SAN DIEGO AUTOMOTIVE MUSEUM

FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

SAN DIEGO AUTOMOTIVE MUSEUM, INC.
FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

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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, 2021 and 2020, 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.

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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, 2021 and 2020, 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
November 3, 2021

SAN DIEGO AUTOMOTIVE MUSEUM, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2021 AND 2020

ASSETS

	2021	2020
Current Assets: (Note 2)		
Cash and cash equivalents	$ 1,028,394	$ 69,093
Accounts receivable	590,537	-
Inventories	106,960	57,509
Prepaid expenses	25,606	-
Total Current Assets	1,751,497	126,602
Noncurrent Assets: (Notes 2, 4 and 6)		
Property and equipment, net	1,336,113	1,163,683
Collection	1,013,965	1,128,251
Total Noncurrent Assets	2,350,078	2,291,934
TOTAL ASSETS	$ 4,101,575	$ 2,418,536

LIABILITIES AND NET ASSETS

	2021	2020
Current Liabilities: (Notes 2, 6 and 9)		
Accounts payable and accrued expenses	$ 91,674	$ 74,911
Deferred revenue	194,820	94,800
Current portion of note payable	42	31,224
Total Current Liabilities	286,536	200,935
Noncurrent Liabilities: (Note 6)		
Note payable, net of current portion	474,112	32,513
Total Liabilities	760,648	233,448
Commitments and Contingencies (Notes 5, 7 and 9)		
Net Assets: (Note 2 and 8)		
Without donor restrictions	2,050,927	2,185,088
With donor restrictions	1,290,000	-
Total Net Assets	3,340,927	2,185,088
TOTAL LIABILITIES AND NET ASSETS	$ 4,101,575	$ 2,418,536

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, 2021 AND 2020

	2021			2020		
Revenue and Support:	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Contributions and grants	$ 32,111	$ 1,355,000	$ 1,387,111	$ 38,171	$ -	$ 38,171
Governmental grants	250,202	-	250,202	56,352	-	56,352
In-kind contributions	213,982	-	213,982	57,500	-	57,500
Admissions	152,734	-	152,734	381,672	-	381,672
Museum events	70,275	-	70,275	21,808	-	21,808
Museum store sales	18,617	-	18,617	46,279	-	46,279
Membership dues	15,884	-	15,884	3,918	-	3,918
Facility rental income	5,472	-	5,472	5,780	-	5,780
Other income	814	-	814	2,096	-	2,096
Vehicle and parts sales, net	295	-	295	6,000	-	6,000
Interest Income	12	-	12	12	-	12
Loss on sale of collection items	(89,620)	-	(89,620)	(2,950)	-	(2,950)
Net assets released from restrictions	65,000	(65,000)	-	50,000	(50,000)	-
Total Revenue and Support	735,778	1,290,000	2,025,778	666,638	(50,000)	616,638
Expenses:						
Program Expenses:						
Program and Exhibits	279,951	-	279,951	290,148	-	290,148
Education	6,333	-	6,333	64,496	-	64,496
Total Program Expenses	286,284	-	286,284	354,644	-	354,644
Supporting Services:						
General and administrative	429,753	-	429,753	423,493	-	423,493
Fundraising	153,902	-	153,902	51,822	-	51,822
Total Supporting Services	583,655	-	583,655	475,315	-	475,315
Total Expenses	869,939	-	869,939	829,959	-	829,959
Change in Net Assets	(134,161)	1,290,000	1,155,839	(163,321)	(50,000)	(213,321)
Net Assets at Beginning of Year	2,185,088	-	2,185,088	2,348,409	50,000	2,398,409
NET ASSETS AT END OF YEAR	$ 2,050,927	$ 1,290,000	$ 3,340,927	$ 2,185,088	$ -	$ 2,185,088

