

LIVING COAST DISCOVERY CENTER

**FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITOR'S REPORT**

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FOR THE FISCAL YEAR ENDED JUNE 30, 2017

LIVING COAST DISCOVERY CENTER
Financial Statements and Independent Auditor's Report
For the Year Ended June 30, 2017

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INDEPENDENT AUDITOR'S REPORT

ARMANDO MARTINEZ & COMPANY
Certified Public Accountants
365 Church Avenue, Chula Vista, CA 91910
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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, 2017, 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 statements.

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, 2017, 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.

Armando Martinez + Co. CPAs

November 8, 2017

FINANCIAL STATEMENTS

*Living Coast Discovery Center
Statement of Financial Position
June 30, 2017*

ASSETS

Cash (Note 3)	\$ 258,305
Accounts Receivable	74,867
Prepaid expenses	27,872
Inventories (Note 4)	17,465
Property and equipment, net (Note 5)	<u>510,370</u>
Total assets	<u><u>\$ 888,879</u></u>

LIABILITIES AND NET ASSETS

<u>Liabilities</u>	
Accounts payable and payroll tax withholdings	\$ 28,866
Accrued salaries and payroll taxes	82,076
Deferred revenue (Note 6)	<u>61,826</u>
Total liabilities	<u>172,768</u>
 <u>Net assets</u>	
Unrestricted	609,008
Temporarily restricted	107,103
Permanently restricted	<u>0</u>
Total net assets	<u>716,111</u>
Total liabilities and net assets	<u><u>\$ 888,879</u></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, 2017

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<u>Revenue and support</u>			
Admissions and memberships	\$ 425,032		\$ 425,032
Grants and contracts	427,341	\$ 272,421	699,762
Contributions	170,929		170,929
Program service fees	410,872		410,872
Rental	33,031		33,031
Gift shop	110,972		110,972
Special event	157,118		157,118
Interest	280		280
Net assets released from restriction:			
Satisfaction of donor requirements	430,138	(430,138)	0
Total revenue and support	<u>2,165,713</u>	<u>(157,717)</u>	<u>2,007,996</u>
<u>Expenses</u>			
Program services:			
Animal care	291,562		291,562
Education	352,403		352,403
Gift shop and admission	112,780		112,780
Facilities	352,288		352,288
Shuttle service	160,322		160,322
Total program services	<u>1,269,355</u>		<u>1,269,355</u>
Supporting services:			
Development	254,201		254,201
Marketing and communications	118,189		118,189
Management and administration			
Salaries	\$ 153,485		
Payroll taxes and employee benefits	30,968		
Professional fees	26,246		
Insurance and workers compensation	21,008		
General supplies and services	122,386		
Total management and general	<u>354,093</u>		<u>354,093</u>
Total expenses	<u>1,995,838</u>	<u>0</u>	<u>1,995,838</u>
Increase in net assets	169,875	(157,717)	12,158
Net assets at beginning of year	439,133	264,820	703,953
Net assets at end of year	<u>\$ 609,008</u>	<u>\$ 107,103</u>	<u>\$ 716,111</u>

See accompanying notes to financial statements

*Living Coast Discovery Center
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2017*

Cash Flows Provided by Operating Activities

Increase in net assets	\$ 12,158	
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	41,232	
Increase in accounts receivable	(12,540)	
Decrease in prepaid expenses	2,685	
Increase in inventory	(2,552)	
Decrease in work in-progress	5,000	
Increase in accounts payable and payroll withholdings	3,420	
Increase in accrued salaries and payroll taxes	13,179	
Increase in deferred revenue	<u>26,646</u>	
Net cash provided by operating activities		\$ 89,228

Cash Flows Used by Investing Activities

Purchases of property and equipment		<u>(302,397)</u>
Net decrease in cash		\$ (213,169)
Cash at beginning of year		<u>471,474</u>
Cash at end of year		<u><u>\$ 258,305</u></u>

See Accompanying Notes to the Financial Statements

LIVING COAST DISCOVERY CENTER
Notes to Financial Statements
June 30, 2017

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 (STeAM).
- 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, 2017

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 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 forty 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, 2017

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.

As part of the agreement, the City provides certain in-kind services and supplies at no cost to the Center. In addition, the City commits to pay for utility bills and shuttle bus fuel costs (see Note 8).

LIVING COAST DISCOVERY CENTER
Notes to Financial Statements
June 30, 2017

Note 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

The Center receives contributed services through various volunteer programs. For the fiscal year ended June 30, 2017, 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, 2017 was as follows:

Checking accounts	\$ 168,544
Money market accounts	54,776
Undeposit funds	34,485
Petty cash	<u>500</u>
Total	<u>\$ 258,305</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, 2017 consist of the following:

Vehicles	\$ 121,031
Exhibit	278,311
Office equipment	4,080
Land and building improvements	144,210
Other equipment	36,389
Less Accumulated Depreciation	<u>(73,651)</u>
Net Property and Equipment	<u>\$ 510,370</u>

LIVING COAST DISCOVERY CENTER
Notes to Financial Statements
June 30, 2017

Note 6. DEFERRED REVENUE

Deferred revenue represents event revenue received on or before June 30, 2017 for Farm to Bay and 30th Anniversary Celebration events scheduled in the following fiscal year (in August and October 2017, respectively). 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 (TSDF). All money and property in the funds are considered assets of TSDF. Thus, they are not counted as assets of the Center and are not included in the statement of financial position on page 2. TSDF distributes the earnings from the funds twice a year. For the fiscal year ended June 30, 2017, the Center received distributions totaling \$82,396, which is included in the accompanying Statement of Activities on page 3. At June 30, 2017, the fair market value of the funds was approximately \$2,424,000. The Center has no remainder interest in the corpus of the funds.

Note 8. SUPPORT FROM CITY OF CHULA VISTA

Under the operating agreement with City of Chula Vista (see Note 2), the City provides maintenance of facilities and IT services. For the fiscal year ended June 30, 2017, the value of such in-kind services plus supplies and equipment cost is approximately \$84,000. In addition, also part of the agreement, the City spent approximately \$92,000 for utility bills (electricity, water, and telecommunication) and shuttle bus fuel costs. The total support from the City of approximately \$176,000 has been reflected in the accompanying Statement of Activities in the grant and contract amount.

Note 9. SUBSEQUENT EVENTS

Management has evaluated subsequent events through November 8, 2017, 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.