SAN DIEGO Automotive MUSEUM

FINANCIAL STATEMENTS

JUNE 30, 2023 AND 2022

SAN DIEGO AUTOMOTIVE MUSEUM, INC.
FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

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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.

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, 2023 and 2022, 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, 2023 and 2022, 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.

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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
May 10, 2024

SAN DIEGO AUTOMOTIVE MUSEUM, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2023 AND 2022

ASSETS

		2023		2022
Current Assets: (Notes 2 and 4)				
Cash and cash equivalents	$	1,172,087	$	1,405,903
Accounts receivable		42,466		19,392
Contributions receivable		575,000		-
Inventories		666,312		665,303
Prepaid expenses		171,782		128,216
Total Current Assets		2,627,647		2,218,814
Noncurrent Assets: (Notes 2, 4, 5 and 7)				
Contributions receivable, net		95,972		-
Property and equipment, net		2,144,581		1,649,356
Collection		1,305,688		804,688
Total Noncurrent Assets		3,546,241		2,454,044
TOTAL ASSETS	$	6,173,888	$	4,672,858

LIABILITIES AND NET ASSETS

		2023		2022
Current Liabilities: (Notes 2 and 7)				
Accounts payable and accrued expenses	$	286,870	$	87,109
Deferred revenue		154,850		151,000
Current portion of note payable		12,153		11,822
Total Current Liabilities		453,873		249,931
Noncurrent Liabilities: (Note 7)				
Note payable, net of current portion		418,090		430,312
Total Liabilities		871,963		680,243
Contingency (Notes 6, 8 and 10)				
Net Assets: (Note 2 and 9)				
Without donor restrictions		3,214,893		3,129,055
With donor restrictions		2,087,032		863,560
Total Net Assets		5,301,925		3,992,615
TOTAL LIABILITIES AND NET ASSETS	$	6,173,888	$	4,672,858

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, 2023 AND 2022

	2023			2022		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and Support:						
Special events, net of direct expenses of $130,607 and $107,826, respectively	$ 816,362	$ -	$ 816,362	$ 601,610	$ -	$ 601,610
Admissions	714,469	-	714,469	544,210	-	544,210
Governmental grants	85,481	-	85,481	443,878	-	443,878
Contributions and grants	166,545	1,320,972	1,487,517	294,362	112,000	406,362
In-kind contributions	592,875	-	592,875	291,950	-	291,950
Museum store sales	119,643	-	119,643	125,445	-	125,445
Memberships	47,263	-	47,263	29,811	-	29,811
Facility rental income	9,801	-	9,801	10,875	-	10,875
Other income	4,194	-	4,194	5,703	-	5,703
Interest Income	307	-	307	1,514	-	1,514
Loss on sale of vehicles	(56,302)	-	(56,302)	-	-	-
Net assets released from restrictions	97,500	(97,500)	-	538,440	(538,440)	-
Total Revenue and Support	2,598,138	1,223,472	3,821,610	2,887,798	(426,440)	2,461,358
Expenses:						
Program Expenses:						
Program and exhibits	1,608,961	-	1,608,961	1,047,159	-	1,047,159
Education	286,521	-	286,521	122,410	-	122,410
Total Program Expenses	1,895,482	-	1,895,482	1,169,569	-	1,169,569
Supporting Services:						
General and administrative	124,292	-	124,292	110,104	-	110,104
Fundraising	492,526	-	492,526	529,997	-	529,997
Total Supporting Services	616,818	-	616,818	640,101	-	640,101
Total Expenses	2,512,300	-	2,512,300	1,809,670	-	1,809,670
Change in Net Assets	85,838	1,223,472	1,309,310	1,078,128	(426,440)	651,688
Net Assets at Beginning of Year	3,129,055	863,560	3,992,615	2,050,927	1,290,000	3,340,927
NET ASSETS AT END OF YEAR	$ 3,214,893	$ 2,087,032	$ 5,301,925	$ 3,129,055	$ 863,560	$ 3,992,615

