements were available to be issued and concluded that there were no events or transactions that needed to be disclosed.

Note 3 - Liquidity and Availability:

The Museum regularly monitors the availability of resources required to meet its operating needs and other contractual commitments. The Museum receives contributions restricted by donors, and considers contributions restricted for programs which are ongoing, major, and central to its annual operations to be available to meet cash needs for general expenditures. For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Museum considers all expenditures related to its ongoing programs as well as the conduct of services undertaken to support those activities to be general expenditures.

Financial assets available for general expenditure within one year, are comprised of the following at June 30, 2019:

Financial assets at year-end:	
Cash and cash equivalents	$ 180,174
Accounts receivable	42,407
Total Financial Assets	222,581
Less: Donor restricted for capital improvements	(50,000)
Financial assets available to meet cash needs for general expenditures within one year	$ 172,581

In addition to financial assets available to meet general expenditures over the next 12 months the Museum operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures. The Museum also has a line-of-credit agreement with available borrowings totaling $100,000 as described in Note 5.

Note 4 - Property and Equipment:

Property and equipment consist of the following at June 30:

	2019	2018
Land	$ 519,848	$ 519,848
Storage building	90,000	90,000
Building improvements	1,233,173	1,233,173
Computer equipment	66,619	66,619
Furniture and fixtures	84,631	76,537
Vehicles	14,401	14,401
Subtotal	2,008,672	2,000,578
Less: Accumulated depreciation	(875,416)	(833,468)
Property and Equipment, Net	$ 1,133,256	$ 1,167,110

Note 5 - Line-of-Credit:

The Museum has a line-of-credit available in the amount of $100,000 with US Bank with interest at the bank's prime rate. The line-of-credit is secured by deed of trust on the Museum's building. The line of credit is renewable annually on July 1. There were no outstanding advances under the line-of-credit at June 30, 2019 and 2018.

Note 6 - Note Payable:

Note payable consists of the following at June 30:

	2019	2018
Note payable in the original amount of $263,134, payable in monthly installments of principal and interest totaling $2,659 with interest at 3.9%. The note terms were amended December 5, 2016 to extend the maturity date to August 1, 2022 payable in monthly installments of principal and interest totaling $2,563 with interest at 4.05%. The note is secured by land and building.	$ 91,254	$ 117,673
Less: Current portion	(29,197)	(26,481)
Note Payable, Net of Current Portion	$ 62,057	$ 91,192

Future principal payments on the note payable are as follows:

Years Ended June 30	
2020	$ 29,197
2021	30,401
2022	31,656
	$ 91,254

Note 7 - Agreement With the City of San Diego:

The building and land where the Museum is located are owned by the City of San Diego (the "City") and leased to the Museum, and therefore are not assets of the Museum and are not reflected in the accompanying financial statements. Additions and renovations to the original building are assets of the Museum and are reflected as leasehold improvements in the accompanying financial statements. The Museum operates the museum under a 25-year lease with the City ending on January 14, 2038. As part of this agreement, the Museum is to make the premises available to the public, without charge, one day per month. Under the agreement, in place of cash rent for the use of the premises, the consideration to the City from the Museum will be the continuous operation, development and maintenance of the premises.

Note 8 - Net Assets With Donor Restrictions:

Net assets with donor restrictions represent contributions received or receivable by the Museum, which are limited in their use by time or donor-imposed restrictions. Net assets with donor restrictions are available for the following purpose at June 30:

	2019	2018
Subject to Expenditure for Specified Purpose:		
Lift	$ 50,000	$ -
Total Subject to Expenditure For Specified Purpose	$ 50,000	$ -