



FINANCIAL STATEMENTS

TOGETHER WITH INDEPENDENT AUDITOR'S REPORT

JUNE 30, 2023



Experience. Expertise. Excellence.



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Independent Auditor's Report

To the Board of Directors of Living Coast Discovery Center
Chula Vista, California

Opinion

We have audited the accompanying financial statements of Living Coast Discovery Center (the Organization) (a nonprofit organization), which comprise the statement of financial position as of June 30, 2023, and the related statements of activities, functional expenses and cash flows for the year 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 the Organization as of June 30, 2023, and the changes in its net assets and its cash flows for the year 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 the Organization and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. 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 the Organization's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

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 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 the Organization'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 the Organization'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.

Handwritten signature in black ink that reads "HNK CPAs". The letters are cursive and slightly slanted.

HNK, CPAs
El Cajon, California
November 28, 2023

LIVING COAST DISCOVERY CENTER
STATEMENT OF FINANCIAL POSITION

As of June 30, 2023

ASSETS

Current Assets

Cash	\$ 410,748
Investments	1,297,254
Contributions receivable	94,578
Inventories	17,562
Prepaid expenses	99,943
Total Current Assets	<u>1,920,085</u>

Property and Equipment

Furniture and equipment	54,783
Exhibits	461,695
Vehicles	283,762
Leasehold improvements	173,520
	<u>973,760</u>
Less: Accumulated depreciation	<u>(367,193)</u>
Property and Equipment, net	<u>606,567</u>

Total Assets \$ 2,526,652

LIABILITIES AND NET ASSETS

Current Liabilities

Accounts payable	\$ 84,615
Credit cards	43,907
Accrued payroll	113,758
Accrued expenses	3,356
Deferred revenue	40,864
Total Current Liabilities	<u>286,500</u>

Net Assets

Net assets with donor imposed restrictions	515,150
Net assets without donor imposed restrictions	<u>1,725,002</u>
Total Net Assets	<u>2,240,152</u>

Total Liabilities and Net Assets \$ 2,526,652

See independent auditor's report and accompanying notes to financial statements.

LIVING COAST DISCOVERY CENTER

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2023

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Operating Revenues			
Contributions and grants	\$ 629,169	\$ 581,892	\$ 1,211,061
Admissions and memberships	474,887	-	474,887
Educational programs	371,739	-	371,739
Special events	173,067	-	173,067
Gift shop	145,595	-	145,595
Rentals and other services	58,067	-	58,067
Other income	557	-	557
Total Operating Revenues	<u>1,853,081</u>	<u>581,892</u>	<u>2,434,973</u>
Net Assets Released From Donor Restrictions	<u>619,713</u>	<u>(619,713)</u>	<u>-</u>
Total Revenues	<u>2,472,794</u>	<u>(37,821)</u>	<u>2,434,973</u>
Operating Expenses			
Program services	2,252,541	-	2,252,541
Fundraising and development	327,611	-	327,611
Marketing and communications	109,300	-	109,300
Management and general	237,113	-	237,113
Total Operating Expenses	<u>2,926,565</u>	<u>-</u>	<u>2,926,565</u>
Change In Net Assets From Operations	<u>(453,771)</u>	<u>(37,821)</u>	<u>(491,592)</u>
Non-Operating			
Capital contributions - releases from restrictions	66,985	(66,985)	-
Payroll protection loan forgiveness income	245,000	-	245,000
Interest and dividend income	63,568	-	63,568
Unrealized gains (losses) on investments	(80,749)	-	(80,749)
Change In Net Assets From Non-Operating Activities	<u>294,804</u>	<u>(66,985)</u>	<u>227,819</u>
Change in Net Assets	(158,967)	(104,806)	(263,773)
Net Assets, Beginning of Year	1,902,831	601,094	2,503,925
Prior Period Adjustment	<u>(18,862)</u>	<u>18,862</u>	<u>-</u>
Net Assets, End of Year	<u>\$ 1,725,002</u>	<u>\$ 515,150</u>	<u>\$ 2,240,152</u>

See independent auditor's report and accompanying notes to financial statements.

