

LIVING COAST DISCOVERY CENTER

FINANCIAL STATEMENTS

AND

INDEPENDENT AUDITOR'S REPORT

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FOR THE FISCAL YEAR ENDED JUNE 30, 2016

LIVING COAST DISCOVERY CENTER
Financial Statements and Independent Auditor's Report
For the Year Ended June 30, 2016

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INDEPENDENT AUDITOR'S REPORT

ARMANDO MARTINEZ & COMPANY
Certified Public Accountants
365 Church Avenue, Chula Vista, CA 91910
(619) 427-1981 • FAX (619) 427-2576

Board of Directors
Living Coast Discovery Center
Chula Vista, California

Independent Auditor's Report

Report on the Financial Statements

We have audited the accompanying financial statements of Living Coast Discovery Center (a nonprofit organization), which comprise the statement of financial position as of June 30, 2016, and the related statements of activities and changes in net assets, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 statement.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Living Coast Discovery Center as of June 30, 2016, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

October 24, 2016

Armando Martinez + Co. CPAs

FINANCIAL STATEMENTS

Living Coast Discovery Center
Statement of Financial Position
June 30, 2016

ASSETS

Cash (Note 3)	\$ 471,474
Accounts Receivable	62,327
Prepaid expenses	30,557
Inventories (Note 4)	14,913
Work in-progress	5,000
Property and equipment, net (Note 5)	249,204
Total assets	<u>\$ 833,475</u>

LIABILITIES AND NET ASSETS

<u>Liabilities</u>	
Accounts payable and payroll tax withholdings	\$ 25,445
Accrued salaries and payroll taxes	68,897
Deferred revenue (Note 6)	35,180
Total liabilities	<u>129,522</u>
<u>Net assets</u>	
Unrestricted	439,133
Temporarily restricted	264,820
Permanently restricted	0
Total net assets	<u>703,953</u>
Total liabilities and net assets	<u>\$ 833,475</u>

See accompanying notes to financial statements

*Living Coast Discovery Center
Statement of Activities and Changes in Net Assets
For the Fiscal Year Ended June 30, 2016*

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<u>Revenue and support</u>			
Admissions and memberships	\$ 347,446		\$ 347,446
Grants and contracts	537,238	\$ 190,812	728,050
Contributions	120,249		120,249
Program service fees	420,947		420,947
Rental	37,513		37,513
Gift shop	96,204		96,204
Special event	146,602		146,602
Interest	386		386
Net assets released from restriction:			
Satisfaction of donor requirements	162,486	(162,486)	0
Total revenue and support	<u>1,869,071</u>	<u>28,326</u>	<u>1,897,397</u>
<u>Expenses</u>			
Program services:			
Animal care	293,032		293,032
Education	343,295		343,295
Gift shop and admission	102,325		102,325
Facilities	283,703		283,703
Shuttle service	145,209		145,209
Total program services	<u>1,167,564</u>		<u>1,167,564</u>
Supporting services:			
Development	227,423		227,423
Marketing and communications	127,629		127,629
Management and administration			
Salaries	\$ 121,546		
Payroll taxes and employee benefits	25,881		
Professional fees	26,436		
Insurance and workers compensation	22,373		
General supplies and services	102,762		
Total management and general	<u>298,998</u>		<u>298,998</u>
Total expenses	<u>1,821,614</u>	<u>0</u>	<u>1,821,614</u>
Increase in net assets	47,457	28,326	75,783
Net assets at beginning of year	391,676	236,494	628,170
Net assets at end of year	<u>\$ 439,133</u>	<u>\$ 264,820</u>	<u>\$ 703,953</u>

See accompanying notes to financial statements

*Living Coast Discovery Center
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2016*

<u>Cash Flows Provided by Operating Activities</u>	
Increase in net assets	\$ 75,783
Adjustments to reconcile increase in net assets to net cash provided by operating activities:	
Depreciation	19,548
Decrease in accounts receivable	21,564
Increase in prepaid expenses	(3,478)
Increase in inventory	(3,251)
Increase in work in-progress	(5,000)
Increase in accounts payable and payroll withholdings	4,649
Decrease in accrued salaries and payroll taxes	(379)
Increase in deferred revenue	5,080
Net cash provided by operating activities	<u>\$ 114,516</u>
<u>Cash Flows Used by Investing Activities</u>	
Purchases of property and equipment	<u>(145,557)</u>
Net decrease in cash	\$ (31,041)
Cash at beginning of year	<u>502,515</u>
Cash at end of year	<u><u>\$ 471,474</u></u>

See Accompanying Notes to the Financial Statements

LIVING COAST DISCOVERY CENTER
Notes to Financial Statements
June 30, 2016

Note 1. ORGANIZATION

Living Coast Discovery Center (“the Center”) was incorporated in California in 1987 as a California nonprofit public benefit corporation directed by a Board of Directors. The Center is located at 1000 Gunpowder Point Drive, Chula Vista, CA, on approximately 3.3 acres of land on Gunpowder Point within the Sweetwater Marsh National Wildlife Refuge on land owned by the U.S. Fish and Wildlife Service.

The mission of the Center is to:

- a. Partner in collaborative research and restoration of coastal wetlands and bays.
- b. Provide student-focused education through Science, Technology, Engineering, Art, and Mathematics (STEm).
- c. Increase knowledge of coastal environments, climate change adaptation, and human coexistence with the natural resources of San Diego Bay.

Its vision is to inspire care and exploration of the living Earth by connecting people with coastal animals, plants and habitats.

Note 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The accompanying financial statements of the Center have been prepared on the accrual basis of accounting whereby revenues are recognized when earned and expenses are recognized when incurred.

