

LIVING COAST DISCOVERY CENTER

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

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FOR THE FISCAL YEAR ENDED JUNE 30, 2019

LIVING COAST DISCOVERY CENTER
Financial Statements and Independent Auditor's Report
For the Year Ended June 30, 2019

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INDEPENDENT AUDITOR'S REPORT

ARMANDO MARTINEZ & COMPANY
Certified Public Accountants
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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, 2019, and the related statements of activities and changes in net assets, functional expenses, 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, 2019, 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

October 7, 2019

FINANCIAL STATEMENTS

*Living Coast Discovery Center
Statement of Financial Position
June 30, 2019*

ASSETS

Cash (Note 3)	\$ 371,592
Accounts Receivable	113,461
Prepaid expenses	23,396
Inventories (Note 4)	15,698
Work in-progress	42,304
Property and equipment, net (Note 5)	<u>455,376</u>
Total assets	<u><u>\$ 1,021,827</u></u>

LIABILITIES AND NET ASSETS

Liabilities

Accounts payable and payroll tax withholdings	\$ 15,970
Accrued salaries and payroll taxes	69,643
Deferred revenue (Note 6)	<u>47,156</u>
Total liabilities	<u>132,769</u>

Net assets

Without donor restrictions	845,194
With restrictions	<u>43,864</u>
Total net assets	<u>889,058</u>
Total liabilities and net assets	<u><u>\$ 1,021,827</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, 2019

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<u>Revenue and support</u>			
Admissions and memberships	\$ 453,375		\$ 453,375
Grants and contracts	423,626	\$ 306,697	730,323
Contributions	108,259		108,259
Program service fees	462,174		462,174
Rental	40,915		40,915
Gift shop	122,361		122,361
Special event	178,408		178,408
Interest	508		508
Net assets released from restrictions	<u>317,717</u>	<u>(317,717)</u>	<u>0</u>
Total revenue and support	<u>2,107,343</u>	<u>(11,020)</u>	<u>2,096,323</u>
<u>Expenses</u>			
Program services:			
Animal care	371,019		371,019
Education	425,106		425,106
Gift shop and admission	127,587		127,587
Facilities	382,171		382,171
Shuttle service	<u>151,713</u>		<u>151,713</u>
Total program services	1,457,596		1,457,596
Supporting services:			
Fundraising and development	266,141		266,141
Marketing and communications	109,535		109,535
Management and general	<u>260,604</u>		<u>260,604</u>
Total expenses	<u>2,093,876</u>	<u>0</u>	<u>2,093,876</u>
Change in net assets	13,467	(11,020)	2,447
Net assets at beginning of year	<u>831,727</u>	<u>54,884</u>	<u>886,611</u>
Net assets at end of year	<u>\$ 845,194</u>	<u>\$ 43,864</u>	<u>\$ 889,058</u>

See accompanying notes to financial statements

*Living Coast Discovery Center
Statement of Functional Expenses
For the Fiscal Year Ended June 30, 2019*

	<u>Program Services</u>	<u>Fundraising & Development</u>	<u>Marketing & Communications</u>	<u>Management and General</u>	<u>Total</u>
Salaries	651,454	170,548	47,529	128,349	997,880
Payroll taxes and benefits	94,742	26,667	9,497	39,070	169,976
Outside services and professional fees	151,468	8,879	25,014	40,528	225,889
Operating supplies and equipment	89,939	0	0	20,363	110,302
Advertising and promotion	0	11,734	23,908	0	35,642
Animal foods	43,826	0	0	0	43,826
Bank and credit card fees	25,242	1,372	0	823	27,437
Insurance	16,688	4,437	1,301	3,717	26,143
Depreciation	39,799	0	0	5,273	45,072
Repair and maintenance	128,789	0	0	10,810	139,599
Cost of goods sold	57,844	0	0	0	57,844
Utilities and fuel	141,819	0	0	0	141,819
Fundraising	0	38,283	0	0	38,283
Other	15,986	4,221	2,286	11,671	34,164
Total expenses	<u>1,457,596</u>	<u>266,141</u>	<u>109,535</u>	<u>260,604</u>	<u>2,093,876</u>