LIVING COAST DISCOVERY CENTER
STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended June 30, 2023

	Supporting Services				Total Functional Expenses
	Program Services	Fundraising & Development	Marketing & Communications	Management and General	
Expenses					
Depreciation	\$ 63,128	\$ -	\$ -	\$ 3,741	\$ 66,869
Insurance	67,452	10,039	2,931	7,724	88,146
Salaries and wages	1,114,613	200,226	60,496	139,227	1,514,562
Human resources	22,300	1,939	485	970	25,694
Payroll taxes	91,453	15,664	4,756	10,769	122,642
Employee benefits	27,890	10,554	5,438	24,899	68,781
General supplies and services	161,289	8,311	2,846	7,107	179,553
Building maintenance - in kind	160,272	-	-	-	160,272
Utilities	62,147	-	-	-	62,147
Utilities - in kind	173,295	-	-	-	173,295
Shuttle service	20,692	-	-	-	20,692
Education	79,343	-	-	-	79,343
Marketing and communications	-	-	32,348	-	32,348
Development	-	80,878	-	-	80,878
Animal care	99,013	-	-	-	99,013
Animal care - in kind	2,947	-	-	-	2,947
Gift shop expenses	77,399	-	-	-	77,399
Guest experience	29,308	-	-	-	29,308
Legal and professional	-	-	-	42,676	42,676
Total Expenses	\$ 2,252,541	\$ 327,611	\$ 109,300	\$ 237,113	\$ 2,926,565

See independent auditor's report and accompanying notes to financial statements.

LIVING COAST DISCOVERY CENTER
STATEMENT OF CASH FLOWS

For the Year Ended June 30, 2023

Cash Flows from Operating Activities:

Change in net assets	\$ (263,773)
Adjustments to reconcile change in net assets to net cash flows provided by operating activities:	
Depreciation expense	66,869
Change in fair value of investments	(74,261)
PPP loan forgiveness income	(245,000)
(Increase) decrease in operating assets:	
Contributions receivable	48,649
Inventories	2,782
Prepaid expenses	(58,852)
Increase (decrease) in operating liabilities:	
Accounts payable	47,357
Credit cards	28,782
Accrued payroll	58,385
Accrued expenses	134
Deferred revenue	(9,636)
Net cash flows used by operating activities	<u>(398,564)</u>

Cash Flows from Investing Activities:

Dividends and interest	63,568
Purchases of fixed assets	<u>(64,796)</u>
Net cash used by investing activities	<u>(1,228)</u>

Cash Flows from Financing Activities:

Net cash from financing activities	<u>-</u>
------------------------------------	----------

Net decrease in cash	(399,792)
Cash balance, beginning of year	<u>810,540</u>
Cash balance, end of year	<u><u>\$ 410,748</u></u>

See independent auditor's report and accompanying notes to financial statements.

LIVING COAST DISCOVERY CENTER
NOTES TO FINANCIAL STATEMENTS

June 30, 2023

A. NATURE OF ORGANIZATION

Nature of Organization

Living Coast Discovery Center (the “Organization”), formerly known as the Chula Vista Nature Center, was incorporated in 1987 as a California nonprofit public benefit corporation. The Center operates on approximately 3.3 acres of land within the Sweetwater Marsh National Wildlife Refuge which is owned by the U.S. Fish and Wildlife Service.

The mission of the Center is to inspire the community to connect with and care for our coastal environment. Its vision is a thriving natural coast through engaged conservation.

B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements are prepared in accordance with accounting principles generally accepted in the United States of America as applicable to not-for-profit organizations. Accordingly, the Organization’s financial statements are prepared using the accrual method of accounting.

Accounting 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 reported amounts and disclosures in the financial statements. Actual results could differ from those estimates.

Financial Statement Presentation

The Organization reports information regarding its financial position and activities in accordance with Financial Accounting Standards Board Accounting Standards Codification 958 (FASB ASC 958), Financial Statements of Not-for-Profit Organizations, which requires the Organization to report net assets based on the existence or absence of donor-imposed restrictions. Accordingly, the two classes of net assets include:

- *Net assets without donor restrictions* represent net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of the Organization’s management and board of directors.

- *Net assets with donor restrictions* represent net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity.

LIVING COAST DISCOVERY CENTER
NOTES TO FINANCIAL STATEMENTS

June 30, 2023

B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes

The Organization is exempt from federal and state income taxes under section 501(c)(3) of the Internal Revenue Code and files reports with federal and state governments as a tax-exempt organization. Accordingly, no provision for income taxes is included in the financial statements.

Uncertain Tax Positions

Generally accepted accounting principles (GAAP) provides accounting and disclosure guidance about positions taken by an entity in its tax returns that might be uncertain. Management has considered its tax positions and believes that all of the positions taken in its federal and state exempt organization tax returns are more likely than not to be sustained upon examination. The Organization's returns are subject to examination by federal and state taxing authorities, generally for three years and four years, respectively, after they are filed.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all cash held in checking, money market and certificates of deposit to be cash equivalents.

Contributions Receivable

Contributions receivable consist of donor promises to give. It is the Organization's policy to charge off uncollectible contributions receivable when management determines the receivable will not be collected. Contributions receivable that are expected to be received in excess of one year are reported at present value and a discount is recorded if material. All contributions at June 30, 2023 are expected to be collected within one year and, therefore, no discount is recorded. All contributions receivable are considered collectible as of June 30, 2023.

