CURIODYSSEY
FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2018

CURIODYSSEY
CONTENTS
September 30, 2018

SingerLewak
Accountants & Consultants

INDEPENDENT AUDITOR'S REPORT

Board of Directors
CuriOdyssey

Report on the Financial Statements

We have audited the accompanying financial statements of CuriOdyssey (the "Organization"), which comprise the statement of financial position as of September 30, 2018, the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements (collectively, 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 Organization'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 Organization'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 the Organization as of September 30, 2018, 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.

Report on Summarized Comparative Information

We have previously audited the Organization’s 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated January 26, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2017, is consistent, in all material respects, with the restated audited financial statements from which it has been derived.

Singer Lewak LLP

February 5, 2019

CURIODYSSEY
STATEMENT OF FINANCIAL POSITION
September 30, 2018
(Comparative Information at September 30, 2017)

ASSETS

	2018	2017
Current assets		
Cash and cash equivalents	$ 226,447	$ 297,027
Unconditional promises to give, current portion		
Campaigns	3,538,668	2,522,601
Restricted to facilities use	147,639	129,887
Grants/accounts receivable	69,541	2,000
Annuity receivable, net of noncurrent portion	397	432
Store inventories	66,756	50,709
Prepaid expenses	52,221	74,384
Total current assets	4,101,669	3,077,040
Noncurrent assets		
Restricted cash		
Temporarily restricted fund	166,571	15,918
Permanently restricted	-	876,211
Capital revolving fund	361,728	3,447,321
Building fund	941,403	-
Investments		
Permanently restricted	840,826	-
Capital revolving fund	2,520,895	-
Building project - Campaign for CuriOdyssey	2,933,810	2,931,400
Property and equipment, net	1,124,664	1,180,726
Annuity receivable, net of current portion	7,832	8,641
Unconditional promises to give, noncurrent portion		
Campaigns, net of current portion and discount	2,834,508	2,257,301
Restricted to facilities use, net of current portion	709,103	856,741
Total noncurrent assets	12,441,340	11,574,259
Total assets	**$ 16,543,009**	**$ 14,651,299**

(Continued)

The accompanying notes are an integral part of these financial statements.

CURIODYSSEY
STATEMENT OF FINANCIAL POSITION
September 30, 2018
(Comparative Information at September 30, 2017)

LIABILITIES AND NET ASSETS

	2018	2017
Current liabilities		
Accounts payable and accrued liabilities	$ 178,270	$ 110,935
Accrued payroll and vacation	199,406	198,640
Deferred revenue	67,943	231,125
Total current liabilities	445,619	540,700
Net assets		
Unrestricted		
Combined campaign	9,436,135	9,754,450
Other unrestricted	2,474,282	2,412,091
Total unrestricted	11,910,417	12,166,541
Temporarily restricted	3,310,762	1,067,847
Permanently restricted	876,211	876,211
Total net assets	16,097,390	14,110,599
Total liabilities and net assets	**$ 16,543,009**	**$ 14,651,299**

(Concluded)

The accompanying notes are an integral part of these financial statements.

