

**LIVING COAST DISCOVERY CENTER**

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

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**FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

***LIVING COAST DISCOVERY CENTER***  
***Financial Statements and Independent Auditor's Report***  
***For the Year Ended June 30, 2020***

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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, 2020, 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, 2020, 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.

November 11, 2020

*Armando Martinez + Co. CPAs*

## FINANCIAL STATEMENTS

*Living Coast Discovery Center*  
*Statement of Financial Position*  
*June 30, 2020*

ASSETS

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Cash (Note 3)	\$ 448,359
Accounts Receivable	61,020
Prepaid expenses	19,034
Investment (Note 4)	73,492
Inventories (Note 5)	22,434
Property and equipment, net (Note 6)	<u>491,532</u>
Total assets	<u><u>\$ 1,115,871</u></u>

LIABILITIES AND NET ASSETS

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<u>Liabilities</u>	
Accounts payable and payroll tax withholdings	\$ 24,445
Accrued salaries and payroll taxes	62,726
PPP loan (Note 7)	275,000
Deferred revenue (Note 8)	<u>10,500</u>
Total liabilities	<u>372,671</u>
<u>Net assets</u>	
Without donor restrictions	569,522
With restrictions	<u>173,678</u>
Total net assets	<u>743,200</u>
Total liabilities and net assets	<u><u>\$ 1,115,871</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, 2020*

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<u>Revenue and support</u>			
Admissions and memberships	\$ 309,696		\$ 309,696
Grants and contracts	448,825	\$ 246,119	694,944
Contributions	183,567	105,683	289,250
Program service fees	357,994		357,994
Rental	33,090		33,090
Gift shop	84,596		84,596
Special event	159,029		159,029
Realized loss on the sales of investments	(5,009)		(5,009)
Unrealized gain on investments	6,195		6,195
Interest and dividend	2,220		2,220
Net assets released from restrictions	221,988	(221,988)	0
Total revenue and support	<u>1,802,191</u>	<u>129,814</u>	<u>1,932,005</u>
<u>Expenses</u>			
Program services:			
Animal care	369,335		369,335
Education	402,001		402,001
Gift shop and admission	84,129		84,129
Facilities	440,465		440,465
Shuttle service	108,474		108,474
Total program services	<u>1,404,404</u>		<u>1,404,404</u>
Supporting services:			
Fundraising and development	259,102		259,102
Marketing and communications	101,676		101,676
Management and general	312,681		312,681
Total expenses	<u>2,077,863</u>	<u>0</u>	<u>2,077,863</u>
Change in net assets	(275,672)	129,814	(145,858)
Net assets at beginning of year	845,194	43,864	889,058
Net assets at end of year	<u><u>\$ 569,522</u></u>	<u><u>\$ 173,678</u></u>	<u><u>\$ 743,200</u></u>

See accompanying notes to financial statements

*Living Coast Discovery Center*  
*Statement of Functional Expenses*  
*For the Fiscal Year Ended June 30, 2020*

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	<u>Program Services</u>	<u>Fundraising &amp; Development</u>	<u>Marketing &amp; Communications</u>	<u>Management and General</u>	<u>Total</u>
Salaries	635,883	161,942	50,581	150,087	998,493
Payroll taxes and benefits	98,203	28,167	9,166	36,714	172,250
Outside services and professional fees	116,720	9,833	18,990	40,200	185,743
Operating supplies and equipment	87,299	0	0	19,023	106,322
Advertising and promotion	0	8,133	17,735	0	25,868
Animal food	44,013	0	0	0	44,013
Bank and credit card fees	2,768	3,064	0	15,344	21,176
Insurance	18,334	4,592	1,372	4,004	28,302
Depreciation	44,105	0	0	5,842	49,947
Repair and maintenance	168,137	0	0	25,753	193,890
Cost of goods sold	44,828	0	0	0	44,828
Utilities and fuel	128,677	0	0	0	128,677
Fundraising	0	39,035	0	0	39,035
Other	15,437	4,336	3,832	15,714	39,319
Total expenses	<u>1,404,404</u>	<u>259,102</u>	<u>101,676</u>	<u>312,681</u>	<u>2,077,863</u>

See accompanying notes to financial statements



*Living Coast Discovery Center*  
*Statement of Cash Flows*  
*For the Fiscal Year Ended June 30, 2020*

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Cash Flows Used by Operating Activities

Decrease in net assets	\$ (145,858)	
Adjustments to reconcile decrease in net assets to net cash used by operating activities:		
Depreciation	49,947	
Donated marketable securities	(103,459)	
Decrease in accounts receivable	52,441	
Decrease in prepaid expenses	4,362	
Increase in inventory	(6,736)	
Decrease in work in-progress	42,304	
Increase in accounts payable and payroll withholdings	8,475	
Decrease in accrued salaries and payroll taxes	(6,917)	
Decrease in deferred revenue	(36,656)	
Net cash used by operating activities		\$ (142,097)

Cash Flows Used by Investing Activities

Purchases of property and equipment	(86,103)	
Proceeds from sale of marketable securities	29,967	
Net cash used in investing activities		(56,136)

Cash Flows from Financing Activities

Proceeds from PPP loan		275,000
Net increase in cash		\$ 76,767
Cash at beginning of year		371,592
Cash at end of year		\$ 448,359

See Accompanying Notes to the Financial Statements

LIVING COAST DISCOVERY CENTER  
Notes to Financial Statements  
June 30, 2020

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 inspire the community to connect with and care for our coastal environment.