Advertising Costs

The Organization expenses advertising costs as incurred. Advertising expenses for the year ended June 30, 2023 totaled \$4,368.

Property and Equipment

Property and equipment are stated at cost. Maintenance and repairs are charged to expense as incurred; major betterments are capitalized. The Organization's policy is to capitalize assets with an acquisition cost of \$2,500 or more. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, which range from five to thirty-nine years.

Inventories

Inventories consist of gift shop merchandise and food items and are recorded at the lower of cost or market determined by the first-in, first-out method.

LIVING COAST DISCOVERY CENTER
NOTES TO FINANCIAL STATEMENTS

June 30, 2023

B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition

Revenues are recognized as they are earned. Amounts received in relation to future years are deferred until revenue is recognized, such as when services are performed.

Operating Agreements

The Organization 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 Organization the exclusive license to operate the LCDC and the exclusive access and control over the land and improvements used in the operation of the Organization. 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 Organization. In addition, the City commits to pay for utility bills and shuttle bus fuel costs.

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 Organization occasionally donates animals to and accepts donations of animals from other organizations. The Organization does not record such arrangements as sale or purchase. Likewise, the Organization shares animals with other organizations and does not record any asset or liability for such sharing arrangements.

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 Organization receives contributed services through various volunteer programs. For the fiscal year ended June 30, 2023, volunteers contributed approximately 5,250 hours. Contributed services through volunteers are not recorded in the statement of activities as they generally do not meet the criteria described above.

LIVING COAST DISCOVERY CENTER
NOTES TO FINANCIAL STATEMENTS

June 30, 2023

B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Donated Assets

Donated investments and other non-cash donations are recorded as contributions at their fair values at the date of donation.

Short-term Investments

Short-term investments represent funds held in mutual funds and money market accounts and are classified as trading securities. These investments are reported on the balance sheet at fair value, with changes in value being reported in earnings of the current period.

Subsequent Events

Management has evaluated subsequent events through November 28, 2023, which is the date that the financial statements were available to be issued, and no events have occurred that would require disclosure.

C. BENEFITIAL INTEREST IN ASSETS HELD BY OTHER

The Organization 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 Organization and are not included in the statement of financial position. TSDF distributes the earnings from the funds twice a year. For the fiscal year ended June 30, 2023, the Organization received distributions totaling \$119,629, which is included in the accompanying statement of activities. At June 30, 2023, the fair market value of the funds was approximately \$2,798,003. The Organization has no remainder interest in the corpus of the funds.

D. CONCENTRATIONS OF CREDIT RISK

The Organization maintains its cash balances at multiple financial institutions. The balances are insured by the Federal Deposit Insurance Corporation for \$250,000 per institution. As of June 30, 2023, the Organization had uninsured cash balances totaling \$101,692. Management believes there is no significant risk with respect to these deposits.

E. SUPPORT FROM CITY OF CHULA VISTA

Under the operating agreement with the City of Chula Vista, the City provides maintenance of facility and IT services. For the fiscal year ended June 30, 2023, the value of such in-kind services plus supplies and equipment cost approximately \$160,272. In addition, the City spent approximately \$173,295 for utility costs and shuttle bus fuel costs. The total support from the City of approximately \$333,567 has been reflected in the accompanying statement of activities as contributions and grants.

LIVING COAST DISCOVERY CENTER
NOTES TO FINANCIAL STATEMENTS

June 30, 2023

F. DEFERRED REVENUE

Deferred revenue represents event revenue received on or before June 30, 2023 for a Farm to Bay event scheduled in the following fiscal year. The Organization recognized deferred revenue in the amount of \$40,864 as of June 30, 2023.

G. FAIR VALUE MEASUREMENT

FASB ASC 820, *Fair Value Measurement*, defines fair value as the price that would be received upon the sale of an asset or paid upon transfer of a liability in an orderly transaction between market participants at the measurement date and in the principal or most advantageous market for that asset or liability. The fair value should be calculated based on assumptions that market participants would use in pricing the asset or liability, not on assumptions specific to the entity.

FASB ASC 820 specifies a hierarchy of valuation techniques based upon whether the inputs to those valuation techniques reflect assumptions other market participants would use based upon market data obtained from independent sources (observable inputs). The following summarizes the fair value hierarchy:

Level 1 Inputs – Unadjusted quoted market prices for identical assets and liabilities in an active market the Company has the ability to access.

Level 2 Inputs – Inputs other than quoted prices in active markets that are observable either directly or indirectly.

Level 3 Inputs – Inputs based on prices or valuation techniques that are both unobservable and significant to the overall fair value measurements.

