SAN DIEGO AUTOMOTIVE MUSEUM

FINANCIAL STATEMENTS

JUNE 30, 2022 AND 2021

SAN DIEGO AUTOMOTIVE MUSEUM, INC.
FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

TABLE OF CONTENTS

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.

Opinion

We have audited the accompanying financial statements of San Diego Automotive Museum, Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of San Diego Automotive Museum, Inc. as of June 30, 2022 and 2021, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of San Diego Automotive Museum, Inc., and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about San Diego Automotive Museum, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of San Diego Automotive Museum, Inc.'s internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about San Diego Automotive Museum, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Leaf & Cole LLP

San Diego, California
January 24, 2023

SAN DIEGO AUTOMOTIVE MUSEUM, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2022 AND 2021

ASSETS

	2022	2021
Current Assets: (Note 2)		
Cash and cash equivalents	$ 1,405,903	$ 1,028,394
Accounts receivable	19,392	590,537
Inventories	665,303	106,960
Prepaid expenses	128,216	25,606
Total Current Assets	2,218,814	1,751,497
Noncurrent Assets: (Notes 2, 4 and 6)		
Property and equipment, net	1,649,356	1,336,113
Collection	804,688	1,013,965
Total Noncurrent Assets	2,454,044	2,350,078
TOTAL ASSETS	$ 4,672,858	$ 4,101,575

LIABILITIES AND NET ASSETS

	2022	2021
Current Liabilities: (Notes 2, 6 and 9)		
Accounts payable and accrued expenses	$ 87,109	$ 91,674
Deferred revenue	151,000	194,820
Current portion of note payable	11,822	42
Total Current Liabilities	249,931	286,536
Noncurrent Liabilities: (Note 6)		
Note payable, net of current portion	430,312	474,112
Total Liabilities	680,243	760,648
Commitments and Contingencies (Notes 5, 7 and 9)		
Net Assets: (Note 2 and 8)		
Without donor restrictions	3,129,055	2,050,927
With donor restrictions	863,560	1,290,000
Total Net Assets	3,992,615	3,340,927
TOTAL LIABILITIES AND NET ASSETS	$ 4,672,858	$ 4,101,575

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, 2022 AND 2021

	2022			2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and Support:						
Special events	$ 709,436	$ -	$ 709,436	$ 70,275	$	$ 70,275
Admissions	544,210	-	544,210	152,734	-	152,734
Governmental grants	443,878	-	443,878	250,202	-	250,202
Contributions and grants	294,362	112,000	406,362	32,111	1,355,000	1,387,111
In-kind contributions	291,950	-	291,950	213,982	-	213,982
Museum store sales	125,445	-	125,445	18,617	-	18,617
Memberships	29,811	-	29,811	15,884	-	15,884
Facility rental income	10,875	-	10,875	5,472	-	5,472
Other income	5,703	-	5,703	814	-	814
Interest Income	1,514	-	1,514	12	-	12
Vehicle and parts sales, net	-	-	-	295	-	295
Loss on sale of collection items	-	-	-	(89,620)	-	(89,620)
Net assets released from restrictions	538,440	(538,440)	-	65,000	(65,000)	-
Total Revenue and Support	2,995,624	(426,440)	2,569,184	735,778	1,290,000	2,025,778
Expenses:						
Program Expenses:						
Program and exhibits	804,453	-	804,453	279,951	-	279,951
Education	76,799	-	76,799	6,333	-	6,333
Total Program Expenses	881,252	-	881,252	286,284	-	286,284
Supporting Services:						
General and administrative	368,823	-	368,823	429,753	-	429,753
Fundraising	667,421	-	667,421	153,902	-	153,902
Total Supporting Services	1,036,244	-	1,036,244	583,655	-	583,655
Total Expenses	1,917,496	-	1,917,496	869,939	-	869,939
Change in Net Assets	1,078,128	(426,440)	651,688	(134,161)	1,290,000	1,155,839
Net Assets at Beginning of Year	2,050,927	1,290,000	3,340,927	2,185,088	-	2,185,088
NET ASSETS AT END OF YEAR	$ 3,129,055	$ 863,560	$ 3,992,615	$ 2,050,927	$ 1,290,000	$ 3,340,927