Revenue Recognition

The Center reports contributions of cash and other assets as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, the related temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Basis of Presentation

Financial statement presentation follows the recommendation of the FASB Accounting Standards Codification 958 *Financial Statements of Not-for-Profit Organizations*. The Center is required to report its financial position and activities according to three classes of net assets:

LIVING COAST DISCOVERY CENTER
Notes to Financial Statements
June 30, 2016

Note 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Unrestricted – Include those assets over which the Board of Directors has discretionary control in carrying out the operations of the Center. Unrestricted net assets may be designated for specific purposes by action of the Board of Directors.

Temporarily Restricted – Include those assets subject to restrictions on their use that can be fulfilled either by actions of the Center pursuant to those restrictions or the passage of time.

Permanently Restricted – Include those assets subject to donor-imposed or other legal restrictions requiring that the principal be maintained permanently by the Center. Generally, the donors permit the Center to use all or part of the income earned for either general or donor-specified purposes. No permanently restricted assets were held during the current fiscal year. Accordingly, these financial statements do not reflect any activity related to this class of net assets.

Income Taxes

The Center, a not-for-profit organization operating under Section 501(c)(3) of the Internal Revenue Code and Section 23701(d) of the California Revenue Taxation Code, is exempt from federal, state, and local income taxes. Accordingly, no provision for income taxes is included in the financial statements.

The Center's Form 990, *Return of Organization Exempt from Income Tax*, for the years ending 2012, 2013, 2014, and 2015 are subject to examination by the IRS, generally for three years after they were filed.

Property and Equipment

Property and equipment are stated at cost. Depreciation is computed under the straight line method, with estimated useful lives ranging from three to twenty-five years.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions. This will affect the reported amounts of assets and liabilities, 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. However, management believes that differences, if any, would not be significant.

LIVING COAST DISCOVERY CENTER
Notes to Financial Statements
June 30, 2016

Note 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Advertising Costs

The Center expenses advertising and communication costs as they are incurred, except for Farm to Bay event advertising which is expensed in the period the event takes place.

Cash and Cash Equivalents

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

Animal and Horticultural Collections

In accordance with customary practice among zoological organizations, animals and horticultural collections are recorded at the nominal amount of one dollar, as there is no objective basis for establishing value. Additionally, animal and horticultural collections have numerous attributes, including species, age, sex, relationship and value to other animals, endangered status, and breeding potential, whereby it is impractical to assign value. Expenditures related to animal and horticultural acquisitions are expensed in the period of acquisition.

In an ongoing commitment to the worldwide conservation and preservation of animals, the Center occasionally donates animals to and accepts donations of animals from other zoological institutions. The Center does not record such arrangements as sale or purchase.

Operating Agreements

The Center operates the Living Coast Discovery Center ("the LCDC") pursuant to operating agreements with the City of Chula Vista. The agreements provide that the City grants to the Center the exclusive license to operate the LCDC and the exclusive access and control over the land and improvements used in the operation of the Center. The fair values of such exclusive access and control over the land and improvements have not been reflected in the accompanying financial statements because objective valuation information is not available due to the unique characteristics and location of the facilities.

Contributed Services

Contributed services are reflected in the accompanying financial statements at the fair value of the services received, if the services create or enhance nonfinancial assets or require specialized skills that are provided by individuals possessing those skills and would otherwise need to be purchased if not provided by donation.

LIVING COAST DISCOVERY CENTER
Notes to Financial Statements
June 30, 2016

Note 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The Center receives contributed services through various volunteer programs. For the fiscal year ended June 30, 2016, volunteers contributed approximately 21,000 hours. Contributed services through volunteers are not recorded in the statement of activities as they generally do not meet the criteria described on the preceding page.

Note 3. CASH

The cash balance as of June 30, 2016 was as follows:

Checking accounts	\$ 175,643
Money market accounts	264,672
Undeposit funds	30,888
Petty cash	<u>271</u>
Total	<u>\$ 471,474</u>

Note 4. INVENTORIES

Inventories are stated at the lower of cost or market determined by the first-in, first-out method.

Note 5. PROPERTY AND EQUIPMENT

Property and equipment at June 30, 2016 consist of the following:

Vehicles	\$ 121,031
Exhibit	16,619
Office equipment	12,166
Building improvements	131,857
Other equipment	9,341
Less Accumulated Depreciation	<u>(41,810)</u>
Net Property and Equipment	<u>\$ 249,204</u>

LIVING COAST DISCOVERY CENTER
Notes to Financial Statements
June 30, 2016

Note 6. DEFERRED REVENUE

Deferred revenue represents event revenue received on or before June 30, 2016 for Farm to Bay event scheduled in the following fiscal year (in August 2016). Revenue is recognized in the period that the related expenses are incurred.

Note 7. BENEFICIAL INTEREST IN ASSETS HELD BY OTHER

The Center is the beneficiary of three endowment funds held by The San Diego Foundation (SDF). All money and property in the funds are considered assets of SDF. Thus, they are not counted as assets of the Center and are not included in the statement of financial position on page 2. SDF distributes the earnings from the funds twice a year. For the fiscal year ended June 30, 2016, the Center received distributions totaling \$42,132, which is included in the statement of activities on page 3. At June 30, 2016, the fair market value of the funds was approximately \$2,215,000. The Center has no remainder interest in the corpus of the funds.

Note 8. SUBSEQUENT EVENTS

Management has evaluated subsequent events through October 24, 2016, the date the financial statements were available to be issued. No other significant subsequent events have been identified that would require adjustment of or disclosure in the accompanying financial statements.