CURIODYSSEY
STATEMENT OF ACTIVITIES
Year Ended September 30, 2018
(Summarized Comparative Information for the Year Ended September 30, 2017)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total 2018	Total 2017
Operating revenue					
Contributions					
Annual giving	$ 971,293	$ 138,985	$ -	$ 1,110,278	$ 766,304
Allocation per campaign plan	318,315	-	-	318,315	490,958
In-kind contributions	24,085	77,319	-	101,404	95,151
Total contributions	1,313,693	216,304	-	1,529,997	1,352,413
Program fees	538,755	-	-	538,755	494,431
Admissions	672,935	-	-	672,935	491,093
Membership	463,702	-	-	463,702	393,678
Facility rental income	298,567	-	-	298,567	225,300
Store sales					
(net of cost of sales of $114,491)	113,961	-	-	113,961	97,493
Net investment income	20,024	-	-	20,024	4,927
Special event income	801,087	-	-	801,087	1,015
Special event expenses	(352,235)	-	-	(352,235)	(2,612)
Subtotal	3,870,489	216,304	-	4,086,793	3,057,738
Net assets released from restrictions	278,495	(278,495)	-	-	-
Total revenue	4,148,984	(62,191)	-	4,086,793	3,057,738
Operating expenses					
Program services	3,144,793	-	-	3,144,793	3,044,660
Supporting services	942,000	-	-	942,000	807,756
Total expenses	4,086,793	-	-	4,086,793	3,852,416
Change in net assets from operations and before campaigns	62,191	(62,191)	-	-	(794,678)
Capital campaign					
Contributions	402,943	2,305,106	-	2,708,049	438,438
In-kind contributions	5,685	-	-	5,685	2,678
Net investment income	32,885	-	-	32,885	12,306
Capital campaign expenses	(441,513)	-	-	(441,513)	(663,464)
Uncollectible pledge expense	-	-	-	-	(100,000)
Addition to (reduction of) net assets	-	2,305,106	-	2,305,106	(310,042)
Combined campaign					
Allocated per board approval to support annual operations	(318,315)	-	-	(318,315)	(490,958)
Change in net assets	(256,124)	2,242,915	-	1,986,791	(1,595,678)
Net assets, beginning of year	12,166,541	1,067,847	876,211	14,110,599	15,706,277
Net assets, end of year	**$ 11,910,417**	**$ 3,310,762**	**$ 876,211**	**$ 16,097,390**	**$ 14,110,599**

CURIODYSSEY

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended September 30, 2018

(Summarized Comparative Information for the Year Ended September 30, 2017)

	Program Services						
	Wildlife Habitats	**Programs/ Changing Exhibits**	**School Services/ Volunteers**	**Building and Grounds**	**Store**	**Community Outreach**	**Total Program Services**
Salaries	$ 422,068	$ 485,034	$ 199,468	$ 105,772	$ 71,211	$ 429,668	$ 1,713,221
Employee benefits and payroll taxes	64,130	63,107	42,600	16,637	12,716	84,416	283,606
Total personnel costs	486,198	548,141	242,068	122,409	83,927	514,084	1,996,827
Outside services	53,065	2,141	320	174,052	-	94,499	324,077
Facilities use/rent	64,506	72,723	32,116	16,240	4,830	6,090	196,505
Supplies, equipment and exhibit rental	87,916	40,743	5,810	26,628	3,499	20,747	185,343
Office expense and mileage	2,106	25,328	6,018	20,774	7,912	28,977	91,115
Printing and postage	153	567	989	1,088	141	17,345	20,283
Repairs and maintenance	13,611	6,436	1,872	23,535	1,019	4,679	51,152
Dues and subscriptions	24,411	80	296	149	108	2,826	27,870
Insurance	5,094	5,853	2,657	1,276	859	5,185	20,924
Promotion/advertising	35	-	-	-	-	24,436	24,471
Conferences/staff training	1,115	1,766	1,732	909	1,746	4,984	12,252
Telephone	3,966	4,423	1,896	1,008	668	4,021	15,982
Total nonpersonnel costs	255,978	160,060	53,706	265,659	20,782	213,789	969,974
Total expenses before depreciation	742,176	708,201	295,774	388,068	104,709	727,873	2,966,801
Depreciation	57,558	69,904	30,871	15,612	755	3,292	177,992
Total expenses	**$ 799,734**	**$ 778,105**	**$ 326,645**	**$ 403,680**	**$ 105,464**	**$ 731,165**	**$ 3,144,793**
2017 totals	$ 830,790	$ 806,128	$ 304,867	$ 363,703	$ 95,673	$ 643,499	$ 3,044,660

(Continued)

The accompanying notes are an integral part of these financial statements.