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, 2022

	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	$ 329,332	$ 65,318	$ 394,650	$ 27,329	$ 143,139	$ 170,468	$ 565,118
Payroll taxes and related costs	28,205	5,498	33,703	2,078	12,571	14,649	48,352
Employee benefits	15,956	4,143	20,099	19,298	7,225	26,523	46,622
Total Salaries and Related Expenses	373,493	74,959	448,452	48,705	162,935	211,640	660,092
Nonsalary Related Expenses:							
Advertising and marketing	78,814	-	78,814	1,385	37,481	38,866	117,680
Automobile costs and repairs	83,685	-	83,685	-	-	-	83,685
Building repairs and maintenance	25,674	-	25,674	5,328	-	5,328	31,002
Cost of museum store sales	31,400	-	31,400	-	-	-	31,400
Exhibit and event costs	34,495	63	34,558	7,119	331,931	339,050	373,608
Fees and other charges	2,298	2	2,300	24,679	7,531	32,210	34,510
Insurance	-	-	-	56,481	-	56,481	56,481
Interest	-	-	-	26,453	-	26,453	26,453
Licenses and fees	752	-	752	(2)	170	168	920
Miscellaneous	2,195	-	2,195	7,938	2,247	10,185	12,380
Postage and delivery	379	-	379	2,706	913	3,619	3,998
Professional fees	76,291	-	76,291	76,469	100,301	176,770	253,061
Staff development	1,392	-	1,392	936	-	936	2,328
Security	7,525	-	7,525	-	-	-	7,525
Supplies	59,343	1,775	61,118	54,089	18,635	72,724	133,842
Telephone	8,629	-	8,629	775	-	775	9,404
Travel and entertainment	2,602	-	2,602	1	5,277	5,278	7,880
Utilities	15,486	-	15,486	-	-	-	15,486
Total Nonsalary Related Expenses	430,960	1,840	432,800	264,357	504,486	768,843	1,201,643
Add: Depreciation	-	-	-	55,761	-	55,761	55,761
Total Expenses	$ 804,453	$ 76,799	$ 881,252	$ 368,823	$ 667,421	$ 1,036,244	$ 1,917,496

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.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

	2022	2021
Cash Flows From Operating Activities:		
Change in net assets	$ 651,688	$ 1,155,839
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	55,761	42,902
Amortization of debt issuance costs	5,846	1,949
Losses on sale of collection items	-	89,620
Donated inventories	(45,350)	(89,150)
Donated collection items	(246,800)	(119,934)
(Increase) Decrease in:		
Accounts receivable	571,145	(590,537)
Inventories	(56,916)	39,699
Prepaid expenses	(102,610)	(25,606)
Increase (Decrease) in:		
Accounts payable and accrued expenses	(4,565)	16,763
Deferred revenue	(43,820)	100,020
Net Cash Provided by Operating Activities	784,379	621,565
Cash Flows From Investing Activities:		
Purchase of property and equipment	(369,004)	(215,332)
Proceeds from sale of collection items	-	144,600
Net Cash Used In Investing Activities	(369,004)	(70,732)
Cash Flows From Financing Activities:		
Payments for debt issuance costs	-	(7,795)
Proceeds from notes payable	300,000	480,000
Payments on note payable	(337,866)	(63,737)
Net Cash (Used in) Provided by Financing Activities	(37,866)	408,468
Net Increase in Cash and Cash Equivalents	377,509	959,301
Cash and Cash Equivalents at Beginning of Year	1,028,394	69,093
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 1,405,903	$ 1,028,394
Supplemental Disclosures of Cash Flow Information:		
Cash paid for interest	$ 26,245	$ 20,209

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 47 automobiles and 15 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, 2022 and 2021.

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, 2022 and 2021.

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:

	2022	2021
Automobiles	$ 639,903	$ 100,250
Retail store	25,400	6,710
Total Inventories	$ 665,303	$ 106,960

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	5 - 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 $55,761 and $42,902 for the years ended June 30, 2022 and 2021, 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 2022 and 2021.

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 $5,846 and $1,949 for the years ended June 31, 2022 and 2021, 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 $628,877 and $234,220, which were sold for $-0- and $144,600, resulting in losses of $-0- and $(89,620), for the years ended June 30, 2022 and 2021, 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:

	2022	2021
Antique autos	$ 597,900	$ 811,177
Library collections and other memorabilia	206,788	202,788
Total Collection	$ 804,688	$ 1,013,965

Compensated Absences

Accumulated unpaid vacation totaling $23,793 and $14,541 at June 30, 2022 and 2021, 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 $151,000 and $100,020 at June 30, 2022 and 2021, respectively.

Donated Services, Materials and Support

The Museum received the following in-kind contributions for the years ended June 30:

	2022	2021
Collection items	$ 246,800	$ 117,850
Vehicles for sale	45,350	89,150
Equipment	-	3,600
Retail store inventory	-	3,382
Total In-Kind Contributions	$ 291,950	$ 213,982

The Museum receives vehicles, library and collection items which are valued at fair market value for similar items. The collection item is reported as in-kind contribution revenue with a corresponding increase to collections.

Contributed vehicles for sale and retail store inventory received by the Museum are recorded as in-kind contribution revenue with a corresponding increase to inventory. The Museum values the inventory at the current price located on a publicly available website for a similar item. The Museum's policy is to attempt to sell the vehicles and other inventory items.