Its vision is a thriving natural coast through engaged conservation.

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

The Center reports information regarding its financial position and activities according to two classes of net assets that are based upon the existence or absence of restrictions on use that are placed by its donors or grantors: net assets without donor restrictions and net assets with donor restrictions.

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. When a donor's restriction is satisfied, either by using the resources in the manner specified by the donor or by the passage of time, the expiration of the restriction is reported in the financial statements by reclassifying the net assets from net assets with donor restrictions to net assets without donor restrictions.

LIVING COAST DISCOVERY CENTER  
Notes to Financial Statements  
June 30, 2020

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.

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 IRS Form 990, *Return of Organization Exempt from Income Tax*, and CA Form 199, *California Exempt Organization Annual Information Return*, for the years ending 2016, 2017, and 2018 are subject to examination by the IRS, generally for three years after they were filed.

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.

Investments

Investments with readily determinable fair values are measured at fair value in the statement of financial position. Investment income or loss (including realized and unrealized gains and losses on investments, interest and dividends) is included in the statements of activities and changes in net assets.

Property and Equipment

All acquisitions of property and equipment for \$2,500 or more that have a useful life of at least three years are capitalized. Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation. Depreciation is computed using the straight-line method.

Advertising Costs

The Center uses advertising to promote the organization and its programs and 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, 2020

Note 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Donated Assets

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

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, 2020, 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.

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.

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 organizations. The Center does not record such arrangements as sale or purchase. Likewise, the Center shares animals with other organizations and does not record any asset or liability for such sharing arrangements.

LIVING COAST DISCOVERY CENTER  
Notes to Financial Statements  
June 30, 2020

Note 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 10).

Note 3. CASH

The cash balance as of June 30, 2020 was as follows:

Checking accounts	\$ 351,624
Money market accounts	95,282
Cash in investment account	834
Undeposit funds	119
Petty cash	<u>500</u>
Total	<u>\$ 448,359</u>

Note 4. INVESTMENTS

Investments at June 30, 2020 consist of readily determinable fair value securities and are made up of the following:

	<u>Fair Value</u>
Investments restricted by donor for program costs in the subsequent fiscal year	\$66,250
Unrestricted	<u>7,242</u>
Total	<u>\$73,492</u>

LIVING COAST DISCOVERY CENTER  
Notes to Financial Statements  
June 30, 2020

Note 5. INVENTORIES

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

Note 6. PROPERTY AND EQUIPMENT

Property and equipment at June 30, 2020 consist of the following:

Vehicles	\$ 111,031
Exhibit	364,413
Office equipment	4,080
Land and building improvements	161,700
Other equipment	57,351
Less Accumulated Depreciation	<u>(207,043)</u>
Net Property and Equipment	<u>\$ 491,532</u>

Note 7. PAYROLL PROTECTION PROGRAM LOAN

The Center applied for and received a \$275,000 loan from U.S. Small Business Administration to help its workforce employed during the Coronavirus (COVID-19) crisis. This loan is a forgivable—converted into grants—if the Center uses it according to the program's guidelines. As of June 30, 2020, the Center has not applied for loan forgiveness yet.

Note 8. DEFERRED REVENUE

Deferred revenue represents event revenue received on or before June 30, 2020 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.

LIVING COAST DISCOVERY CENTER  
Notes to Financial Statements  
June 30, 2020

Note 9. 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, 2020, the Center received distributions totaling \$94,428, which is included in the accompanying Statement of Activities on page 3. At June 30, 2020, the fair market value of the funds was approximately \$2,371,400. The Center has no remainder interest in the corpus of the funds.

Note 10. 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, 2020, the value of such in-kind services plus supplies and equipment cost is approximately \$142,000. In addition, also part of the agreement, the City spent approximately \$95,000 for utility bills (electricity, water, and telecommunication) and shuttle bus fuel costs. The total support from the City of approximately \$237,000 has been reflected in the accompanying Statement of Activities in the grant and contract amount.

Note 11. COVID-19

In December 2019, the coronavirus that causes COVID-19 was reported to have surfaced in China. The spread of this virus globally has caused business disruption in the areas the Center operates. On March 16, 2020, as a result of consideration of both state and federal COVID-19 guidelines, the Center temporarily closed its facilities to the public. There is considerable uncertainty around the duration of this disruption. Therefore, while the Center expects this matter to negatively affect its financial condition, results of operations, or cash flows, the extent of the financial impact and duration cannot be reasonably estimated at this time. (See Note 12)

LIVING COAST DISCOVERY CENTER  
Notes to Financial Statements  
June 30, 2020

Note 12. SUBSEQUENT EVENTS

The COVID-19 closure has been extended indefinitely as the Center continues to monitor the COVID-19 risks and state and federal guidelines to help combat COVID-19. The closures have resulted in a significant loss of revenue while the Center continues to incur considerable ongoing operational costs to care for wildlife, maintain the facilities, and critical conservation activities. As a result, the Center is unable to determine or predict the overall impact that the coronavirus will ultimately have on its operations, liquidity, and capital resources.

In August 2020, the Center launched a fundraising campaign which raised over \$500,000. These funds will enable the Center to stay afloat with minimal staffing throughout fiscal year 2020-21. The funds will be used to help support essential operations while closed, such as care for animals, maintenance of the facilities, virtual education programs to keep the Center connected to the community, and fundraising and marketing efforts to continue to raise much needed operational funds.

Management has evaluated other subsequent events through November 11, 2020, 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.