CURIODYSSEY

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended September 30, 2018

(Summarized Comparative Information for the Year Ended September 30, 2017)

	Supporting Services							
	Management and General	**Fundraising**	**Membership**	**Total Supporting Services**	**Total Operating 2018**	**Capital Campaign**	**Total 2018**	**Total 2017**
Salaries	$ 217,567	$ 239,400	$ 81,639	$ 538,606	$ 2,251,827	$ 243,057	$ 2,494,884	$ 2,457,271
Employee benefits and payroll taxes	42,857	41,152	8,365	92,374	375,980	29,111	405,091	401,925
Total personnel costs	260,424	280,552	90,004	630,980	2,627,807	272,168	2,899,975	2,859,196
Outside services	38,042	112,839	8,731	159,612	483,689	95,865	579,554	565,406
Facilities use/rent	3,087	3,324	1,066	7,477	203,982	55,224	259,206	285,206
Supplies, equipment and exhibit rental	7,152	3,535	4,142	14,829	200,172	140	200,312	200,463
Office expense and mileage	6,819	6,797	15,157	28,773	119,888	929	120,817	107,758
Printing and postage	873	23,343	18,932	43,148	63,431	2,708	66,139	75,075
Repairs and maintenance	4,750	5,018	3,743	13,511	64,663	5,019	69,682	66,075
Dues and subscriptions	9,150	924	38	10,112	37,982	-	37,982	32,877
Insurance	9,126	2,889	985	13,000	33,924	3,338	37,262	34,164
Promotion/advertising	27	250	2,930	3,207	27,678	-	27,678	70,869
Conferences/staff training	3,197	2,911	74	6,182	18,434	1,150	19,584	16,631
Telephone	2,387	3,981	760	7,128	23,110	3,232	26,342	21,977
Total nonpersonnel costs	84,610	165,811	56,558	306,979	1,276,953	167,605	1,444,558	1,476,501
Total expenses before depreciation	345,034	446,363	146,562	937,959	3,904,760	439,773	4,344,533	4,335,697
Depreciation	1,669	1,796	576	4,041	182,033	1,740	183,773	180,183
Total expenses	**$ 346,703**	**$ 448,159**	**$ 147,138**	**$ 942,000**	**$ 4,086,793**	**$ 441,513**	**$ 4,528,306**	**$ 4,515,880**
2017 totals	$ 359,110	$ 337,308	$ 111,338	$ 807,756	$ 3,852,416	$ 663,464	$ 4,515,880	

(Concluded)

The accompanying notes are an integral part of these financial statements.

CURIODYSSEY

STATEMENT OF CASH FLOWS

Year Ended September 30, 2018
(Comparative Information for the Year Ended September 30, 2017)

	2018	2017
Cash flows from operating activities		
Change in net assets	$ 1,986,791	$ (1,595,678)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation	183,773	180,183
Amortization of discount	129,886	119,717
Net realized and unrealized (gain) on investments	(10,047)	-
Changes in operating assets and liabilities		
Unconditional promises to give	(1,593,274)	611,860
Grants/accounts receivable	(67,541)	42,295
Annuity receivable	844	809
Store inventories	(16,047)	(6,116)
Prepaid expenses	22,163	(48,025)
Accounts payable and accrued liabilities	67,335	(3,994)
Accrued payroll and vacation	766	(21,978)
Deferred revenue	(163,182)	189,938
Net cash provided by (used in) operating activities	541,467	(530,989)
Cash flows from investing activities		
Purchases of investments	(3,351,674)	-
Changes in restricted cash	2,869,748	(52,726)
Purchases of property and equipment	(130,121)	(67,622)
Net cash used in investing activities	(612,047)	(120,348)
Net change in cash and cash equivalents	(70,580)	(651,337)
Cash and cash equivalents, beginning of year	297,027	948,364
Cash and cash equivalents, end of year	**$ 226,447**	**$ 297,027**

The accompanying notes are an integral part of these financial statements.

NOTE 1 – ORGANIZATION

CuriOdyssey (the "Organization") is a serious science playground and zoo where nearly 200,000 visitors a year observe wild animals and experiment with real scientific phenomena. As a science and wildlife center, our mission is to help children acquire the tools to deeply understand the changing world. CuriOdyssey is becoming the regional go-to community resource for building foundations for science fluency, as well as a highly influential model for informal science education. Currently, about half of the support is derived from contributions and grants from individuals, corporations, and foundations located in the San Francisco Bay Area and the other half is derived from earned revenue. The organization was founded in 1953 as a California non-profit corporation.