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, 2023

	Program Expenses			Supporting Services			
	Programs and Exhibits	Education	Total Program Expenses	General and Administrative	Fundraising	Total Supporting Services	Total
<u>Salaries and Related Expenses:</u>							
Salaries and wages	$ 594,662	$ 74,833	$ 669,495	$ 16,190	$ 142,580	$ 158,770	$ 828,265
Payroll taxes and related costs	48,116	6,480	54,596	2,905	11,674	14,579	69,175
Employee benefits	23,325	5,239	28,564	50,348	2,396	52,744	81,308
Total Salaries and Related Expenses	666,103	86,552	752,655	69,443	156,650	226,093	978,748
<u>Nonsalary Related Expenses:</u>							
Advertising and marketing	107,354	5,025	112,379	-	13,516	13,516	125,895
Automobile costs and repairs	109,534	-	109,534	-	-	-	109,534
Building repairs and maintenance	33,800	50	33,850	2,197	84	2,281	36,131
Cost of museum store sales	61,538	-	61,538	-	-	-	61,538
Exhibit and event costs	174,911	154,713	329,624	14,233	99,424	113,657	443,281
Fees and other charges	8,632	340	8,972	18,684	15,728	34,412	43,384
Insurance	46,664	5,833	52,497	1,296	11,018	12,314	64,811
Interest	9,761	1,087	10,848	242	2,052	2,294	13,142
Licenses and fees	4,553	469	5,022	904	915	1,819	6,841
Miscellaneous	932	119	1,051	3,011	11,468	14,479	15,530
Postage and delivery	645	28	673	2,612	3,493	6,105	6,778
Professional fees	159,174	8,175	167,349	3,621	140,539	144,160	311,509
Staff development	425	-	425	2,068	85	2,153	2,578
Security	8,471	-	8,471	-	-	-	8,471
Supplies	112,667	7,558	120,225	1,062	23,068	24,130	144,355
Telephone	11,594	-	11,594	2,605	-	2,605	14,199
Travel and entertainment	19,416	9,261	28,677	689	677	1,366	30,043
Utilities	17,619	-	17,619	-	-	-	17,619
Total Nonsalary Related Expenses	887,690	192,658	1,080,348	53,224	322,067	375,291	1,455,639
Add: Depreciation	55,168	7,311	62,479	1,625	13,809	15,434	77,913
Total Expenses	$ 1,608,961	$ 286,521	$ 1,895,482	$ 124,292	$ 492,526	$ 616,818	$ 2,512,300

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	224,106	231,225	265,783
Fees and other charges	2,298	2	2,300	24,678	7,531	32,209	34,509
Insurance	40,666	5,083	45,749	1,130	9,602	10,732	56,481
Interest	19,046	2,381	21,427	529	4,497	5,026	26,453
Licenses and fees	662	83	745	19	156	175	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	182,203	22,775	204,978	5,062	43,020	48,082	253,060
Staff development	1,392	-	1,392	936	-	936	2,328
Security	7,525	-	7,525	-	-	-	7,525
Supplies	96,366	12,046	108,412	2,677	22,753	25,430	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	633,518	42,433	675,951	60,283	357,583	417,866	1,093,817
Add: Depreciation	40,148	5,018	45,166	1,116	9,479	10,595	55,761
Total Expenses	$ 1,047,159	$ 122,410	$ 1,169,569	$ 110,104	$ 529,997	$ 640,101	$ 1,809,670

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, 2023 AND 2022

	2023	2022
Cash Flows From Operating Activities:		
Change in net assets	$ 1,309,310	$ 651,688
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	77,913	55,761
Amortization of debt issuance costs	-	5,846
Loss on sale of vehicles	56,302	-
Donated inventories	(88,875)	(45,350)
Donated collection items	(504,000)	(246,800)
(Increase) Decrease in:		
Accounts receivable	(23,074)	571,145
Contributions receivable	(670,972)	
Inventories	34,564	(56,916)
Prepaid expenses	(43,566)	(102,610)
Increase (Decrease) in:		
Accounts payable and accrued expenses	25,061	(4,565)
Deferred revenue	3,850	(43,820)
Net Cash Provided by Operating Activities	176,513	784,379
Cash Flows From Investing Activities:		
Purchase of property and equipment	(398,438)	(369,004)
Net Cash Used In Investing Activities	(398,438)	(369,004)
Cash Flows From Financing Activities:		
Proceeds from notes payable	-	300,000
Payments on note payable	(11,891)	(337,866)
Net Cash Used in Financing Activities	(11,891)	(37,866)
Net (Decrease) Increase in Cash and Cash Equivalents	(233,816)	377,509
Cash and Cash Equivalents at Beginning of Year	1,405,903	1,028,394
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 1,172,087	$ 1,405,903
Supplemental Disclosures of Cash Flow Information:		
Cash paid for interest	$ 12,072	$ 26,245

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 57 automobiles and 20 motorcycles. In addition, the Museum is home to one of the finest collections of automotive research materials on the entire West Coast, consisting of:

- 6,500 automobile books
- 36,000-40,000 magazines
- 1,500 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, 2023 and 2022.

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, 2023 and 2022.

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:

	2023	2022
Automobiles	$ 612,752	$ 639,903
Retail store	53,560	25,400
Total Inventories	$ 666,312	$ 665,303

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 $77,913 and $55,761 for the years ended June 30, 2023 and 2022, 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 2023 and 2022.