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, 2021

	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	$ 127,305	$ 5,564	$ 132,869	$ 123,952	$ 42,362	$ 166,314	$ 299,183
Payroll taxes and related costs	10,904	608	11,512	10,088	3,532	13,620	25,132
Employee benefits	3,675	161	3,836	26,951	4,387	31,338	35,174
Total Salaries and Related Expenses	141,884	6,333	148,217	160,991	50,281	211,272	359,489
Nonsalary Related Expenses:							
Advertising and marketing	-	-	-	-	1,395	1,395	1,395
Automobile costs and repairs	48,808	-	48,808	14,823	-	14,823	63,631
Building repairs and maintenance	1,392	-	1,392	169	-	169	1,561
Cost of museum store sales	7,204	-	7,204	-	-	-	7,204
Exhibit and event costs	2,884	-	2,884	695	8,558	9,253	12,137
Fees and other charges	921	-	921	10,615	1,405	12,020	12,941
Insurance	-	-	-	27,493	-	27,493	27,493
Interest	-	-	-	27,582	-	27,582	27,582
Licenses and fees	727	-	727	2,523	-	2,523	3,250
Miscellaneous	90	-	90	2,911	859	3,770	3,860
Postage and delivery	30	-	30	2,172	7,182	9,354	9,384
Professional fees	46,444	-	46,444	89,387	70,566	159,953	206,397
Staff development	-	-	-	26	352	378	378
Security	2,480	-	2,480	3,976	-	3,976	6,456
Supplies	20,669	-	20,669	30,876	11,004	41,880	62,549
Telephone	1,259	-	1,259	3,018	-	3,018	4,277
Travel and entertainment	439	-	439	431	2,300	2,731	3,170
Utilities	4,720	-	4,720	9,163	-	9,163	13,883
Total Nonsalary Related Expenses	138,067	-	138,067	225,860	103,621	329,481	467,548
Add: Depreciation		-	-	42,902	-	42,902	42,902
Total Expenses	$ 279,951	$ 6,333	$ 286,284	$ 429,753	$ 153,902	$ 583,655	$ 869,939

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, 2020

	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	$ 82,239	$ 51,072	$ 133,311	$ 237,699	$ 14,416	$ 252,115	$ 385,426
Payroll taxes and related costs	7,043	4,081	11,124	21,655	1,746	23,401	34,525
Employee benefits	10,435	6,133	16,568	32,730	-	32,730	49,298
Total Salaries and Related Expenses	99,717	61,286	161,003	292,084	16,162	308,246	469,249
Nonsalary Related Expenses:							
Advertising and marketing	8,068	-	8,068	2,304	1,153	3,457	11,525
Automobile costs and repairs	33,554	-	33,554	-	-	-	33,554
Building repairs and maintenance	7,067	-	7,067	2,935	-	2,935	10,002
Cost of museum store sales	14,986	-	14,986	-	-	-	14,986
Exhibit and event costs	4,188	-	4,188	-	13,673	13,673	17,861
Fees and other charges	952	-	952	7,831	5,757	13,588	14,540
Insurance	24,224	-	24,224	13,043	-	13,043	37,267
Interest	-	-	-	3,149	-	3,149	3,149
Licenses and fees	974	-	974	273	-	273	1,247
Miscellaneous	-	-	-	84	-	84	84
Postage and delivery	-	-	-	1,501	-	1,501	1,501
Professional fees	42,024	-	42,024	42,293	14,878	57,171	99,195
Staff development	728	196	924	375	-	375	1,299
Security	360	-	360	5,807	-	5,807	6,167
Supplies	12,989	1,465	14,454	25,931	199	26,130	40,584
Telephone	1,421	-	1,421	2,791	-	2,791	4,212
Travel and entertainment	2,522	1,549	4,071	3,815	-	3,815	7,886
Utilities	4,242	-	4,242	9,975	-	9,975	14,217
Total Nonsalary Related Expenses	158,299	3,210	161,509	122,107	35,660	157,767	319,276
Add: Depreciation	32,132	-	32,132	9,302	-	9,302	41,434
Total Expenses	$ 290,148	$ 64,496	$ 354,644	$ 423,493	$ 51,822	$ 475,315	$ 829,959

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, 2021 AND 2020

	2021	2020
Cash Flows From Operating Activities:		
Change in net assets	$ 1,155,839	$ (213,321)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	42,902	41,434
Amortization of debt issuance costs	1,949	-
Losses on sale of collection items	89,620	2,950
Donated inventories	(89,150)	(22,500)
Donated collection items	(119,934)	(35,000)
(Increase) Decrease in:		
Accounts receivable	(590,537)	42,407
Inventories	39,699	7,452
Prepaid expenses	(25,606)	-
Increase (Decrease) in:		
Accounts payable and accrued expenses	16,763	40,025
Deferred revenue	100,020	94,800
Net Cash Provided by (Used In) in Operating Activities	621,565	(41,753)
Cash Flows From Investing Activities:		
Purchase of property and equipment	(215,332)	(71,861)
Proceeds from sale of collection items	144,600	30,050
Net Cash Used In Investing Activities	(70,732)	(41,811)
Cash Flows From Financing Activities:		
Payments for debt issuance costs	(7,795)	-
Proceeds from notes payable	480,000	-
Payments on note payable	(63,737)	(27,517)
Net Cash Provided by (Used in) Financing Activities	408,468	(27,517)
Net Increase (Decrease) in Cash and Cash Equivalents	959,301	(111,081)
Cash and Cash Equivalents at Beginning of Year	69,093	180,174
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 1,028,394	$ 69,093
Supplemental Disclosures of Cash Flow Information:		
Cash paid for interest	$ 20,209	$ 3,242

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 43 automobiles and 16 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, 2021 and 2020.