NOTE 2 – *THE CAMPAIGN FOR CURIODYSSEY:* BUILDING THE MINDS OF TOMORROW TODAY

The Campaign for CuriOdyssey continues to be a vehicle for growth for the organization. Early investors in the campaign saw CuriOdyssey's potential to increase its impact and lay the foundation for future expansion. With investments in reimagined exhibits, programs and animal exhibits, CuriOdyssey demonstrated a proof of concept which resulted in increased attendance, membership and contributed support. In order to support this projected growth, CuriOdyssey has a fully realized architectural rendering of the new CuriOdyssey building complete with a permit set, creating a shovel ready project. For the fiscal year, the annual operations were allocated a portion of the campaign funds raised as planned with board approval of the fiscal year 2018 budget.

Building on the initial success, the next phase of the campaign will focus on completely renovating our building utilizing the principles of sustainable architecture, supporting campaign expenses, and providing resources to relocate the visitor experience in Coyote Point Park while under construction. We will be able to vastly increase our usable space, allow for more classrooms, camps, exhibits and school programs. We will be able to offer new experiences such as a wildlife observation deck and outdoor natural play area. Our goal is that these future renovations will ultimately take CuriOdyssey from a community treasure to a world-class institution.

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

<u>Basis of Accounting</u>
The accompanying financial statements are prepared in accordance with accounting principles generally accepted in the United States (U.S. GAAP), which reflects revenues when earned and expenses as incurred.

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation
The Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Use of Estimates
The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual events and results could differ from those estimates.

Cash and Cash Equivalents
For purposes of the Statement of Cash Flows, the Organization considers all unrestricted highly liquid investments with a maturity of three months or less at the purchase date to be cash equivalents.

Restricted Cash
Balances include money market funds related to permanently restricted endowment funds and board-designated capital revolving funds which are restricted in use by the Organization. These balances are not considered part of cash and cash equivalents and are included in noncurrent assets on the Statement of Financial Position.

Investments
Investments are recorded at fair value. Gains and losses on fair value adjustments are recognized as the market fluctuates.

Grants and Accounts Receivable
Grants and accounts receivable represent program grants and event receivables. Grants and accounts receivable have been reviewed by management and it has been determined that there is no requirement for an allowance for doubtful accounts as of September 30, 2018.

Promises to Give
Unconditional promises to give are recognized as revenues or gains in the period received and as assets, decreases of liabilities, or expenses depending on the form of benefits received. Promises to give are recorded at net realizable value if expected to be collected in one year and at fair value if expected to be collected in more than one year. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional. A discount to pledges for the capital campaign has been recognized on the books. Promises to Give have been reviewed by management and it has been determined that there is no requirement for an allowance for doubtful accounts as of September 30, 2018.

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Property and Equipment
All acquisitions of equipment and improvements in excess of $1,500 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 primarily the straight-line method.

Revenue Recognition
Contributions represent unconditional promises to give, and are recognized as revenue in the period received. Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value.

Program fees include registration fees for education and wildlife classes and summer camp. Deposits received before a class or camp are deferred revenue and are recorded as refundable deposits.

Membership dues are recognized as earned upon receipt, as the estimated future costs for providing the membership services are immaterial.

Store sales are recognized as revenue at the point of sale.

Revenues for facility rentals are earned as each event is held. Deposits received before an event is held are recorded as deferred revenue.

Restricted and Unrestricted Revenue
Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire (that is, when a stipulated time restriction ends or the purpose of the restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions.

Donated Assets
Donated marketable securities and other noncash donations are recorded as contributions at their estimated fair values at the date of donation.

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Donated Facilities and Services
The financial statements reflect $77,319 of donated occupancy rights for the year ended September 30, 2018 (see Note 7). Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization.

A substantial number of volunteers make significant contributions of their time to ensure the success of the Organization. Reported volunteer hours were approximately 12,000 for the fiscal year. The Organization's volunteers assist significantly in providing educational programs for citizens and schools in the San Francisco Bay Area as well as volunteering in the wildlife habitats and administration. The value of the contributed time is not reflected in the accompanying financial statements since they do not meet with criteria for recognition.

In-kind donations are recognized as contributions that would otherwise have been purchased by the Organization. During the year ended September 30, 2018, the Organization received $29,770 of donated goods or services for the following: annual fundraiser donations of wine, catering and rentals, a laptop, and architect services for the capital campaign.