See accompanying notes to financial statements

Living Coast Discovery Center
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2019

Cash Flows Used by Operating Activities

Increase in net assets	\$ 2,447	
Adjustments to reconcile increase in net assets to net cash used by operating activities:		
Depreciation	45,073	
Increase in accounts receivable	(36,612)	
Increase in prepaid expenses	(3,046)	
Decrease in inventory	2,141	
Increase in work in-progress	(42,304)	
Decrease in accounts payable and payroll withholdings	(20,488)	
Decrease in accrued salaries and payroll taxes	(10,139)	
Decrease in deferred revenue	<u>(4,155)</u>	
Net cash used by operating activities		\$ (67,083)
Cash at beginning of year		<u>438,675</u>
Cash at end of year		<u><u>\$ 371,592</u></u>

See Accompanying Notes to the Financial Statements

LIVING COAST DISCOVERY CENTER
Notes to Financial Statements
June 30, 2019

Note 1. ORGANIZATION

Living Coast Discovery Center (“the Center”), formerly known as the Chula Vista Nature 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.

Basis of Presentation

In August 2016, the Financial Accounting Standards Board issued Accounting Standards Update/ASU 2016-14 *Presentation of Financial Statements of Not-for-Profit Entities*. The amendments in ASU 2016-14 are effective for annual financial statements issued for the fiscal years beginning after December 15, 2017. The Organization has adjusted the presentation of its financial statements accordingly. The new standards change the following aspects of the Organization’s financial statements:

- The unrestricted net asset class has been renamed *net assets without donor restrictions*.
- The temporarily restricted and permanently restricted net asset classes have been combined into a single net asset class called *net assets with donor restrictions*.

LIVING COAST DISCOVERY CENTER
Notes to Financial Statements
June 30, 2019

Note 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Presentation (continued)

Net assets without donor restrictions are resources available to support operations and not subject to donor restrictions. The only limits on the use of net assets without donor restrictions are the broad limits resulting from the nature of the Organization, the environment in which it operates, the purposes specified in its corporate documents and its application for tax-exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into in the course of its operations.

Net assets with donor restrictions are resources that are subject to donor-imposed restrictions. Some restrictions are temporary in nature, such as those that are restricted by a donor for use for a particular purpose or in a particular future period. Other restrictions may be perpetual in nature; such as those that are restricted by a donor that the resources be maintained in perpetuity.

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 2015, 2016, and 2017 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.

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.

LIVING COAST DISCOVERY CENTER
Notes to Financial Statements
June 30, 2019

Note 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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).

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, 2019

Note 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Contributed Services (continued)

The Center receives contributed services through various volunteer programs. For the fiscal year ended June 30, 2019, volunteers contributed approximately 29,000 hours. Contributed services through volunteers are not recorded in the statement of activities as they generally do not meet the criteria described above.

Note 3. CASH

The cash balance as of June 30, 2019 was as follows:

Checking accounts	\$ 115,912
Money market accounts	194,935
Undeposit funds	60,245
Petty cash	<u>500</u>
Total	<u>\$ 371,592</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, 2019 consist of the following:

Vehicles	\$ 111,031
Exhibit	278,311
Office equipment	4,080
Land and building improvements	161,699
Other equipment	57,351
Less Accumulated Depreciation	<u>(157,096)</u>
Net Property and Equipment	<u>\$ 455,376</u>

LIVING COAST DISCOVERY CENTER
Notes to Financial Statements
June 30, 2019

Note 6. DEFERRED REVENUE

Deferred revenue represents event revenue received on or before June 30, 2019 for Farm to Bay event scheduled in the following fiscal year (i.e., in August). 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, 2019, the Center received distributions totaling \$103,987, which is included in the accompanying Statement of Activities on page 3. At June 30, 2019, the fair market value of the funds was approximately \$2,402,000. 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, 2019, the value of such in-kind services plus supplies and equipment cost is approximately \$98,000. In addition, also part of the agreement, the City spent approximately \$99,000 for utility bills (electricity, water, and telecommunication) and shuttle bus fuel costs. The total support from the City of approximately \$197,000 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 October 7, 2019, 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.