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, 2021 and 2020.

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:

	2021	2020
Automobiles	$ 100,250	$ 50,000
Retail store	6,710	7,509
Total Inventories	$ 106,960	$ 57,509

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 $42,902 and $41,434 for the years ended June 30, 2021 and 2020, respectively.

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 2021 and 2020.

Note 2 - Significant Accounting Policies: (Continued)

Debt Issuance Costs

Debt issuance costs are incurred in order to obtain financing for the Museum. Debt issuance costs are amortized on a straight-line basis over the term of the related loan, which approximates the interest method. Unamortized deferred financing costs are presented as a direct reduction from the carrying value of the related obligation to which such costs relate. Amortization of debt issuance costs is reported as a component of interest expense and totaled $1,949 and $-0- for the years ended June 31, 2021 and 2020, respectively.

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. The collection is subject to a policy that requires proceeds from the sale of collection items are used for the direct care of the collection or to acquire other items for the collection. Direct care of collections is defined by the Museum as costs that prolong the life and usefulness of the collection, costs providing benefits that enhance the quality and protection of the collection, and costs that make a physical impact on collection objects, increasing or restoring their cultural or scientific value. Routine and ongoing expenditures are not considered direct care of collections. Deaccessions of collection items totaled $234,220 and $33,000, which were sold for $144,600 and $30,050, resulting in losses of $(89,620) and $(2,950), for the years ended June 30, 2021 and 2020, respectively, which has been included as loss 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:

	2021	2020
Antique autos	$ 811,177	$ 930,502
Library collections and other memorabilia	202,788	197,749
Total Collection	$ 1,013,965	$ 1,128,251

Compensated Absences

Accumulated unpaid vacation totaling $14,541 and $14,663 at June 30, 2021 and 2020, respectively, is accrued when incurred and included in accounts payable and accrued expenses.

Revenue Recognition

The Museum recognizes revenue from admissions upon sale or date of service, as applicable.

Museum store sales and vehicle and parts sales are recognized as revenue when the sale transaction occurs.

Note 2 - Significant Accounting Policies: (Continued)

Revenue Recognition (Continued)

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.

The Museum recognizes revenue from event income, facility rental income and other income upon sale or date of service, as applicable.

The Museum offers memberships that typically last for a term of one year. The Museum divides fees from these memberships between contributions and exchange transactions and recognizes revenue for the contribution upon sale. The exchange portion is also recognized upon sale, since fees are non-refundable and used to fund the Museum's mission and access programs.

Revenue from events is deferred until the fiscal year in which the event occurs. Deferred revenue for events totaled $100,020 and $-0- at June 30, 2021 and 2020, respectively.

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, 2021 and 2020 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:

	2021	2020
Collection items	$ 114,800	$ 35,000
Inventory – vehicle	89,150	22,500
Equipment	3,600	-
Gift shop	3,382	-
Collectables	2,950	-
Library	100	-
Total In-Kind Contributions	$ 213,982	$ 57,500

Note 2 - Significant Accounting Policies: (Continued)

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, 2021, 2020, 2019, and 2018 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.

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 March 2019, the FASB issued ASU 2019-03, *Not-for-Profit Entities – Updating the Definition of Collections*. This standard addresses the use of deaccessioned funds not only for the acquisition of new collection items, but also for direct care of the collection. This standard is applied on a prospective basis. The adoption had no effect on the 2021 financial statements.

Subsequent Events

In preparing these financial statements, the Museum has evaluated events and transactions for potential recognition or disclosure through November 3, 2021, the date the financial statements were available to be issued and concluded that there were no events or transactions that needed to be disclosed except as disclosed in Note 10.

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:

	2021	2020
Cash and cash equivalents	$ 1,028,394	$ 69,093
Accounts receivable	590,537	-
Less: Donor restrictions for capital improvements	(1,290,000)	-
Financial assets available to meet general expenditures within one year	$ 328,931	$ 69,093

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.

Note 4 - Property and Equipment:

Property and equipment consist of the following at June 30:

	2021	2020
Land	$ 519,848	$ 519,848
Storage building	100,945	90,000
Building improvements	1,504,947	1,303,055
Computer equipment	60,207	68,598
Furniture and fixtures	74,775	84,631
Vehicles	13,751	14,401
Subtotal	2,274,473	2,080,533
Less: Accumulated depreciation	(938,360)	(916,850)
Property and Equipment, Net	$ 1,336,113	$ 1,163,683

Note 5 - Line-of-Credit:

The Museum had a line-of-credit available in the amount of $100,000 with U.S. Bank with interest at the bank's prime rate. The line-of-credit was secured by deed of trust on the Museum's building. The line-of-credit was renewable annually on July 1. The line-of-credit was closed in September 2020 and there were no outstanding advances under the line of credit at June 30, 2021 and 2020.