Fair values of assets measured on recurring bases at June 30, 2023 are as follows:

	<u>Fair Value</u>	<u>Level 1 Inputs</u>	<u>Level 2 Inputs</u>	<u>Level 3 Inputs</u>
Short-term Investments:				
Mutual Funds:				
Fixed Income - Nationwide Inflation Protected (Ticker: NWXNX)	\$ 1,205,486	\$ 1,205,486	\$ -	\$ -
Corporate Stocks:				
AbbVie, Inc. (Ticker: ABBV)	63,434	63,434	-	-
Money Market Funds	<u>28,334</u>	<u>28,334</u>	<u>-</u>	<u>-</u>
Totals	<u>\$ 1,297,254</u>	<u>\$ 1,297,254</u>	<u>\$ -</u>	<u>\$ -</u>

LIVING COAST DISCOVERY CENTER
NOTES TO FINANCIAL STATEMENTS

June 30, 2023

H. PROGRAM SERVICES

Program services included on the statement of activities consist of the following:

Animal care	\$ 486,210
Education	839,826
Gift shop and admission	171,506
Facilities	621,259
Shuttle Service	<u>133,740</u>
 Total Program Services	 <u>\$ 2,252,541</u>

I. PAYROLL PROTECTION LOAN

The Organization was granted a loan from a financial institution on February 7, 2021 in the amount of \$245,000, pursuant to the Paycheck Protection Program (the “PPP”) under Division A Title I of the CARES Act, which was enacted March 27, 2020. The Company obtained full forgiveness of the loan and all related accrued interest as of August 16, 2022.

J. NET ASSETS

Net assets consisted of the following at June 30, 2023:

Net assets without donor restriction	<u>\$ 1,725,002</u>
Net assets with donor restrictions	
Volunteer committee	978
Team up to clean up	27,156
Level up camps	80
Thrive community practice	12,000
Rotary outreach	1,035
Opening the outdoors	32,211
Master planning	350,252
Interpretive signage	3,636
Native polinator garden signs	3,000
Umbrella	5,000
CRM software	18,045
Minivan	2,669
HVAC system	53,088
Awareness of SB 1383	<u>6,000</u>
 Total net assets with donor restrictions	 <u>515,150</u>
 Total net assets	 <u>\$ 2,240,152</u>

LIVING COAST DISCOVERY CENTER
NOTES TO FINANCIAL STATEMENTS

June 30, 2023

J. NET ASSETS (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 donors during the year ended June 30, 2023, are as follows:

Capital expenditure restrictions satisfied:

Purchase of minivan	\$ 52,331
Purchase of suspended ceiling projector system	<u>14,654</u>
Total capital expenditures restrictions satisfied	<u>66,985</u>

Purpose restriction accomplished:

Animal food	65,179
Holiday party	200
Volunteer committee	1,670
Education programs	20,955
Environmental champions	37,005
Level up camps	78,100
So Cal urban rescue project	89,609
Explore the coast	26,154
Port environmental education programs	50,000
Habitat conservation fund	16,487
D Street Restoration	1,654
Opening the outdoors	27,000
Van and signage	29,842
Burrowing owl and rail projects	32,200
Master planning	49,748
Table and chairs	2,500
Compost bins	455
CRM software	23,455
Port rails	20,000
Living shoreline project	40,000
Animals on the Bay Day	<u>7,500</u>
Total purpose restriction accomplished	<u>619,713</u>
	<u>\$ 686,698</u>

LIVING COAST DISCOVERY CENTER
NOTES TO FINANCIAL STATEMENTS

June 30, 2023

K. EMPLOYEE BENEFIT PLAN

The Organization sponsors a 401(k) retirement plan for the benefit of its employees. Employees must be at least 21 years old and must have completed one year of service to be eligible to participate. Employees may contribute 100% of their annual compensation, subject to certain statutory limits.

L. LIQUIDITY

The Organization's primary sources of support include contributions, admission fees, educational programs and special events. The Organization regularly receives contributions with donor imposed restrictions. As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

The following reflects the Organization's financial assets as of the statement of financial position date, reduced by amounts not available for general use within one year of this date:

Cash and cash equivalents	\$ 410,748
Investments	1,297,254
Contributions receivable	94,578
Inventories	17,562
Prepaid expenses	<u>99,943</u>
Financial assets, at year end	1,920,085
Less those unavailable for general expenditures within one year:	
Accounts payable	(84,615)
Credit cards	(43,907)
Accrued payroll	(113,758)
Accrued expenses	(3,356)
Deferred revenue	(40,864)
Net assets with donor imposed restrictions	<u>(515,150)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u><u>\$ 1,118,435</u></u>

M. PRIOR PERIOD ADJUSTMENT

A prior period adjustment was made in the amount of \$18,862 to reclassify net assets without donor restrictions to net assets with donor restrictions. This prior period adjustments had no effect on changes in net assets for the year ended June 30, 2023.