Expense Allocation
Directly identifiable expenses are charged to programs and supporting services. Expenses related to more than one function are allocated to programs and supporting services based on square footage, facility usage, number of employees, and specific identification.

Advertising
The Organization uses advertising to promote its programs among the audiences it serves. The costs of advertising are expensed as incurred.

Income Taxes
The Organization is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and Section 23701d of the California Revenue and Taxation Code. In addition, the Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization other than a private foundation under Section 509(a)(2).

Presentation of Sales Taxes
The State of California imposes a sales tax on all gift shop goods sales to customers. The Organization collects that sales tax from customers and remits the entire amount to the State. The Organization's accounting policy is to exclude the tax collected and remitted to the State from sales and expenses.

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Comparative Financial Information

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended September 30, 2017, from which the summarized information was derived.

Recent Accounting Pronouncements

In June 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, which assists entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of Topic 958, *Not-for-Profit Entitie*s, or as exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional. ASU 2018-08 should be applied on a modified prospective basis and retrospective application is permitted. ASU 2018-08 will be effective for fiscal years beginning after December 15, 2018, and interim periods within fiscal years beginning after December 15, 2019. The Organization is in the process of assessing the effect that the guidance will have on its financial statements.

In November 2016, the FASB issued ASU 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash,* which provides guidance on the presentation of restricted cash or restricted cash equivalents in the statement of cash flows. ASU 2016-18 will be effective for the Organization beginning on January 1, 2019. ASU 2016-18 must be applied using a retrospective transition method with early adoption permitted. The Organization is currently evaluating the impact of the adoption of this guidance on its financial statements.

In August 2016, the FASB issued ASU 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entitie*s, which simplifies and improves how a not-for-profit organization classifies its net assets, as well as the information it presents in financial statements and notes about its liquidity, financial performance, and cash flows. Among other changes, the ASU replaces the three current classes of net assets with two new classes, "net assets with donor restrictions" and "net assets without donor restrictions", and expands disclosures about the nature and amount of any donor restrictions. ASU 2016-05 is effective for fiscal years beginning after December 15, 2017 and interim periods within fiscal years beginning after December 15, 2018, with early adoption permitted. The Organization is currently evaluating the impact the adoption of this guidance will have on its financial statements.

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recent Accounting Pronouncements (Continued)
In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. The guidance in this ASU supersedes the leasing guidance in Topic 840, *Leases*. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. The new standard is effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. A modified retrospective transition approach is required for lessees for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements, with certain practical expedients available. The Organization is currently evaluating the impact of the pending adoption of the new standard on the financial statements.

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*, requiring an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The updated standard will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective and permits the use of either a full retrospective or retrospective with cumulative effect transition method. In August 2015, the FASB issued ASU 2015-14 which defers the effective date of ASU 2014-09 one year making it effective fiscal years beginning after December 15, 2018. The Organization has not yet selected a transition method and is currently evaluating the effect that the standard will have on the financial statements.

NOTE 4 – FINANCIAL INSTRUMENTS AND CREDIT RISK

The Organization manages deposit concentration risk by placing cash, and money market accounts with financial institutions believed by us to be creditworthy. At times, amounts on deposit may exceed insured limits or include uninsured investments in money market mutual funds. To date, we have not experienced losses in any of these accounts. Credit risk associated with accounts receivable and promises to give is considered to be limited due to high historical collection rates and because substantial portions of the outstanding amounts are due from Board members, donors, and foundations supportive of our mission. Investments in corporate bonds, and bond and equity funds are diversified and are managed by an independent investment advisor whose performance is monitored by Organization management and the Finance Committee of the Board of Directors. Although the fair values of investments are subject to fluctuation on a year-to-year basis, we believe that the investment policies and guidelines are prudent for the long-term welfare of the Organization.

At September 30, 2018, three donors comprised 78% of total unconditional promises to give.

NOTE 5 – INVESTMENTS

The estimated fair value of investments shown below has been determined in accordance with the hierarchy in U.S. GAAP.