Note 2 - Significant Accounting Policies: (Continued)

Donated Services, Materials and Support (Continued)

The Museum received equipment which is valued at the estimated price that would be used to purchase a similar product.

Contributed collection items and equipment were utilized in the Museum's programs.

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, 2022 and 2021 did not meet the requirements above; therefore, no amounts were recognized in the financial statements for volunteer time.

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, 2022, 2021, 2020, and 2019 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.

Note 2 - Significant Accounting Policies: (Continued)

Accounting Pronouncements Adopted

In September 2020, the FASB issued ASU No. 2020-07, Presentation and Disclosures by Not-for Profit Entities for Contributed Nonfinancial Assets (Topic 958). ASU 2020-07 improves transparency in the reporting of contributed nonfinancial assets, also known as gifts in-kind, for not-for-profit entities. The ASU requires a not-for-profit organization to present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash or other financial assets, along with expanded disclosure requirements. This standard is applied on a retrospective basis.

Subsequent Events

In preparing these financial statements, the Museum has evaluated events and transactions for potential recognition or disclosure through January 24, 2023, 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:

	2022	2021
Cash and cash equivalents	$ 1,405,903	$ 1,028,394
Accounts receivable	19,392	590,537
Less: Donor restrictions for capital improvements	(863,560)	(1,290,000)
Financial assets available to meet general expenditures within one year	$ 561,735	$ 328,931

In addition to financial assets available to meet general expenditures over the next 12 months, the Museum has a line-of-credit with available borrowings totaling $500,000 as described in Note 5. In addition, 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:

	2022	2021
Land	$ 519,848	$ 519,848
Storage building	100,945	100,945
Building improvements	1,630,594	1,504,947
Computer equipment	56,706	60,207
Furniture and fixtures	82,432	74,775
Vehicles	58,698	13,751
Construction in Progress	181,709	-
Subtotal	2,630,932	2,274,473
Less: Accumulated depreciation	(981,576)	(938,360)
Property and Equipment, Net	$ 1,649,356	$ 1,336,113

Note 5 - Line-of-Credit:

The secured line-of-credit note, which originated on June 23, 2021, is held by Endeavor Bank in the original amount of $500,000, and bears interest at the bank's prime rate. Interest is payable monthly. Principal and accrued interest are due June 23, 2023. There was no outstanding balance on the line-of-credit at June 30, 2022 and 2021.

Note 6 - Note Payable:

Note payable consists of the following at June 30:

	2022	2021
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 $-0- and $2,200 at June 30, 2022 and 2021, respectively, and is included in accounts payable and accrued expenses. The note was paid in full during the year ended June 30, 2022.	$ -	$ 330,000
Note payable to U.S. Small Business Administration in the original amount of $150,000. The loan was increased to $450,000 in July 2021. Payments of principal and interest of $1,986 are due monthly, beginning August 2022. The note is due June 2051. Secured by property. Accrued interest totaled $-0- and $3,438 at June 30, 2022 and 2021, respectively, and is included in accounts payable and accrued expenses.	442,134	150,000
	442,134	480,000
Less: Current portion	(11,822)	(42)
Less: Unamortized debt issuance costs	-	(5,846)
Note Payable, Net of Current Portion and Unamortized Debt Issuance Costs	$ 430,312	$ 474,112

Note 6 - Note Payable: (Continued)

Debt issuance costs total $7,795 less accumulated amortization of $7,795 and $1,949 at June 30, 2022 and 2021, respectively.

Future principal payments on the note payable are as follows:

Years Ended June 30		
2023	$	11,822
2024		12,151
2025		12,489
2026		12,837
2027		13,195
Thereafter		379,640
	$	442,134

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:

		2022		2021
Subject to Expenditure for Specified Purpose:				
Improvements	$	801,060	$	1,250,000
Education		37,500		-
Library		15,000		30,000
Restroom		10,000		10,000
Total Net Assets with Donor Restrictions	$	863,560	$	1,290,000

Note 8 - Net Assets With Donor Restrictions: (Continued)

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:

	2022	2021
Purpose Restrictions Accomplished:		
Improvements	$ 448,940	$ -
Library	15,000	-
Education	52,500	-
Truck	20,000	-
Other	2,000	-
Flooring	-	40,000
Covid Relief	-	25,000
Total Net Assets Released From Restrictions	$ 538,400	$ 65,000

Note 9 - Contingencies:

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 $-0- and $94,800 in deferred revenue at June 30, 2022 and 2021, respectively. The Museum has recognized $94,800 and $-0- as revenue during the year ended June 30, 2022 and 2021, respectively, and received forgiveness of the PPP2 on July 8, 2021.

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.