Note 6 - Note Payable:

Note payable consists of the following at June 30:

	2021	2020
Note payable to Weldon Financial in the original amount of \$330,000. Interest only payments of \$2,200 are due monthly at 8%. Due October 1, 2033. Secured by property. Accrued interest totaled \$2,200 and \$0 at June 30, 2021 and 2020, respectively and is included in accounts payable and accrued expenses.	$ 330,000	$ -
Note payable to U.S. Small Business Administration in the original amount of \$150,000. Payments of principal and interest of \$641 are due monthly, begin June 2022. The note is due June 2051. Secured by property. Accrued interest totaled \$3,438 and \$0 at June 30, 2021 and 2020, respectively, and is included in accounts payable and accrued expenses.	150,000	-
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.	-	63,737
	480,000	63,737
Less: Current portion	(42)	(31,224)
Less: Unamortized debt issuance costs	(5,846)	-
Note Payable, Net of Current Portion and Unamortized Debt Issuance Costs	$ 474,112	$ 32,513

Debt issuance costs total \$7,795 less accumulated amortization of \$1,949 and \$-0- at June 30, 2021 and 2020, respectively.

Future principal payments on the note payable are as follows:

Years Ended June 30	
2022	$ 42
2023	3,613
2024	333,714
2025	3,818
2026	3,924
Thereafter	134,899
	$ 480,000

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:

	2021	2020
Subject to Expenditure for Specified Purpose:		
Improvements	$ 1,250,000	$ -
Library	30,000	-
Restroom	10,000	-
Total Net Assets with Donor Restrictions	$ 1,290,000	$ -

Net assets released from donor restrictions by incurring expenses satisfying the restricted purpose, or by the occurrence of the passage of time or other events specified by the donors, are as follows for the years ended June 30:

	2021	2020
Purpose Restrictions Accomplished:		
Flooring	$ 40,000	$ -
Covid Relief	25,000	-
Lift	-	50,000
Total Net Assets Released From Restrictions	$ 65,000	$ 50,000

Note 9 - Contingencies:

Payroll Protection Program Loan

In April 2020, the Museum received a loan totaling $94,800 from the U.S. Small Business Administration under the CARES Act Paycheck Protection Program ("PPP"). The loan is forgivable to the extent that the Museum meets the terms and conditions of the PPP. Any portion of the loan that is not forgiven bears interest at 1% and is due in April 2022. The Museum has recognized the $94,800 as revenue for the year ended June 30, 2021, since they believe that they have satisfied the terms and conditions of forgiveness of the PPP.

Note 9 - Contingencies: (Continued)

Consolidated Appropriations Act Paycheck Protection Program

In January 2021, the Museum received a loan totaling $94,800 from the U.S. Small Business Administration under the Consolidated Appropriations Act ("PPP2"). The loan is forgivable to the extent that the Museum meets the terms and conditions of the PPP2. Any portion of the loan that is not forgiven bears interest at 1% and is due January 2026. The Museum has included the loan totaling $94,800 in deferred revenue at June 30, 2021. The Museum expects to satisfy the terms and conditions of forgiveness of the PPP2 and will recognize the $94,800 as revenue when forgiveness is granted, which is expected to occur during the year ended June 30, 2022.

Coronavirus Pandemic Contingency

The COVID-19 pandemic, whose effects first became known in January 2020, is having a broad and negative impact on commerce and financial markets around the world. The United States and global markets experienced significant declines in value resulting from uncertainty caused by the pandemic. The Museum is closely monitoring its liquidity and is actively working to minimize the impact of these declines. The extent of the impact of COVID-19 on the Museum's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak and its impacts on the Museum's donors, employees, and vendors, all of which at present cannot be determined. Accordingly, the extent to which COVID-19 may impact the Museum's financial position and changes in net assets and cash flows is uncertain, and the accompanying financial statements include no adjustments relating to the effects of this pandemic.

Note 10 - Subsequent Events:

In July 2021, the Museum received a loan increase from $150,000 to $450,000 from the U.S. Small Business Administration ("SBA"). The loan is payable in monthly installments of $1,986, including interest at 2.75%, and is due in 30 years from the date of the promissory note. The loan is collateralized by the assets of the Museum.

In July 2021, the Museum was awarded a shuttered venue operator grant in the amount of $187,785.