- Level 1 Valuations – Valuations based on quoted market prices in active markets for identical asset and liabilities.
- Level 2 Valuations – Valuations for assets or liabilities traded in less active dealer or broker markets, or obtained from third party pricing services for identical or similar assets or liabilities. As of September 30, 2018, CuriOdyssey has no Level 2 investments.
- Level 3 Valuations – Fair value measurements based on valuations techniques that use significant inputs that are unobservable. As of September 30, 2018, CuriOdyssey has no Level 3 investments.

The breakdown of investments as presented on the Statement of Financial Position as follows:

	Fair Value Level	Capital Revolving Fund	Permanently Restricted	Total
Cash equivalents	Level 1	$ 17,816	$ 172,810	$ 190,626
Equity funds	Level 1	-	357,611	357,611
Bond Funds	Level 1	2,503,079	310,405	2,813,484
Total		**$ 2,520,895**	**$ 840,826**	**$ 3,361,721**

Investment income for the year ended September 30, 2018 was as follows:

	Capital Revolving Fund	Permanently Restricted	Total
Interest and dividend income	$ 38,191	$ 8,892	$ 47,083
Unrealized gain/(loss)	(2,219)	12,266	10,047
Investment management fees	(3,087)	(1,134)	(4,221)
Total	**$ 32,885**	**$ 20,024**	**$ 52,909**

Investment income is treated as unrestricted revenue on the Statement of Activities.

NOTE 6 – PROMISES TO GIVE – CAPITAL CAMPAIGN

	Combined	Capital	Annual	Total
Receivable in less than one year	$ 2,730,000	$ 806,668	$ 2,000	$ 3,538,668
Receivable in one to five years	1,743,000	1,260,000	1,000	3,004,000
Total unconditional promises to give	4,473,000	2,066,668	3,000	6,542,668
Less: discounts to net present value	(93,565)	(75,878)	(49)	(169,492)
Net present value	**$ 4,379,435**	**$ 1,990,790**	**$ 2,951**	**$ 6,373,176**

Promises to give to be received after September 30, 2019 are discounted at 3%.

NOTE 7 – PROMISES TO GIVE – DONATED FACILITIES

Restricted to facilities use (see Note 6)	
Receivable in less than one year	$ 207,206
Receivable in one to five years	777,023
	984,229
Less: discounts to present value	(127,487)
Net present value	856,742
Less: current portion	(147,639)
Long-term portion	**$ 709,103**

The discount rate used on the long-term unconditional promise to give is 8% through June 2019 and 4% from July 2019 through June 2023.

NOTE 8 – PROPERTY AND EQUIPMENT

Wildlife habitats	$ 4,738,978
Building improvements	1,273,092
Office furniture and equipment	519,418
Redwood Hall and related equipment	243,448
	6,774,936
Less: accumulated depreciation	(5,650,272)
Property and equipment – Net	**$ 1,124,664**

NOTE 8 – PROPERTY AND EQUIPMENT (Continued)

The CuriOdyssey building was constructed on land owned by the County of San Mateo. The Organization paid a portion of the cost of construction. The CuriOdyssey building contains the offices, classrooms, Redwood Hall, and exhibits. The Wildlife Habitats were built adjacent to the building on land also owned by the County of San Mateo. The construction of the Wildlife Habitats was financed entirely by contributions to the Organization.

CuriOdyssey has an agreement with the Board of Supervisors of the County of San Mateo to operate for 30 years as of August 15, 1989. During the year ended June 30, 2002, this agreement was amended to extend the use for four additional years to 2023. Title to the land, building, and exterior improvements are held by the County. The title to the Wildlife Habitats, Redwood Hall, exhibits, and personal property remains with CuriOdyssey until the termination of the aforementioned agreement. The Organization is not required to pay electricity, water, or rent to the County for use of the facilities, but is responsible for interior maintenance of the building and operation of the programs.

The fair market value of the rent at the date of the promise to give use of the facilities was $207,206 per year and is recorded in facilities use/rent in the accompanying Statement of Functional Expenses. For the year ended September 30, 2018, $77,319 of the unamortized discount was realized as contributed facilities. The remaining present value of this unconditional promise to give at September 30, 2018 is $856,742, net of the unamortized discount of $127,487 (see Note 7).