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 $-0- and $5,846 for the years ended June 30, 2023 and 2022, 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 $-0- and $628,877, for the years ended June 30, 2023 and 2022, respectively. 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:

	2023	2022
Antique autos	$ 953,900	$ 597,900
Library collections and other memorabilia	351,788	206,788
Total Collection	$ 1,305,688	$ 804,688

Compensated Absences

Accumulated unpaid vacation totaling $27,768 and $23,793 at June 30, 2023 and 2022, respectively, is accrued when incurred and included in accounts payable and accrued expenses.

Note 2 - Significant Accounting Policies: (Continued)

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.

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 $154,850 and $151,000 at June 30, 2023 and 2022, respectively.

Donated Services, Materials and Support

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

	2023	2022
Collection items	$ 504,000	$ 246,600
Vehicles for sale	88,875	45,350
Total In-Kind Contributions	$ 592,875	$ 291,950

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 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)

Contributed collection items 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, 2023 and 2022 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, 2023, 2022, 2021, and 2020 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 February 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Codification *("ASC") 842, Leases ("FASB ASC 842")* to increase transparency and comparability among organizations by requiring the recognition of lease assets and lease liabilities and the balance sheet by lessees, and the disclosures of key information about leasing arrangements. This standard is applied on a modified retrospective basis. FASB ASC 842 was adopted July 1, 2022 with certain practical expedients available. The adoption had no effect on the 2023 financial statements.

Subsequent Events

In preparing these financial statements, the Museum has evaluated events and transactions for potential recognition or disclosure through May 10, 2024, the date the financial statements were available to be issued, and concluded that there were no events or transactions that needed to be disclosed.

Reclassification

The Museum has reclassified certain prior year information to conform with the current year presentation.

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:

	2023	2022
Cash and cash equivalents	$ 1,172,087	$ 1,405,903
Accounts receivable	42,466	19,392
Contributions receivable	575,000	-
Less: Donor restrictions for capital improvements	(1,436,711)	(863,560)
Financial assets available to meet general expenditures within one year	$ 352,842	$ 561,735

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 $300,000 as described in Note 6. In addition, the Museum operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures.

Note 4 - Contributions Receivable:

Contributions receivable consist of the following at June 30:

	2023	2022
Receivables due in less than one year	$ 575,000	$ -
Receivables due in one to five years	100,000	-
Total Contributions Receivable	675,000	-
Less: Discount to present value	(4,028)	-
Contributions Receivable, Net	$ 670,972	$ -

Contributions receivable have been discounted to their present value using a discount rate of 2.75% and 0% for the years ended June 30, 2023 and 2022, respectively.

Note 5 - Property and Equipment:

Property and equipment consist of the following at June 30:

	2023	2022
Land	$ 519,848	$ 519,848
Storage building	100,945	100,945
Building improvements	1,690,182	1,630,594
Computer equipment	113,607	56,706
Furniture and fixtures	110,351	82,432
Vehicles	110,760	58,698
Construction in Progress	558,377	181,709
Subtotal	3,204,070	2,630,932
Less: Accumulated depreciation	(1,059,489)	(981,576)
Property and Equipment, Net	$ 2,144,581	$ 1,649,356

Note 6 - 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 plus 1%. On June 30, 2023, there was a change in terms to the line-of-credit. The loan amount was decreased to $300,000 and was extended to June 24, 2025. Interest is payable monthly. Principal and accrued interest are due June 24, 2025. There was no outstanding balance on the line-of-credit at June 30, 2023 and 2022.

Note 7 - Note Payable:

Note payable consists of the following at June 30:

	2023	2022
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 $1,070 and $-0- at June 30, 2023 and 2022, respectively, and is included in accounts payable and accrued expenses.	$ 430,243	$ 442,134
	430,243	442,134
Less: Current portion	(12,153)	(11,822)
Note Payable, Net of Current Portion	$ 418,090	$ 430,312

Future principal payments on the note payable are as follows:

Years Ended June 30	
2024	$ 12,153
2025	12,491
2026	12,839
2027	13,197
2028	13,564
Thereafter	365,999
	$ 430,243

Note 8 - 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 9 - 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:

	2023	2022
Subject to Expenditure for Specified Purpose:		
Improvements	$ 1,547,032	$ 801,060
Library	515,000	15,000
Education	25,000	37,500
Restroom	-	10,000
Total Net Assets with Donor Restrictions	$ 2,087,032	$ 863,560

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:

	2023	2022
Purpose Restrictions Accomplished:		
Van	$ 50,000	$ -
Education	37,500	52,500
Restroom	10,000	-
Improvements	-	448,900
Truck	-	20,000
Library	-	15,000
Other	-	2,000
Total Net Assets Released From Restrictions	$ 97,500	$ 538,400

Note 10 - Contingency:

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 recognized $-0- and $94,800 as revenue during the year ended June 30, 2023 and 2022, respectively, and received forgiveness of the PPP2 on July 8, 2021.