The Organization signed a new ground lease with County of San Mateo in May 2016. The updated lease will commence from the date of the issuance of a building permit and will expire on the thirtieth (30th) anniversary of the Certificate of Occupancy, with the option to extend the lease for two (2) additional fifteen (15) year terms. As of the audit report date, this lease has not gone into effect.

NOTE 9 – TEMPORARILY RESTRICTED NET ASSETS

	Beginning	Additions	Releases	Ending
Restricted as to purpose:				
Public programs	$ -	$ 111,626	$ (97,476)	$ 14,150
School services	-	171,000	(171,000)	-
Operations	49,807	25,000	(74,807)	-
Wildlife	-	64,633	(42,298)	22,335
Capital campaign – renovation	-	2,746,619	(441,513)	2,305,106
Restricted as to timing:				
Donated facilities	986,628	77,319	(207,206)	856,741
Grant and annuity	31,412	152,500	(71,482)	112,430
Total	**$ 1,067,847**	**$ 3,348,697**	**$ (1,105,782)**	**$ 3,310,762**

NOTE 10 – PERMANENTLY RESTRICTED NET ASSETS

The Board of Trustees has determined that the permanently restricted net assets meet the definition of endowment funds. The Organization has reviewed these funds and considers that they are currently being appropriately reflected in the financial statements.

Investment Return Objectives, Risk Parameters, and Strategies
The Organization has adopted an investment policy, approved by the Board of Trustees, which attempts to provide a predictable stream of funding available for the purposes of the endowment while also maintaining the purchasing power of the endowment assets over the long term. Endowment assets are invested in a diversified portfolio of bond and equity mutual funds selected by an independent investment advisor, and is included in Restricted Investments in the Statement of Financial Position.

Endowment Spending Policy
In May 2018, the Organization's policy on endowment spending changed from transferring the earnings on endowment funds to unrestricted net assets to the new spending policy of 2 - 6% per year upon approval by the Board of Directors. This spending policy will allow the Organization to utilize endowment funds beyond the original corpus of the endowment. In this first year of the new spending policy the organization withdrew $52,570, or 6% of the corpus to use in annual operating thus placing the corpus underwater, after net investment income, by $32,546. Funds will be replenished by future earnings. In establishing this policy, the Organization considered the long-term expected return on its investment assets, the nature and duration of the individual endowment fund, which must be maintained in perpetuity because of donor-restrictions, and the possible effects of inflation. UPMIFA, as interpreted by the Organization' Board, requires the funds to be retained as a perpetual duration. In accordance with GAAP, deficiencies of this nature that are reported in unrestricted net assets were $32,546 as of September 30, 2018.

	Unrestricted	**Permanently Restricted**	**Total**
Beginning of year, donor restricted endowment fund	$ -	$ 876,211	$ 876,211
Investment return			
Investment income	8,892	-	8,892
Unrealized gains	12,266	-	12,266
Investment expenses	(1,134)	-	(1,134)
Total investment return	20,024	-	20,024
Appropriations of endowment	(52,570)	-	(52,570)
End of year, donor restricted endowment fund	**$ (32,546)**	**$ 876,211**	**$ 843,665**

NOTE 11 – RETIREMENT PLAN

The Organization has a Non-ERISA tax-deferred retirement plan under Section 403(b) of the Internal Revenue Code which covers all employees at least 21 years of age. Eligible employees may make contributions to the plan up to the maximum amount allowed by the Internal Revenue Code if they wish. The Organization did not make any employer contributions during the year ended September 30, 2018.

NOTE 12 – OPERATING LEASES

The Organization leases a copier and a postage meter under leases through July 2022, and leased warehouse space under a lease that expired in May 2018 and was not renewed. Rent expense under these and other leases/contracts was $65,831 for the year ended September 30, 2018. Future minimum lease payments are as follows:

Years Ending September 30,	
2019	$ 5,826
2020	5,826
2021	5,826
2022	2,855
Total	**$ 20,333**

NOTE 13 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through February 5, 2019, the date on which the financial statements were available to be issued, and determined there were no subsequent events to be reported.